



BUILDING A
BETTER FUTURE

PERFORMANCE CULTURE

- Thinking, working and living safely
- Building a high performance culture

OPERATIONAL EXCELLENCE

- Increasing value delivered to our community and shareholders
- Increasing our competitiveness

CUSTOMERS

- Being open and collaborative
- Providing superior customer service
- Delivering highly reliable water service
- Producing safe, high-quality water

ENVIRONMENT

- Protecting people's health and enhancing the environment
- Balancing water supply and demand

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The HWC 2007/08 Annual Report has been prepared in accordance with the relevant legislation for The Hon Phillip John Costa, MP

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17 October 2008

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The Hon Phillip John Costa, MP
Minister for Water Utilities
Minister for Rural Affairs
Minister for Regional Development
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Minister,

I have pleasure in submitting the Hunter Water Corporation 2007/08 Annual Report for the financial year ended 30 June 2008, for presentation to the Parliament of New South Wales in accordance with the Annual Reports (Departments) Act 1985.

The 2007/08 Annual Report provides an overview of Hunter Water's key performance and highlights, as well as the consolidated financial statements for Hunter Water Corporation including its subsidiary companies HWA and RLMC.

Key features of the report include an insight into Hunter Water's new strategic business plan and strategy map, features on our customer and environmental performance as well as highlights of our dynamic performance culture and commitment to operational excellence.

Hunter Water Corporation will make the 2007/08 Annual Report available electronically at www.hunterwater.com.au following acceptance of this report in the Parliament of New South Wales.

Yours sincerely

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

Kevin Young
Managing Director

BUILDING A BETTER FUTURE

OBJECTIVES OF THIS REPORT

This report outlines Hunter Water's activities and corporate performance for the 2007/08 financial year.

The front section of the report provides a summary and highlights of how Hunter Water has performed against the key pillars of its new strategic business plan – performance culture, operational excellence, customers and the environment.

Further statistical information, performance against specific regulatory frameworks, environmental reports and financial reports are detailed in subsequent sections.

For ease of use there is also a glossary of terms on p87 and an index on p86.

BEING OPEN AND COLLABORATIVE

Hunter Water is committed to being open and collaborative, this report is an example of how it seeks to be transparent in its decision making and operations.

Hunter Water welcomes feedback on this report, a feedback form can be found on page 89. You can also send feedback electronically by emailing feedback@hunterwater.com.au

This report, past reports and other major Hunter Water reports and publications can be obtained from our website at www.hunterwater.com.au or by calling 1300 657 657.



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PERFORMANCE CULTURE

OPERATIONAL EXCELLENCE

CUSTOMERS

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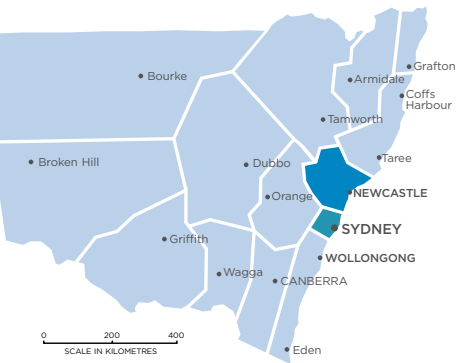
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OUR BASIC BUILDING BLOCKS

HUNTER WATER IS COMMITTED TO PROTECTING PEOPLE'S HEALTH AND ENHANCING THE ENVIRONMENT WHILE PROVIDING A SUPERIOR LEVEL OF CUSTOMER SERVICE. WE ARE PROUD TO SERVE OUR CUSTOMERS OF THE LOWER HUNTER AND LOOK FORWARD TO A BRIGHT AND PERFORMANCE DRIVEN FUTURE.



WHAT WE DO

Hunter Water is a State Owned Corporation (SOC) providing water and wastewater services for over half a million people in the lower Hunter region. There are 220,600 properties connected to the water network and 208,660 to the wastewater network. Our total assets are valued at approximately 2.2 billion dollars.

Our area of operation covers 5,366km² with a population of 517,273 in the local government areas of Cessnock, Lake Macquarie, Maitland, Newcastle, Port Stephens and small parts of Singleton. Dungog joins us on 1 July 2008.

Bulk water is supplied to small parts of the Great Lakes area. We have capacity to supply up to 35 megalitres of water per day to the Central Coast. We also provide some stormwater services to the lower Hunter, with 100km of stormwater channels in Cessnock, Newcastle and Lake Macquarie.

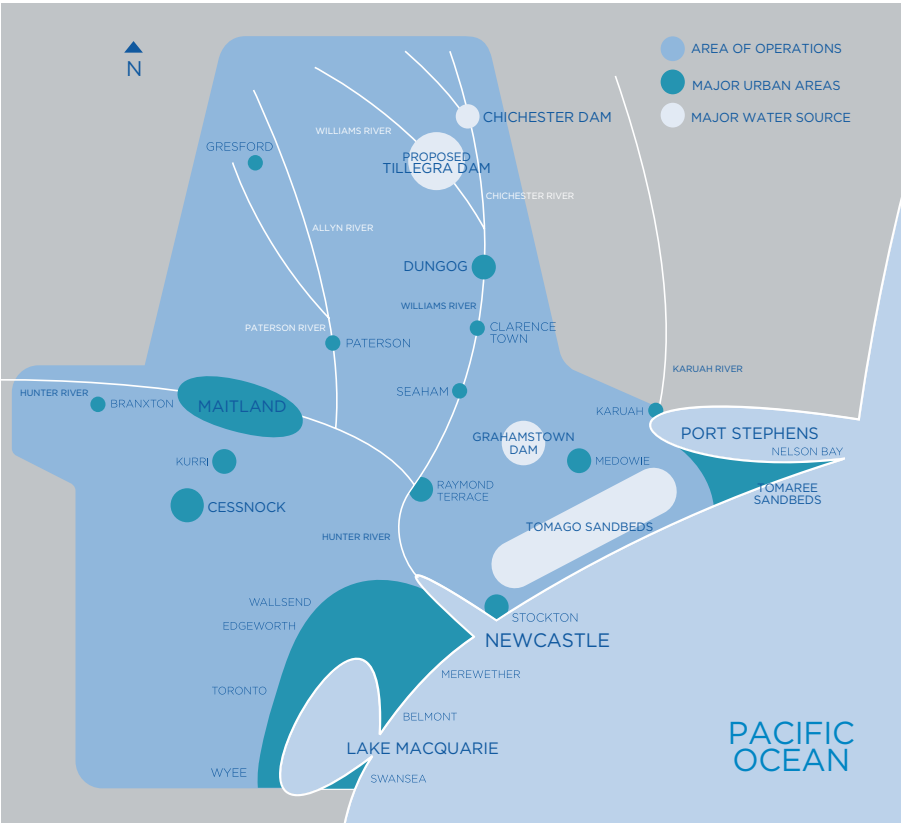
We deliver an average 205 megalitres (one megalitre equals 1 million litres) of water per day. Our raw water sources are: Grahamstown Dam (190,000ML), Chichester Dam (21,500ML), Tomago Sandbeds (60,000ML) and Anna Bay Sandbeds (16,000ML).

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

Our water consistently meets the most recent guidelines for drinking water set by the National Health and Medical Research Council (NHMRC).

Wastewater is collected and treated to a very high standard and clear effluent is discharged to waterways or reused where it is economically and environmentally beneficial.

HUNTER WATER'S AREA OF OPERATIONS



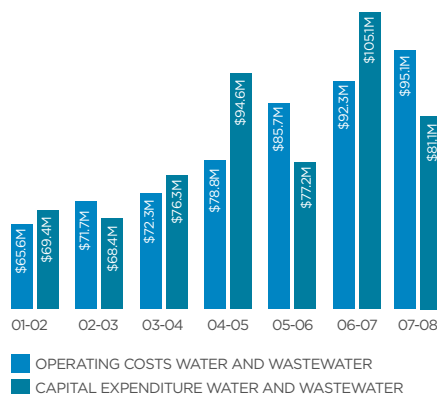
HOW THINGS STACK UP



Number of water connections

220,600

OPERATING AND CAPITAL



WATER SOURCES

Grahamstown Dam
190,000ML

Tomago Sandbeds
60,000ML

Chichester Dam
21,500ML

Anna Bay Sandbeds
16,000ML



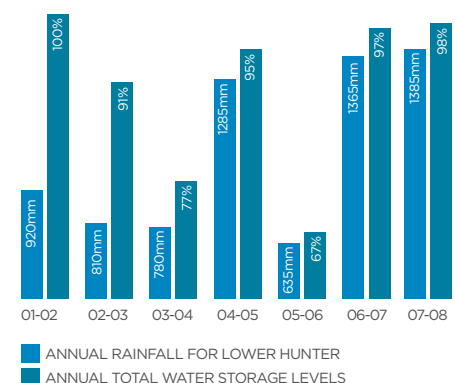
The prices that Hunter Water charges its customers for water, sewer services, stormwater and trade waste are set by the NSW Independent Pricing and Regulatory Tribunal (IPART). IPART is an independent body that sets prices for a range of government services including water, transport and aspects of gas and electricity. The current four year price path expires on 30 June 2009 and Hunter Water will be preparing for a new price submission to IPART early in the 2008/09 financial year.



Length of water pipes in service

4,690km

STORAGES AND RAINFALL





MANAGING DIRECTOR AND CHAIRMAN



Kevin Young | Managing Director



Ron Robson | Chairman

BUILDING A NEW WAY OF DOING BUSINESS

A MESSAGE FROM THE
MANAGING DIRECTOR AND CHAIRMAN

PERFORMANCE CULTURE
OPERATIONAL EXCELLENCE
CUSTOMERS
ENVIRONMENT

THE WATER INDUSTRY HAS MOVED INTO AN ERA OF UNPRECEDENTED CHANGE. ITS CHARACTER IS NO LONGER DOMINATED BY THE STEADY CERTAINTY OF ITS ENGINEERING AND TECHNOLOGY FOCUSED HISTORY.

New paradigms have concurrently emerged around the uncertainty of supply, commercial pressures and community expectations. These new paradigms produce a more dynamic environment which demands strategic thinking well beyond the traditional spheres of water and wastewater resource planning.

Whilst these new paradigms present significant challenges, they also offer tremendous opportunities to improve industry efficiency and effectiveness; and to break through historical impediments. We see a more sustainable future ahead.

To ensure Hunter Water operates effectively in this new environment we have moved to a new strategic planning approach. This was the first year of operation of a five year rolling Strategic Business Plan built around a strategy map explicitly designed to lift our strategic focus toward stakeholder and customer outcomes. We have begun to take a more dynamic and aspirational view of our strategic goals. Regulatory driven objectives have become the floor for our efforts, rather than the ceiling.

The plan has four pillars – performance culture, operational excellence, customer and environment. We have reported our performance against these four areas in this report.

So 2007/08 has been a time of significant learning and transition for us. It was a foundation for us to build on.

Given the magnitude of the change in this foundation year, we have performed extremely well but there is more to be done.

Revenue was down by \$15 million because of reduced demand for water in the Hunter and from the Central Coast. Staff performed magnificently to bring operating costs in at \$1 million under budget. Overall our earnings finished 7% down and profit down 5% against targets.

Our capital delivery fell short of our goals. A major new strategy was completed at the end of this year to address weaknesses in the existing capital process.

We undertook process improvement action on many fronts, bolstered by the formulation of the Continuous Improvement team. Benefits have begun to flow through on some projects but more positive outcomes will flow through for many key strategies during 2008/09.

Our medical injury treatment rate dropped by 40% which was pleasing, but we had two lost time injuries (LTI) during the year which is two too many.

In 2008/09 the Health and Safety focus will be lifted to further strengthen our safety culture, and underpin achievement of our zero LTI target.

We have done very well against our regulatory objectives. A clear set of customer commitment statements has been developed that will underpin the 2008/13 Strategic Business Plan. After significant study and consultation, our major Integrated Water Resource Plan (now the H₂50 Plan) is close to finalisation.

Significant progress and consultation has occurred on two major planks of that plan – Tillegra Dam and the Kooragang Recycled Water Scheme.

In this new environment, where the future is more dynamic and less certain, Hunter Water's key challenge is to evolve quickly into a high performance organisation, characterised by the business capability, achievement focus, flexibility and adaptability of its people. Our culture change program continued this year, and results from testing carried out this year show we have made significant progress in developing a more collaborative and constructive culture.

We are very proud of the way our staff have embraced change and our change program. Hunter Water will be even more successful by working together as one team. Collaboration is key – between the Board, management and staff.

The competitive landscape has become a little clearer over the twelve months and will be our new reality. We have prepared for this and lessons learned have been reflected in the outcomes and targets in the 2008/13 Strategic Business Plan.

Next year, the Independent Pricing and Regulatory Tribunal (IPART) will complete its review of our new price path for 2009-13. Considerable work was carried out this year on modelling and developing our submission to IPART.

The foundations that have been laid this year will allow Hunter Water to embrace change, meet new challenges, and successfully serve its customers and shareholders in the coming years.

We have started building a new Hunter Water.



OTHER MEMBERS OF THE BOARD

Members of the Board as of 1 July 2008

Barbara Crossley | Alan Chappel | Jann Gardner | John O'hearn | Jeff Eather | Gary Kennedy | Adrian Page

GOOD GOVERNANCE, STRATEGIC DIRECTION AND COLLABORATION

WORKING TOGETHER TO BUILD A BETTER FUTURE

HUNTER WATER'S BOARD OVERSEES THE CORPORATION'S POLICIES, MANAGEMENT AND PERFORMANCE. IT SETS STRATEGIC DIRECTION FOR THE ORGANISATION AND ENSURES IT ACHIEVES ITS BUSINESS AND REGULATORY OBJECTIVES.

Hunter Water's two subsidiary companies, Hunter Water Australia (HWA) and the Regional Land Management Corporation (RLMC) operate autonomously and have their own Boards.

As planned, RLMC ceased operations this year as it merged with Honeysuckle Development Corporation to form the Hunter Development Corporation. Reports for both of these organisations are contained later in this report.

Hunter Water has a strong corporate governance program that underpins our strategic objectives and commitment to our customers, shareholder and the community. The Board's Corporate

Governance and its Audit and Compliance Committees play a key role in setting Hunter Water's corporate governance culture.

In 2007/08 the Corporate Governance Committee undertook a self-assessment to determine conformance of its actions against the requirements of its Charter. The review found that the Charter's requirements were largely being met. It was noted that it had been some time since the Committee's membership had changed. As a result Ms Barbara Crossley replaced Mr Ross Knights in March 2008. A further membership change was necessitated by the retirement from the Board of the Committee's Chairman, Mr David Boyd. Mr Boyd was replaced as Chairman by Mr Jeff Eather.

The Board has delegated to the Audit and Compliance Committee the oversight of Hunter Water's risk management processes. A principle objective of the Committee is to review and assess the effectiveness of the Corporation's system of internal control. As part of the refresh of risk management processes in 2007/08, the Committee's role in risk management has evolved to include oversight of the

Enterprise Risk Management Framework, as well as review and validation of Corporate level risk assessments.

With the changing focus in the Committee's role, the Board took a decision in July 2008 to re-name the Audit and Compliance Committee as the Audit and Risk Committee.

The NSW Audit Office is Hunter Water's statutorily appointed external auditor. In 2007-08 the Audit Office outsourced Hunter Water's audit to Prosperity Advisors for a period of 4 years.

During 2007/08, a comprehensive Enterprise Risk Management (ERM) Framework was developed to further build upon our substantial expertise in, and commitment to, effective risk management. This Framework is designed to provide a corporate risk profile that is dynamic and readily able to identify the key risks facing the business as a whole at any singular point in time. The key themes underpinning the corporate strategy map were used to develop identification and assessment tools which are designed to be utilised in all aspects of the business.

A more detailed description of the Board and its committees is contained on p84.

AGENCY	AREA	INSTRUMENT	PURPOSE
Minister for Water	• Obligations to shareholders	• State Owned Corporations Act, 1989 • Hunter Water Act, 1991 • Statement of Corporate Intent	• Governing legislation • Enables the Minister to direct Hunter Water in certain matters of public interest
Independent Pricing and Regulatory Tribunal (IPART)	• Operating conditions and obligations to customers • Pricing	• Operating Licence • Customer Contract • Pricing Determination	• Specifies customer service standards including drinking water quality - audited annually • Independently sets prices for four year periods
Dept of Environment and Climate Change (DECC)	• Wastewater transport and treatment	• Licence Agreements	• Stipulates the quality and quantity conditions for discharge from each wastewater treatment works • Specifies operational controls and performance reporting for the pipe network and pump stations • Reviewed every three years
Dept of Water and Energy (DWE)	• Water extraction	• Licence Agreements	• Regulates the extraction of water from natural surface and groundwater sources
Dept of Health (DOH)	• Drinking water quality monitoring	• Memorandum of Understanding	• Sets the scope of the drinking water monitoring plan and procedures for communicating results

GENERAL MANAGEMENT TEAM



DELIVERING THE STRATEGIC BUSINESS PLAN OBJECTIVES

WORKING TOGETHER TO BUILD A BETTER FUTURE

THIS WAS OUR FIRST YEAR OF OPERATION USING A NEW STRATEGIC BUSINESS PLAN. HUNTER WATER'S 2007-2012 PLAN FORGED A NEW APPROACH FOR OUR STRATEGIC PLANNING PROCESS.

The new Plan is based on the balanced scorecard. Performance in achievement of strategic objectives is regularly reviewed and reported. In the past, our Strategic Plan has been prepared and published once every three to four years.

The introduction of the new plan this year is the most significant change to happen at Hunter Water in a decade.

The strategic plan identifies Hunter Water's vision, values and purpose, sets out long-term goals and short term priorities across key focus areas - Customers, Environment, Operational Excellence and Performance Culture - and establishes performance measures for each priority area.

Operational excellence and performance culture are the pillars of our business that hold up our focus on customers and the environment. In a new approach, the strategic plan now forms the cornerstone of our annual business planning cycle, containing the detail of Hunter Water's financial modeling and future capital works program which underpins the annual Statement of Corporate Intent submitted to our Shareholders.

A Strategy Map (illustrated on p14) provides a single page snapshot connecting multiple strategic perspectives. It is structured around the key themes of Customers, Environment, Performance Culture and Operational Excellence.

For each of these themes, the high level outcomes to be achieved are identified, as are the drivers which underpin these

outcomes. Each theme is considered from four perspectives:

- creation of long term stakeholder value, growth and productivity
- the customer value proposition
- internal processes and systems to facilitate delivery of objectives
- learning and growth associated with the critical intangible assets of human, information and organisational capital

The objectives in the latter two perspectives (Internal Processes and Learning and Growth) drive the outcomes in the former - Stakeholder and Customer. The resulting objectives and outcomes are represented on the map as individual 'bubbles' each of which is, in turn, underpinned by specific initiatives and associated performance measurements. Strategies will help us meet the identified challenges and ensure that we continue to succeed in the delivery of high quality, financially and environmentally sustainable services to the communities which we serve.

This is the first planning cycle Hunter Water has used a formal strategy map. It has helped with the development and clarification of strategic objectives and the actions necessary to deliver those objectives. There is scope for improvement in future iterations of the Strategy Map, particularly in relation to setting targets and measures.

The purpose of Strategy Mapping is to link long term perspectives with here and now activities. Consequently the Map is inherently stable (given its long term focus) but is also a 'living' picture which will change and evolve over time as business circumstances change.

The Map is reassessed at least once per year, as part of the annual planning cycle and progress against delivery of its actions and targets is reviewed quarterly by the General Management Team.

Key drivers of this year's plan were:

- the need to complement existing technical strengths with broader skills and thinking styles to provide innovative solutions to challenges and to generate or take advantage of business opportunities as they arise
- planning and delivering infrastructure to support the 160,000 forecast regional population growth over the next 25 years (outlined in the Lower Hunter Regional Strategy)
- the attraction and retention of quality staff
- balancing the efficiencies and certainties which arise from a regulated four year price path, with the restrictions it places on dynamic response to emerging issues and opportunities
- incremental requirements arising from our new Operating Licence which came into force in July 2007
- delivery of a significant capital investment program

Implementing such a fundamental change was not without its challenges. We were too ambitious and made the plan too detailed and complex. After review, analysis and consultation with staff a new Strategic Plan for 2008-13 was developed. It is more streamlined and cascades into divisional, group and team plans, and then into individual performance agreements.

This year the strategic business plan will be more effective in driving the activities and performance of each and every staff member.

OUR STRATEGY MAP AND SYMBOL

STRUCTURE AND INSPIRATION

The symbol of the house is indicative of the four pillars of our business; operational excellence, customer, environment and performance culture.

Our strategy map provides a single, visual snapshot connecting our strategic commitments that underpin the actions and outcomes detailed in our strategic business plan.

The strategy map is structured around the four key themes of operational excellence, customer, environment and performance culture.



		CUSTOMERS	ENVIRONMENT	OPERATIONAL EXCELLENCE
OUTCOMES	STAKEHOLDERS To satisfy our stakeholders, what objectives must we accomplish?	Meet regulatory requirements	Meet regulatory requirements Protecting people’s health and enhancing the environment	Meet regulatory requirements Increase competitiveness and value delivered to the community Enhance shareholder value
	CUSTOMERS To achieve our objectives, what customer needs must we serve?	Delivering highly reliable water service Providing superior customer service Producing safe, high quality water	Delivering highly reliable water service	
DRIVERS	INTERNAL PROCESSES To satisfy our stakeholders and customers, what internal processes must we excel at?	Be open and collaborative Influence government and regulatory policy Competitive and sustainable products Service delivery value chain Balance water supply and demand Understand customer wants and needs	Be open and collaborative Influence government and regulatory policy Competitive and sustainable products Environmental stewardship Balance water supply and demand	Be open and collaborative Influence government and regulatory policy System and process efficiency and effectiveness Build and drive knowledge management
	LEARNING AND GROWTH To achieve our goals, how must our organisation learn and motivate?	Active health and safety commitment Customer focused mindset Constructive behaviour	Active health and safety commitment Environment focused mindset Workforce planning	Active health and safety commitment Continuous improvement mindset ICT competency at all levels
		PERFORMANCE CULTURE		

HIGHLIGHTS FOR 2007/08

PERFORMANCE CULTURE



People are Hunter Water's primary asset – without them achievement of its business goals would not be possible, particularly as it moves forward into a more competitive environment. To meet the demands of a changing operating environment Hunter Water needs a high performance business culture.

HIGHLIGHTS

- Developed a new Human Resources Strategy and a new OHS Strategy
- Significant improvement in organisational culture after first retest of organisation-wide culture survey
- Implemented new internal communications strategy and developed supporting communication tools
- Continuation of culture change program

OPERATIONAL EXCELLENCE



Hunter Water strives to meet the dual objectives of providing value for money services to its customers and adequate returns to its shareholder, the NSW Government.

HIGHLIGHTS

- New Continuous Improvement Unit established
- Introduced activity based costing
- Significant improvements in our Information and Communication Technology (ICT) processes and support systems
- Invested about \$100 million in capital works including the completion of Stage 4 of the Gosford/Wyong pipeline, Stockton Water System upgrade and work to repair damage from June 2007 storms
- Completed the Maitland Cessnock Water Strategies

CUSTOMERS



Hunter Water's prime purpose is as a service provider to its customers - it aims to be the supplier of choice for all of its customers.

HIGHLIGHTS

- Met all performance standards under its Operating Licence in 2007/08
- Increase in customer satisfaction to 83%
- 31% reduction in customer complaints
- Development of a clear set of customer commitment statements to underpin the 2008/13 Strategic Business Plan
- Implemented new external communications strategy, including a new customer newsletter and website

ENVIRONMENT



Hunter Water takes its role as an environmental steward seriously and is committed to integrating sustainability principles into the way in which it plans and operates its business.

HIGHLIGHTS

- Completion of the H₂50 Plan for public exhibition and anticipated final approval early 2008/09
- Extensive work on progressing Tillegga Dam as well as recycled residential and industrial water schemes
- Established an Eco-Office and other initiatives to reduce our impact on the environment
- Concluded the Williams River Best Management Practice Farm Demonstration Project



PERFORMANCE CULTURE

OUR PEOPLE ARE OUR MOST IMPORTANT ASSET

THROUGH TEAMWORK
WE WILL ACHIEVE OUR
BUSINESS OBJECTIVES

WE ARE PREPARING OUR
PEOPLE TO SUCCEED IN
COMPETITIVE ENVIRONMENTS

PERFORMANCE MEASURES

- LOST TIME/MEDICAL TREATMENT INJURIES
- CULTURE SURVEY FOR COMMUNICATION AND OTHER FACTORS

To meet the demands of a changing operating environment, Hunter Water needs a high performance business culture. We are in the early stages of a culture change program which aims to develop a business culture in which our people are motivated, achievement focused and work cooperatively and collaboratively as 'One Team'.

The ongoing development and safety of our people is a key focus.

Our goals for this year were to:

- have no workplace and related injuries
- attract and retain high calibre staff
- ensure ongoing staff development
- foster an environment in which staff are motivated to come to work, enjoy challenges and achieve goals
- improve efficiency and effectiveness through visibility, understanding and co-operation in delivery of processes across organisational boundaries
- build and drive knowledge management systems and processes
- structured communication channels, understood by all, to ensure effective dissemination of key messages

MEASURING SUCCESS

We sought to measure our success in implementing a high performance culture in a number of ways this year. Our safety performance is measured through statistics on lost time and medical treatment injuries. Through an independently conducted culture survey we measure our organisational culture and organisational effectiveness.

HOW DID WE PERFORM?

A new Human Resources Strategy and a new OHS Strategy were developed this year as we set foundations for the continued development of a high performance culture. Our efforts this year and last year to construct a more collaborative and constructive culture are paying dividends with a significant improvement in culture achieved following the first retest of the organisation-wide culture survey.

The disappointment this year was our safety performance with two lost time injuries (LTIs) and a total of 37 injuries requiring treatment. With a new OHS Strategy and safety leadership program developed we hope to meet our target of no LTIs in the coming year.

Information and good communication is essential to achieve our target culture and to efficiently meet customer needs. A range of new and revamped internal communication tools were implemented this year under a new strategy.

LOOKING AHEAD

Priorities for the coming year include a focus on training in customer service, business improvement skills and safety leadership. A workforce skills gap analysis will be undertaken as will succession planning for all critical positions. The ties between training and development programs, succession planning and job specifications will be tightened. The corporate Intranet will be redesigned to further enhance communication and ensure staff have information at their fingertips to do their job efficiently.

And finally, negotiations for a new Enterprise Agreement will also commence in late 2008.

HUMAN RESOURCES



HUMAN RESOURCES

Hunter Water is facing some new, exciting and emerging challenges. Increased competition and a changing regulatory environment means we need a workforce that is highly skilled, with a high performance culture, that is accepting and adaptive to change.

In the water industry and in Hunter Water, the workforce is ageing and there are key shortages in a number of occupational groups including electrical engineering, technical officers and field staff.

Hunter Water has developed its 2008/11 Human Resource Strategy. With a vision to “optimise business performance through our people”, it will support the strategic business plan by addressing key business performance issues and focusing on the development of our people. The strategy covers six key areas - people development, performance evaluation and measurement, culture and change management, attraction and retention, employee relations and involvement and continuous improvement.

Key achievements include the:

- development and implementation of an OHS strategy
- introduction of more options for salary packaging for all staff
- development of a specific rewards and recognition program

- introduction of a formalised graduate program
- introduction of an employee referral program
- appointment of a full time recruitment resource and introduction of behaviourally based questions for recruitment and selection panels
- clarification of roles via performance agreements
- revamped staff picnic
- introduction of a coaching program including lunch and learn activities
- continued focus on critical position succession planning
- the introduction of new policies for employee referral and forced redundancy

In the coming year the focus will be on improving safety performance. All collective agreements will be renegotiated. The Human Resource Information System (HRIS) will be reviewed to improve its functionality and introduce an employee self service feature. There will be a continued effort to support the development of a high performance culture with more opportunities for learning and development, better succession planning and the revision of Hunter Water's Remuneration Strategy.

CADETSHIP PROGRAM

The Hunter Water Cadetship Program provides an individual with full-time employment while they complete part time study at the University of Newcastle. This year, we had eight cadets in the program.

The cadets move through different aspects of business every 12 to 18 months.

The program supports the development of tertiary skilled employees that have a good understanding of a range of aspects in the business. It assists with succession planning and the removal of a 'silo' workplace culture.

EQUAL EMPLOYMENT OPPORTUNITY AND ETHNIC AFFAIRS

Hunter Water is committed to Equal Employment Opportunity (EEO) and affirmative action. We are also committed to ensure our services are easily accessible to people from culturally and linguistically diverse backgrounds.

While we still do not meet the benchmark for the employment of women, the percentage of women employed continues to grow and is up 2% this year. The employment of people with a disability is favourable and remained steady this year.

A full copy of Hunter Water's Ethnic Affairs Priority Statement and its EEO Statement are located in the statistical section of this report.

EAPS STATEMENT

Hunter Water polices and procedures are implemented using a merit based philosophy. All employees, customers and stakeholders have access to all services where required. In the areas of recruitment, selection, promotion, transfer, training and development and conditions of service, all persons are afforded opportunities on the basis of merit and efficiency. Hunter Water continues to try to seek ongoing applications from people from Culturally And Linguistically Diverse (CALD) backgrounds.

EAPS PROGRESS 2007/08

- we continued to offer all recruitment, selection, promotion, transfer, training and development and conditions of service on a merit basis
- we proudly sponsored Stompfest in May 2008 by donating \$1,500 to this annual celebration of community, cultural diversity and social justice in the Newcastle area

EAPS PLAN 2008/09

Over the course of 2008/09 we will:

- continue to provide our customers with a fully functional interpreter service with details listed on the back of our community publications
- sponsor the Ethnic Communities Council of Newcastle by donating \$10,000 to assist in the building of a multi-functional community centre. The centre will focus on small/emergent culturally and linguistic diverse communities, a diverse learning centre and a dementia aged services day care and garden. The centre will be built as an environmentally efficient facility using solar heating, rainwater tanks and reuse of water

EEO STATEMENT

Hunter Water is committed to Equal Employment Opportunity (EEO) and affirmative action. In doing so, we aim to eliminate and ensure the absence of discrimination in employment on the grounds of race, sex, marital status, physical impairment, intellectual impairment, sexual preference, age and carers responsibilities; and aim to promote equal employment opportunity for all employees, including members of minority and disadvantaged groups.

EEO PROGRESS 2007/08

- reviewed and made minor changes to the Fair Treatment Policy and Procedure document
- reviewed and made minor changes to the Bullying and Harassment Prevention Policy
- reviewed and made minor changes to the EEO Policy

- reviewed and made changes to the Working from Home Policy
- ran refresher training for contact and grievance handling officers
- there has been a reduction in the amount of formal grievances lodged over the past two years
- continued to offer part time working arrangements for those employees who are returning to the workforce after parental leave

EEO Plan for 2008/09

Over the course of 2008/09 we will:

- continue to monitor our EEO, Fair Treatment and Bullying and Harassment Prevention policies, Parental leave and working from home policies and ensure they comply with any legislation changes
- continue to support parents who are returning to the workforce after parental leave by offering part time arrangements
- run discrimination, bullying and harassment refresher training for all staff
- continue to foster a merit-based recruitment and training and development process

Girls Choices Summer School is a five day residential summer school held at the University of Newcastle for 180 Year 9 girls from across NSW to promote Mathematics, Science and Technology subjects through motivational and inspirational activities. Hunter Water will be the location for a field day for the girls in late 2008. They will visit us to hear some of our female graduates talk about classes to study and what they do as young female engineers. They will also participate in water testing at Grahamstown Dam.

INFORMATION TECHNOLOGY INFRASTRUCTURE LIBRARY FRAMEWORK (ITIL)

The introduction of an ITIL framework into our information technology service management practice is one of the ways Hunter Water is facilitating the establishment of a high performance culture.

ITIL is a best practice framework recognised worldwide in the delivery and support of IT services. It focuses on delivering IT services appropriate to business requirements. As part of the successful implementation of ITIL, a new IT Help Service Desk, Incident and Request Management processes and a new IT Service Management software tool (ITSM) have been introduced.

The Information and Communication Technology (ICT) Service Delivery Team has also begun to cultivate a shared understanding and common language to describe what happens in the business environment. Understanding people and culture are important prerequisites in this endeavour. The results of Hunter Water's Human Synergistics Organisational Culture Inventory (OCI) survey results are providing useful information in how best to implement the framework.

For example, what problems might we encounter with passive/defensive behaviours and how might we work with them? On a deeper level, understanding how different people prefer to have information presented to them will assist us to tailor our communications when working with various teams.

Statistics from ITSM show that the ICT Service Delivery team completed 7606 cases for the business in the 2008 financial year, with an average resolve time (for all cases of priority 1 - 3) of 49 hours. There are now benchmarks from which we can set new performance targets.

CULTURE CHANGE BRINGS NEW ENERGY

HUMAN RESOURCES CULTURE CHANGE PROGRAM

Creating a high performance culture is one of the key pillars of Hunter Water's new strategic direction. This year we continued a number of initiatives to help foster a culture that is more comfortable with, and responsive to change.

Culture change is important because culture, the way we do things (or not do things), has an inherent link to behaviours, skills and performance. High performing organisations are able to show a causal link between constructive cultures and business performance.

Hunter Water's culture change program recognises our proud history, which has served us well and it also asks staff and management to be courageous and passionate about creating something different for our future. Continuous improvement is vital.

The program has three key areas: culture testing; education and staff development; and communication.

CULTURE TESTING

In 2006 Hunter Water commenced measuring our culture and behaviours using a tool called Human Synergistics®.

The tool is used to assess current culture, preferred culture, causal factors and outcomes looking across the organisation as a whole. Our leaders and managers also go through an individual test to help them with their personal development. Twelve different behaviours are tested across three categories – constructive, aggressive defensive and passive defensive.

One of the objectives of the culture change program is to increase our constructive behaviour, being achievement focussed, building robust and collaborative relationships, fostering personal development and having a drive for personal and organisational excellence. This will help drive staff to cooperate and communicate more effectively across organisational boundaries, and ensure our staff are more connected and engaged in their daily work to meet the needs of the strategic business plan.

The second round of testing commenced at the end of this year. It showed considerable improvement with staff displaying a more constructive and collaborative style.

We have improved our performance in nine of the 12 different behaviours, including doubling all four of the constructive styles. There has been positive change in the critical areas of communication, training and development, selection and placement and customer service focus.

The results of the survey will be examined by staff in detail in the second half of 2008 at both the individual and divisional level. Initiatives will continue to facilitate the analysis process as well as challenge processes, systems, behaviours and language that do not support constructive behaviour. We will re-test our results in 2010.

Specific initiatives include Managing Directors lunches for opening up dialogue with staff, Sapphire Sessions to learn about behaviours and culture, coaching programs, achievement plan discussions, and divisional open days.

MENTORING PROGRAM

Our long-standing mentoring program was revitalised this year with new materials. At the beginning of each calendar year a mentor and mentee are matched and they meet for 12 months. Formal group meetings are held three times a year. This year a total of 30 staff (15 mentors and 15 mentees) were involved. Another positive change carried out this year was the meeting of the new group with the previous year's group to pass on knowledge about the program.

DEVELOPING A COACHING CULTURE

The coaching program is designed to support the culture testing program and to develop a coaching culture throughout the organisation. It is a free service for staff who want a reflective and safe space to develop their communication skills, learn more about themselves and how to work better with others. It is not a formal program.

Rather, the sessions are individualised to maximise benefits for participants. Coaching is open to both office and field staff and more than 20 staff undertook regular coaching sessions this year. Some ad hoc coaching was also provided. Coaches are drawn from internal staff and some external coaches are used for those involved in the Leadership Program.

While the mentoring program is more about sharing wisdom, coaching is about helping staff to unlock their own wisdom. Coaches review results from an effectiveness survey and this year's results were very encouraging.

CREATING A HIGH
PERFORMANCE CULTURE IS
ONE OF THE KEY PILLARS
OF HUNTER WATER'S NEW
STRATEGIC DIRECTION.
OUR PEOPLE ARE OUR
MOST IMPORTANT ASSET
NOW AND FOR THE FUTURE.

LUNCH AND LEARN

Lunch and Learn sessions are held to support both the culture change program and the coaching programs. The sessions are about building a community of practice. Those involved in the programs meet every six to eight weeks to discuss what is working well and where there are opportunities for improvement.

MANAGEMENT DEVELOPMENT PROGRAM

Formalised programs are in place for the development of Hunter Water's managers. There are two programs – one for senior management (Leadership Development Program) and one for middle management (Management Development Program). The programs are delivered by external trainers and in-house presenters at bi-monthly day long workshops.

ACHIEVEMENT PLANS

The program provides an opportunity for accreditation to a Graduate Certificate or Masters through the University of Newcastle. All 24 Leadership Development Program participants also underwent Coaching Skills for Leaders training this year.

DIVISIONAL OPEN DAYS

Three of Hunter Water's Divisions held Open Days this year. Staff from the host divisions throw open their doors to provide other staff with an opportunity to hear about and see the work they do. This year staff have dressed up, made movies and developed presentations to enhance the understanding of divisional activities and outcomes.

While the aim of the sessions was to break down operating silos across the organisation, one of the greatest benefits arising from the days has been the strengthening of teamwork within and across divisions.

LUNCH WITH THE MD

This year, Managing Director Kevin Young had a number of lunches with invited groups of staff from each Division. The lunch is another way to provide a safe space where staff can speak and raise what is on their minds in relation to culture issues. It also provides Kevin with direct feedback from staff on issues related to the culture change program and implementation with the strategic plan.

Feedback from staff indicates that the lunches have been highly successful in breaking down communication barriers between staff and management. Staff feel encouraged to become engaged in the feedback process and to speak their mind. It has also shown them that they are a valued member of a larger team whose opinions are valued.

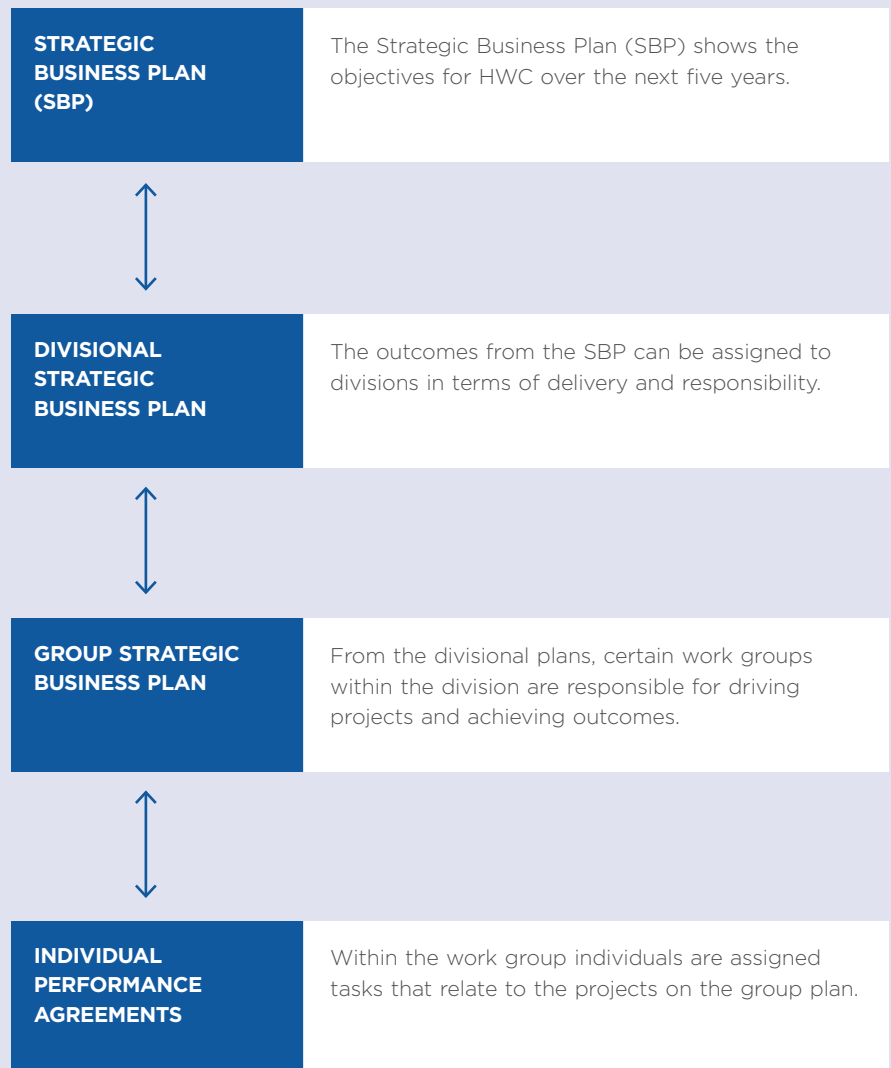
OPEN DOOR DAYS

Did you know... All of Hunter Water's General Managers have an open door day once a month. This provides an opportunity for employees at all levels across all divisions to meet with a GM to discuss any new ideas and raise any issues or concerns.

THE 'ONE TEAM' APPROACH

As part of the culture change program, new performance agreement templates have been rolled out to all Hunter Water employees. The aim is to establish a clear link between strategic business objectives and individual objectives.

The clear links between individual performance and achieving corporate level goals is crucial to accomplishing the desired collaborative "one team" approach.



INTERNAL COMMUNICATION

AN ACTIVE FOCUS ON INTERNAL COMMUNICATION ENSURES THAT WE CONNECT PEOPLE TO PEOPLE AND PEOPLE TO INFORMATION THROUGH INNOVATIVE AND RESPONSIVE COMMUNICATION CHANNELS.

INTERNAL COMMUNICATION

A significant part of the Hunter Water Culture Change Program is the promotion of internal communication and the fluid development of innovative approaches to connect people to people and people to information. Communicating well with our staff and ensuring they communicate well with each other helps in the provision of high quality services to our customers.

Hunter Water values open and transparent communication to assist us in operating smoothly and effectively. A comprehensive Internal Communications Strategy was rolled out to staff in July 2007. The strategy is central to helping our employees communicate with each other, share key messages and support the culture change program. It recognises the importance that our employees bring to the organisation and that their contribution to the workplace makes up our culture.

The strategy promotes active communication between all facets of the organisation so all employees are fully informed and aware of current operations, policies and the Corporation's future direction.

A number of innovative tools have been developed and existing tools refined. These are summarised below.

The strategy has assisted a shift in culture by many employees to a more open and proactive approach to information sharing between and across teams. It has strengthened communication across the organisation.

Internal communication will continue to be a focus for us in the coming year to support developments in the culture change program.



OUR INTERNAL COMMUNICATION TOOLS

What's On

A weekly electronic staff newsletter that has been developed to share short, sharp corporate information and key corporate messages.

Weekly and monthly staff/toolbox meetings

Managers and supervisors are encouraged to read 'What's On Updates' to staff at each meeting as well other key messages that may have come from leadership updates and general management team meetings. Regular meetings also became a feature of management's employee performance agreements.

Break Room displays

Bright and engaging poster displays are placed in each break room and off site areas to provide staff with key messages and more information on major projects and processes. These are changed on a rotating basis and kept fresh and topical.

Intranet

'What's On Updates' are loaded onto the Intranet home page as well as other key internal information such as archives of our Divisional Open Days, Pipeline presentations and media updates. This provides employees with a quick access point for internal information.

A key focus for the future is the full redevelopment of the intranet to further improve internal communications and provide many more self serve options.

Pipeline - Internal Staff Magazine

Pipeline magazine has been established as the central avenue for internal communication on issues and topics that have a diverse audience and cover many spectrums of the organisation's business.

Pipeline Presentation

Pipeline presentations are held once a month. Internal and external speakers have provided information on a diverse range of topics this year including the transfer of services from Dungog Council, corporate branding to mental health. Pipeline presentations continue to be well attended. Copies are placed on the Intranet for those staff who are unable to attend.

SAPPHIRE SESSIONS

Building the 'Blue' culture

Hunter Water employees are able to come together in Sapphire Sessions to learn about building a more positive culture.

In order to create an organisation with a high performance culture, it is essential that employees understand what constructive behaviour is and how it impacts on the business.

Sapphire Sessions raise awareness and acceptance of constructive behaviours. The aim is to answer culture questions as well as coach and guide employees through the change process. The sessions range from interactive workshops to information sessions aimed at

highlighting the importance of culture in the workplace and provide ideas on how to build positive behaviours.

This year's topics have included how to have crucial conversations; self actualisation; overcoming avoidance;

connecting culture change and business goals; an introduction to coaching; differentiating achievement and perfectionism; getting past conventional and humanistic encouraging.



Sapphire Session

HEALTH AND SAFETY

DELIVERING ON HEALTH AND SAFETY

The health and safety of employees and contractors continues to be the number one priority for Hunter Water. The strong focus on injury prevention is an ongoing challenge but has been embraced across the Corporation.

A new OHS Strategy has been developed focusing on three pillars: system focus, leadership and management; and benchmarking.

This reporting period has seen good safety performance throughout the organisation, however two Lost Time Injuries (LTIs) were recorded. A strong commitment from the leadership group and staff continues to reinforce zero tolerance for LTIs.

During the year there was an increased focus on contractor health and safety management. The contractor induction and inspection processes were improved and the reporting process was enhanced to enable the Corporation to accurately review the OHS performance of contractors.

Strong performance has again been achieved under the NSW Government “Working Together” OHS targets, particularly in the area of injury management cost per claim.

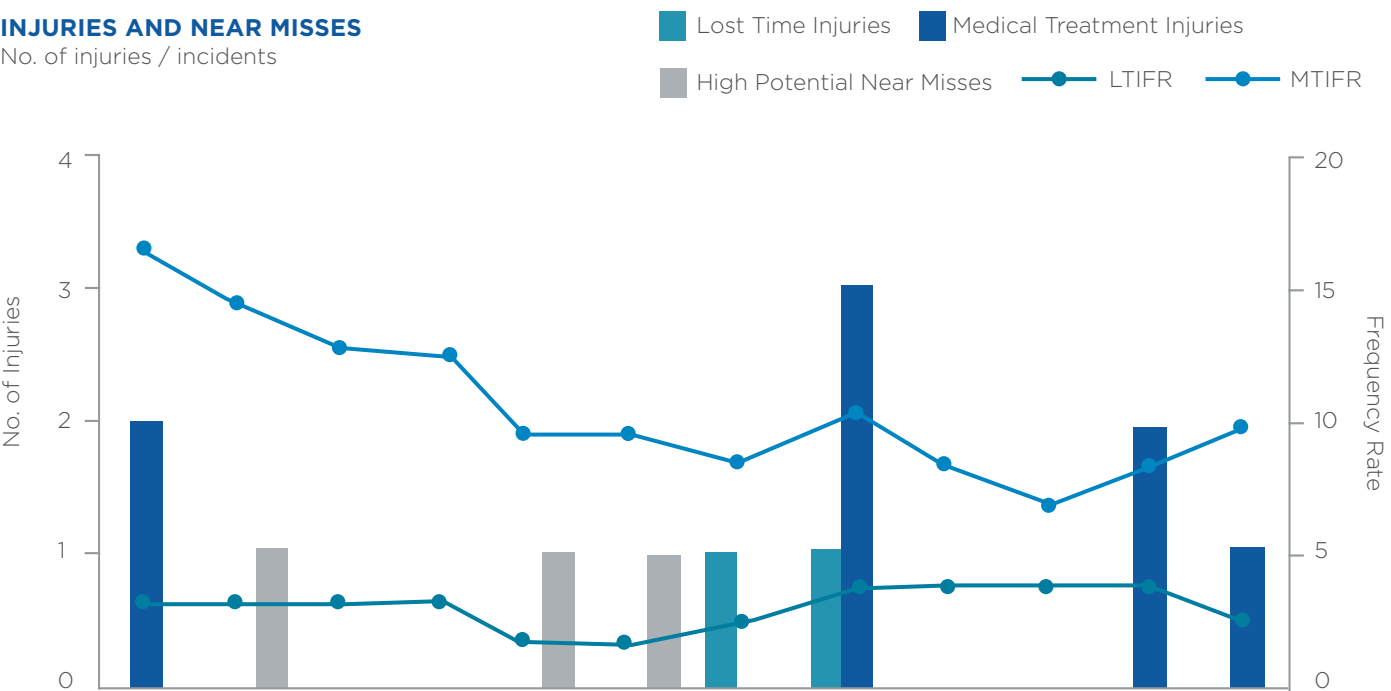
There has been a continued focus on the active management of workers’ compensation claims and return to work programs with savings in both areas achieved this year.

A number of health related programs were also held this year such as a “Depression in the Workplace” seminar conducted by 1233 ABC Newcastle presenter and mental health advocate Craig Hamilton. Other seminars included critical incident management and legal aspects of OHS delivered by legal firm Sparke Helmore.

In the year ahead the focus will be on implementing the new OHS strategy and refreshing management and staff commitment to OHS via a new “Delivering on Safety” program. The initiatives in the program include the introduction of safety observations for all leaders, a safety suggestions scheme and OHS competencies assessment program for all leaders.

INJURIES AND NEAR MISSES

No. of injuries / incidents



DIRECTORS' SAFETY AWARDS

OUR DIRECTORS ARE ACTIVELY INVOLVED IN THE ACKNOWLEDGEMENT OF OUTSTANDING INITIATIVES AND CONTRIBUTIONS BY OUR EMPLOYEES.

OHS COMPETENCY AWARDED

Karen Roulstone was the winner of the 2007 Director's Safety Award for developing an OHS Competency Standard for Manager and Supervisors.

OHS Competency Assessments are now carried out on all staff appointed or relieving in supervisory positions to ensure that staff are competent in the OHS requirements applicable to their role.

Karen's work will improve the OHS culture at Hunter Water.

The Directors' Safety Awards scheme is designed to acknowledge outstanding initiatives and contributions by individual employees in the area of health and safety improvement and

injury prevention. The awards are also designed to actively involve Directors in our ongoing quest for a safe and healthy work environment for all.

A total of 12 employees were nominated for the award in 2007. A certificate and fire extinguisher were presented to each nominee for their ideas, initiatives and outstanding contributions to safety.



Ron Robson (centre) and 2007/08 winners of the Directors' Safety and Business Innovation Awards



OPERATIONAL EXCELLENCE

PROVIDING VALUE VIA CONTINUOUS IMPROVEMENT

WE STRIVE TO MEET THE DUAL OBJECTIVES OF PROVIDING VALUE FOR MONEY SERVICES TO OUR CUSTOMERS AND ADEQUATE RETURNS TO OUR SHAREHOLDER, THE NSW GOVERNMENT

PERFORMANCE MEASURES

- SHAREHOLDER FINANCIAL MEASURES
- PROFIT/ROA
- COST PER CUSTOMER
- WSAA BENCHMARKING

To provide both value for money services to customers and returns to the NSW Government, we drive continual improvements in our business efficiency and effectiveness, through responsible cost control and a focus on process improvement and new opportunities.

We benchmark our key processes against industry best practice.

OUR GOALS FOR THIS YEAR WERE TO:

- meet financial commitments to shareholder (Statement of Corporate Intent)
- maintain viability in a competitive environment
- proactively develop a presence in competitive markets
- develop new products

- build capability to respond to competitive threats and opportunities
- be in the best practice quadrant for efficiency and effectiveness
- better leverage of existing and future Information and Communication Technology (ICT) investments
- optimise water / wastewater system design and configuration
- build the right assets at the right time for the right price
- ensure all personnel are engaged and informed on strategic direction and initiatives
- build on positive external image

MEASURING SUCCESS

We measure our success as well as financial indicators such as profit, return on assets and costs per customer against other water authorities through the Water Services Association of Australia's (WSAA) benchmarking program.

HOW DID WE PERFORM?

This year we made considerable investment in continuous improvement. A new Continuous Improvement Unit was established to help staff to continue the good work they have been doing to improve processes. This Unit is educating the organisation on the use of Six Sigma as a tool to ensure consistency in processes and reduce variation. Significant inroads have been made in improving information technology processes and energy use.

More than \$100 million was spent on capital works projects including completion of the Gosford/Wyong Stage 4 water supply project, as well as improvements to the Stockton water supply system and the Morpeth wastewater system. We also spent considerable time and more than \$2 million on repairing damage to infrastructure caused by the June 2007 storms and floods.

In our first year of a new Operating Licence we met all conditions.

LOOKING AHEAD

Further time and resources will be spent next year on participating in IPART's review of our price submission and preparing the organisation and customers for the changes IPART makes to prices. Our work on activity based costing will continue with all major processes mapped to this level. To boost the information and resources available to staff we will develop a knowledge management strategy and redesign our Intranet. The internal compliance program will be expanded and enhanced to meet AS 3806 standard. We will also implement a Gated Capital Process to improve our delivery of programs on time and to budget.

A NEW DIRECTION

A NEW APPROACH

This year, Hunter Water has invested more resources into business improvement with the establishment of a Continuous Improvement unit (CI).

Business improvement is not new to Hunter Water. The role of CI is to help Hunter Water divisions and teams establish an organisation-wide continuous improvement culture, identify improvement opportunities, and facilitate the successful completion of continuous improvement projects.

The team is using Six Sigma methodology and has spent time educating staff and management about the process and its benefits. Between January and February 2008 more than 200 staff attended Continuous Improvement Awareness sessions to introduce the CI team, its objectives and to demystify Six Sigma.

Six Sigma is simply a methodology that helps teams reduce variation in processes and outcomes. It consists of five phases: define, measure, analyse, improve and control. Six Sigma is giving Hunter Water teams a set of tools and more rigour to ensure they select the best improvement solutions.

A total of 57 people have received training in three training sessions held this year. Six Sigma Green Belt training was provided to 19 project leaders and 38 people underwent Six Sigma Yellow Belt training to be more effective project sponsors.

Much of CI's initial work has focussed on helping divisions select projects that will achieve results that are aligned to Hunter Water's business priorities. It has brought skills to project teams in getting their metrics and data collection right to facilitate better decision making and measurement of success.

Four key projects got underway in the latter part of the year:

- Improve the allocation of capital numbers to capital projects (increased productivity)
- Electricity optimisation (cost reduction – see case study on next page)

- Improve the reliability of Morpeth Wastewater Treatment Works (asset utilisation)
- Electronic dispatch – improving head office to field communications (reduced costs and increased productivity)

ACTIVITY BASED COSTING

This year Hunter Water commenced a long-term project to develop Activity Based Costing (ABC). A new reporting system was developed and launched to enable us to allocate costs more accurately at a product level (eg. water, sewage, drainage and recycling services) and at a supply chain level (eg. dam, network, and treatment).

As part of the Electricity Optimisation Project, electricity consumption is being drilled down as far as possible to site use, allowing the identification of “high flyers” of electricity consumption. This is one of the first practical applications of Activity Based Costing.

With this enhanced information we will be better able to identify where we need to focus our cost efficiency efforts. For example, an even better understanding of the drivers of costs will assist with determining the right levels of asset maintenance and customer service by analysing specific costs with regulatory requirements and customer demands.

The next stages of the project will assist with financial reporting for cost management, pricing for new development activities to support the development community and ensuring new products such as recycled water are priced appropriately.

ICT FOCUSES ON BUSINESS VALUE

Now, more than ever, Hunter Water depends on technology to achieve strategic objectives. All competitive organisations rely on quality data and analysis to provide a sustainable, competitive advantage. To ensure we can leverage existing investments and further strengthen our core technology capabilities, the Information and Communication Technology (ICT)

group has formulated a program of work that delivers quality services that benefit the business, technology security as well as knowledge and intelligence from business systems.

A number of changes have been introduced this year and further change is planned over the next five years.

This year a strong ICT governance model has been established. Service delivery has been improved through the adoption of the ITIL ICT Service Management Framework (see case study on page 19), as well as the formation of a dedicated service delivery team and implementation of a new service desk tool called ITSM.

Greater efficiency has been achieved through the consolidation of major infrastructure maintenance contracts and the introduction of a trial of wireless computing capability in the field. Server virtualization has reduced energy consumption and improved support efficiency. Major projects have included the implementation of a content management system for the Hunter Water website, as well as the implementation of the LPI Gateway. LPI Gateway is an interface with Lands and Property Information, allowing staff to automatically request conveyancing information such as Section 47 Certificates.

WORK ALSO COMMENCED ON:

- a data backup systems upgrade
- upgrades to the Customer Information System
- improving data centre redundancy through network access and server failover
- systems development to allow employee self service capability
- system changes for dual reticulation
- increased security to allow remote access
- consolidation of telecommunications service providers

In the coming year, ICT will focus on a business intelligence program of work

ELECTRICITY OPTIMISATION

A KEY CONTINUOUS IMPROVEMENT PROJECT

to address information management, data warehousing, analytics and data quality. This will include a Knowledge Management Program of work to address risks from inefficient knowledge sharing. The intranet and portals will be upgraded as will all core systems in the next five years.

Hunter Water has experienced increased information technology costs due to a range of factors. Greater internet usage, the inclusion of more equipment considered critical for system operations into maintenance contracts, as well as greater data security and back-up measures are all impacting on costs but increasing the availability, performance and capability of our information technology assets.

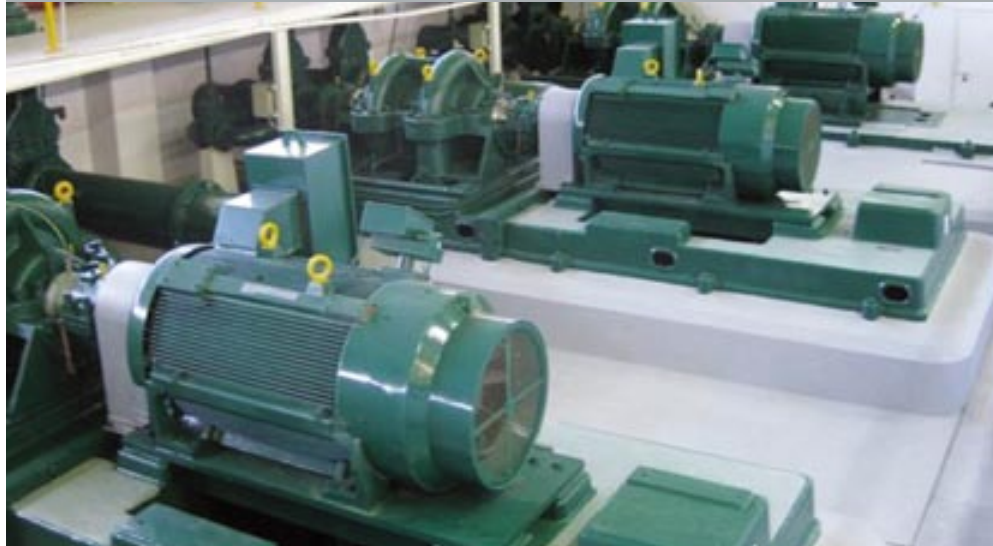
We have centralised the strategic and operational management of all ICT assets and systems under one umbrella. This means many operating costs have now been transferred to ICT which were previously budgeted in business areas.

ICT PROGRAM OFFICE

The Information and Communications Technology (ICT) group established a Program Office this year to facilitate a strategic, business-focused approach to ICT projects to maximise the delivery of business benefits in line with the strategic business plan.

The Office acts as an information hub and standards custodian for the ICT Steering Committee. It works with Business Area Committees to define ICT work programs as well as monitor and review the performance of these projects.

It has assisted with the development of 18 ICT Project Business Cases to reduce risk and increase the likelihood of project success. Project Delivery Managers have also been helped by the Office's team members providing best practice project methodology, processes and tools as well as help with planning, costing, document management, quality assurance, reporting, risk management, change management and issues management.



Hunter Water used over 77 gigawatts hours of electricity across its entire operations at a cost of over \$9 million in 2007/08. Nearly 80% of electricity is used in water transport (46%) and sewer treatment (33%) operations.

Over the past three years Hunter Water's electricity costs have increased by 58%. This increase is due to a number of factors including the upgrade of treatment facilities to new, more electricity intensive processes. A steep increase in electricity prices as a result of a new supply contract renewed in 2007 is another reason for the increase.

In March 2008 a project team was formed to look at electricity use in more detail and identify opportunities to decrease electricity usage, costs and carbon emissions.

A range of sub-projects have been identified to:

- improve the measurement and understanding of electricity use to identify opportunities for optimisation
- reduce electricity use through improved efficiency
- reduce electricity cost by taking advantage of reduced rates during off-peak times as well as demand side response opportunities

Approximately \$170,000 in annual electricity savings have already been identified and changes made to date are estimated to yield future savings of \$140,000 per annum.

The savings have been achieved through a number of initiatives, including the modification of control schemes at Beresfield and Wallsend water pump stations to schedule pumping primarily in the off-peak power tariff periods. The control schemes at Tomago, Williamtown 2 and Bobs Farm water pump stations have also been modified to make use of variable speed drives to reduce electricity usage.

Activity based costing has been introduced to link electricity bills to specific sites or activities. This will allow greater analysis of data and inform opportunities for further savings.

Work started on the development of an advanced water pump station supervisory control scheme to make the best possible use of off-peak power tariffs while maintaining system security.

NETWORK PLANNING AND CAPITAL WORKS

Hunter Water maintains a focus on social, regulatory, economic and environmental aspects to ensure that infrastructure related decisions are made in the best interests of the community.

We must be able to meet increasing demand for water and wastewater services arising from population growth and new developments, and ensure compliance with environmental and customer standards set out under the regulatory framework.

Our operational, maintenance, augmentation and renewal strategies for our infrastructure are developed to meet this objective at minimum life cycle cost. Asset management plans are developed taking into account all relevant regulatory, social and financial drivers.

Hunter Water undertakes regular studies to plan the most efficient and appropriate timing of infrastructure to service growth. Environmental protection is an important priority in effectively managing the provision of water and wastewater services. Hunter Water undertakes community and stakeholder consultation as part of the planning of infrastructure projects.

The main drivers for expenditure on either additional new assets or the renewal or replacement of existing assets are listed below. Most major upgrades to the water and wastewater systems will have both asset outcomes as part of the overall project solution.

Growth – As part of our planning process, regular Strategy Studies are undertaken to plan the most efficient upgrade of the water and wastewater systems to service population growth and new development as it occurs with time. Catering for growth is factored into most water and wastewater system upgrades.

Regulatory and Statutory Requirements – Meeting customer service and environmental standards under our regulatory framework, and other statutory requirements have a major impact on our capital expenditure.

Business Decisions – This includes items to enable us to effectively run

our business and expenditure that has an economic benefit.

Government Programs –

This includes expenditure to meet specific Government Programs such as the Priority Sewerage Program.

Hunter Water has been assessing the environmental, ecological, health and customer impacts associated with the current performance of its wastewater network in wet and dry weather. This work is being carried out partly in response to a request from the Department of Environment and Climate Change to assess overflow risks and inform the licensing process for these wastewater networks.

Upgrade Management Plans (UMPs) are being developed for each of the major receiving water catchments. Each UMP investigates the capacity of the network and outlines a range of upgrade strategies to reduce the impact of wastewater overflows on customers and the environment, as well as addressing the management of an ageing system. The studies utilise calibrated computer models which are based on actual flow gauging information. A cost benefit analysis is carried out to achieve optimum environmental and customer benefits for capital outlay. In 2007/08 UMPs covering nine waste water treatment works catchments were completed.

Hunter Water regularly investigates its water and wastewater network to determine capacity upgrades required to cater for growth. These are called Servicing Strategy Studies. Major development areas are identified in consultation with local Councils and the Department of Planning. Computer modelling of the water and wastewater network is used to assess performance and develop capacity upgrade solutions.

Capital works are identified and fed into Hunter Water's Forward Capital Program. The timing of delivery for these works is monitored based on a comparison of actual growth levels, development activity and operational performance against predicted values.



CAPITAL WORKS – IMPROVING OUR INFRASTRUCTURE

Hunter Water assesses a range of factors to ensure that capital invested in new assets and replacement of ageing assets is in the best interest of the community. Our objective is to provide water and wastewater services to our customers at minimum life cycle costs, whilst meeting environmental and customer service standards in accordance with our regulatory framework.

In 2007/08 Hunter Water's total capital investment was approximately \$100 million. The major items of expenditure included design and land purchases associated with the Tillegra Dam project, upgrades to wastewater treatment works at Belmont and Edgeworth, installation of pumps at Balickera Pump Station and extended or upgraded transportation systems including the Morpeth Wastewater Transportation System Upgrade and the Gosford/Wyong Stage 4 water supply project.

The delivery of capital programs is not without its challenges. Skill shortages, higher fuel prices and the ongoing demand for steel resulted in upward price pressures. In addition, we face increasing community expectations to be involved in consultation and decision making and an increasing focus on the health of the environment and sustainability. Hunter Water is committed to identifying the most appropriate investments, and we practice sound asset management principles to deliver value to our customers and optimise financial, social and environmental outcomes.

Over the next five years Hunter Water will invest over \$1 billion in extending and renewing our assets. We are making this investment to:

- conserve and secure our drinking water supplies
- provide capacity for a growing population
- meet environmental and customer service standards under our regulatory framework
- reduce operating, maintenance and risk costs and minimise the life cycle costs of our assets
- reduce adverse impacts on our customers and the environment from our wastewater transport assets in wet weather
- provide sewerage service to un-sewered areas under the State Government's Priority Sewerage and Country Towns Water and Sewerage Program.

SIGNIFICANT PROJECTS

GOSFORD / WYONG STAGE 4

Hunter Water has continued its commitment to extend the water grid between the Hunter and the Central Coast with the construction of Stage 4 of the Gosford to Wyong pipeline link. Stage 4 of the project has increased Hunter Water's capacity to deliver water to Wyong from 25ML per day to 33ML per day.

The project involved construction of approximately 7km of pipelines through Boolaroo, Teralba, Fennell Bay, and Rathmines.

Construction work commenced in early

2007 and was completed in early 2008.

The \$11 million project was jointly funded by Hunter Water and the Gosford Wyong Water Authority.

The project demonstrates Hunter Water's commitment to growing its business as well as improving the water distribution network for customers. The extended water grid allows water to be transferred back to Hunter Water's system if required.

BALICKERA UPGRADE

Work continued this year on the \$14 million upgrade of Balickera water pump station near Grahamstown Dam to enable a greater capture of high flows from the Williams River.

The upgrade involves the installation of new pumps and an automatic weed screening device. The work will reduce recovery time following drought conditions and will improve the chances of Grahamstown Dam being at a higher storage level when a drought sequence commences.

The project has involved an innovative approach to procurement with extensive early contractor involvement. This has resulted in improved designs and reduced construction program and costs. Hunter Water Australia completed the design. Construction is scheduled to be complete by the end of 2008.

MAITLAND AND CESSNOCK WATER SERVICING STRATEGIES

Each sub-catchment of the water distribution network has a full investigation undertaken every five years to determine capacity in the network and develop strategies to cater for expected future development.

While the Maitland and Cessnock sub-catchment strategies were only completed in early 2007, it was evident that the studies required updating due to large developments.

Initial studies were done using external consultants, however, to avoid potentially lengthy and costly engagements, an innovative new approach was taken using in-house resources. The new approach utilised Hunter Water's greater knowledge of the system and built on existing studies in the area. The result was more comprehensive, staged, strategies that are more flexible to the rate of development. This will allow Hunter Water to respond more appropriately to the development community, and allow the system to be better maintained.

FUTURE CAPITAL WORKS

This year Hunter Water has been planning a significant increase in capital works to take place over the next five years. Our capital investment to 2012/13 is \$1.15 billion which represents an average investment of \$230 million per year.

This unprecedented investment in infrastructure is essential if Hunter Water is to conserve and secure the region's water supply, meet new environmental and customer standards, provide for a growing population, and provide sewerage services to un-sewered areas under the Government's Priority Sewerage and Country Towns Water Supply and Sewerage Program.

Projects include the construction of Tilleggra Dam and other water supply projects, including asset replacements in part of the Chichester Trunk Gravity Main from Tarro to Shortland. Investment in recycled water projects will continue. The Tomaree/Tilligerry water supply system and treatment plant will be upgraded. There will be upgrades to a number of wastewater treatment plants including the main plant at Burwood Beach. Significant improvements will also be made to information technology and an upgrade will be made to the high voltage network.

PROJECT	COST	COMMENCED	COMPLETED
GOSFORD/WYONG STAGE 4	\$11M	2007	2008
BALICKERA UPGRADE	\$14M	2007	Underway
WATERMAIN REPLACEMENTS	\$4M	2007	2008
WWTW UPGRADES - BELMONT	\$23M	2005	2008
MORPETH WASTEWATER TRANSPORT	\$14M	2007	2008

NEW OPERATING LICENCE



Grahamstown Dam Spilling

NEW OPERATING LICENCE

Hunter Water started the 2007/08 year with a new operating licence. A new five year licence came into effect on 1 July 2007. This followed a review of the previous licence by the Independent Pricing and Regulatory Tribunal (IPART) in 2006.

Hunter Water operates under a licence, issued by the NSW Government, which enables and requires us to lawfully provide services within our area of operation. The operating licence specifies performance standards, including drinking water quality and environmental requirements. The Licence also recognises the rights given to customers and consumers.

The key features of the new licence are as follows.

- New definitions for new system performance standards have been set. New performance targets for these new standards will not come into effect from 1 July 2009 because

they will be considered in line with IPART's review of Hunter Water's prices, which will take place during 2008/09

- New Asset Management obligations require Hunter Water to report on the state of each group of assets to IPART once during the term of the licence
- New system performance, environment and customer service indicators that have been streamlined with National Water Initiative (NWI) indicators
- Hunter Water is required to develop a Monitoring and Reporting Protocol on how we will record, compile, monitor, measure and report against indicators
- An Environment Management Plan must be prepared within 15 months of the new licence
- The Customer Contract is to be reviewed at a yet to be agreed time during the licence period

- Hunter Water must formally report on the activities of our Consultative Forum by 1 September each year
- Tighter complaint and dispute handling clauses require Hunter Water to comply with ASO ISO 10002-2006 Customer Satisfaction - Guidelines for complaints handling in organisations
- The introduction of Risk-based Operational Audits. IPART has engaged consultants to assist in implementing risk-based auditing of compliance against the operating licence obligations

Hunter Water met all performance standards under its Operating Licence in 2007/08. A complete report is available at www.hunterwater.com.au.

DID YOU KNOW

FIRST SPILL OF GRAHAMSTOWN DAM

Grahamstown Dam, Hunter Water's major water supply storage, spilled on Anzac Day 2008. This was the first time that the dam had spilled since upgrade works to increase storage volumes were completed in 2005.

The award winning Labyrinth Spillway, located off the Pacific Highway north of Raymond Terrace, has enabled storage volumes to increase from 130,000 million litres to 190,000 million litres.

Consistent rainfall since February 2007, including the June 2007 long weekend storms, has resulted in the dam filling to capacity, predominantly by runoff from its local catchment.

JUNE 2007 FLOOD

THE CONDITIONS FACED BY OUR STAFF AND COMMUNITY IN THE JUNE FLOODS PRESENTED SOME GREAT CHALLENGES FOR ALL

REPAIRING JUNE 2007 FLOOD DAMAGE

The devastating floods that hit Newcastle and the Hunter in June 2007 created the need for a number of significant and costly repairs to Hunter Water's infrastructure.

Just over \$2 million was spent on repairing stormwater and wastewater systems as well as electrical switchboards.

The Cessnock Stormwater Channel System was identified as being the worst affected stormwater system. Significant damage was also sustained in the Jesmond, New Lambton, Wallsend and Broadmeadow areas and parts of Lake Macquarie. The majority of damage was due to a combination of fallen trees, increased wall velocities from high storm flows and poor connections from localised drainage.

Following the storm event, Hunter Water instigated a staged maintenance program for all Hunter Water owned open stormwater channel systems. Hunter Water officers inspected all Hunter Water owned open and under bridge stormwater channels within the first week following the storm event. We identified damaged components which required rehabilitation or replacement works. Substantial wholesale repair and replacement of collapsed wall slabs in most of our open stormwater drains was necessary.

A contract was awarded to a local contractor (Specialist Site Services) in January 2008 to carry out the repair works. Hunter Water has undertaken \$550,000 of stormwater rehabilitation works since the June 2007 storms. We have also identified several other stormwater assets which required structural inspections and or further investigation work prior to repair. In most cases, this is due to complex land movement and erosion issues between channel walls and adjoining properties. It is anticipated that this additional design and investigation work will cost in the order of \$100,000.

A program to inspect and clean all Hunter Water owned enclosed stormwater drainage assets, such as culverts, pipes and oviforms, in the Throsby, Styx and Cottage Creek catchments was also initiated and is nearing completion. The enclosed stormwater drainage assets were inspected using CCTV equipment, and then silt and sediment was removed

from the systems. The program has been very successful and has helped identify areas within the enclosed stormwater system which are prone to siltation following extreme wet weather events.

A number of significant deep sewers within the Newcastle catchment failed during the floods because they became filled with storm and flood waters. Some of these failures occurred adjacent to or under commercial buildings such as the Wire Rope Works at Mayfield. Repair crews worked closely with customers to effect repairs.

The storms also damaged a substantial number of Hunter Water's electrical switchboards. This year 10 switchboards were totally replaced at a cost of \$1.44 million. Our Electrical and Mechanical Team worked with contractors to ensure all of our equipment was up and running with minimal downtime.



Repair of Cessnock Stormwater Channel



CUSTOMERS

SUPERIOR SERVICE, QUALITY WATER AND COMMUNITY LINKS

WE AIM TO BE THE SUPPLIER
OF CHOICE FOR ALL OF OUR
CUSTOMERS

PERFORMANCE MEASURES

- SERVICE RELIABILITY
- WATER QUALITY
- CUSTOMER COMPLAINTS
- CUSTOMER SATISFACTION
SURVEY RESULTS
- DEVELOPMENT APPLICATION
PROCESSING TIME

Hunter Water's prime purpose is as a service provider to our customers.

Providing a quality service to customers is critical to business success, particularly as we move from a monopoly provider into a new and evolving competitive environment.

OUR GOALS FOR THIS YEAR WERE TO:

- be the supplier of choice
- have a clear understanding of the expectations of our customers
- ensure efficient and effective delivery against those customer expectations
- meet regulated customer standards
- expand our product offerings, grow our service delivery capability and develop new markets
- meet emerging demands with a commercial mindset
- have transparent and consistent customer policies
- strengthen employee understanding of our contribution to the customer service chain
- build on and leverage our positive corporate image

MEASURING SUCCESS

We measure our success through a range of performance indicators including water quality, service continuity and pressure, as well as Development Application processing times. We also measure customer satisfaction and the volume of complaints received. Our culture survey provides a measure of our customer service focus.

HOW DID WE PERFORM?

We met all of the conditions of our new Operating Licence exceeding targets for water quality, water continuity and water pressure. Progress continues to be made by Hunter Water's leak detection program.

Customer satisfaction continued to remain high with an 83% average for 2007/08. One of the most significant achievements was the reduction in customer complaints by 31%.

Considerable work was also carried out to ensure customers' feedback and needs were driving the strategic business plan and operations. A clear set of customer commitment statements now underpin the 2008/13 Strategic Business Plan and a new approach to customer research was developed. A new external communication strategy which included a new customer newsletter and website was implemented to complement existing sponsorship, education and community consultation activities.

A great deal of work was completed to welcome new customers to Hunter Water. From 1 July 2008 Hunter Water will provide water and sewer services to the people of Dungog Shire.

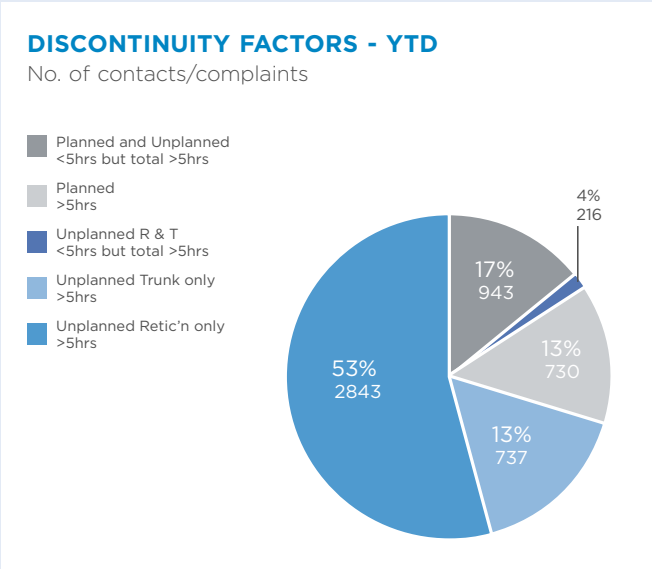
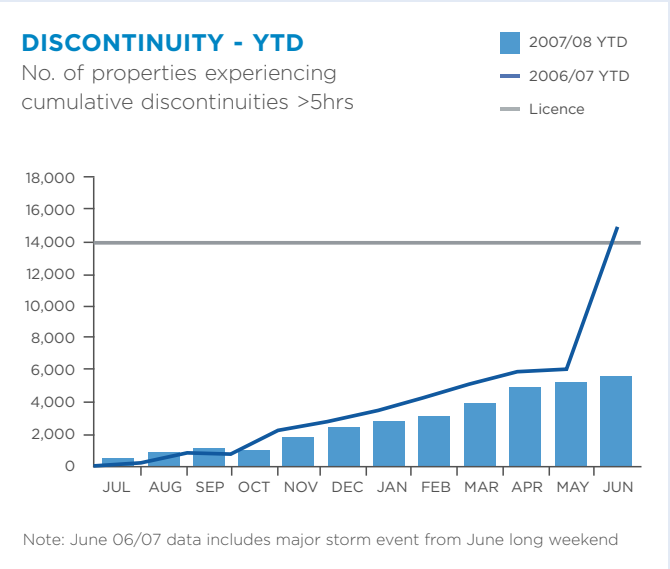
LOOKING AHEAD

Priorities for the coming year include ongoing product development in areas including metering, recycled water, biosolids and domestic plumbing. Service delivery chain mapping will occur and a key customer account management program will be introduced. After further market segmentation research and analysis, we will look to expand our customer service channels and hours of access. We will also introduce a new community consultation process.

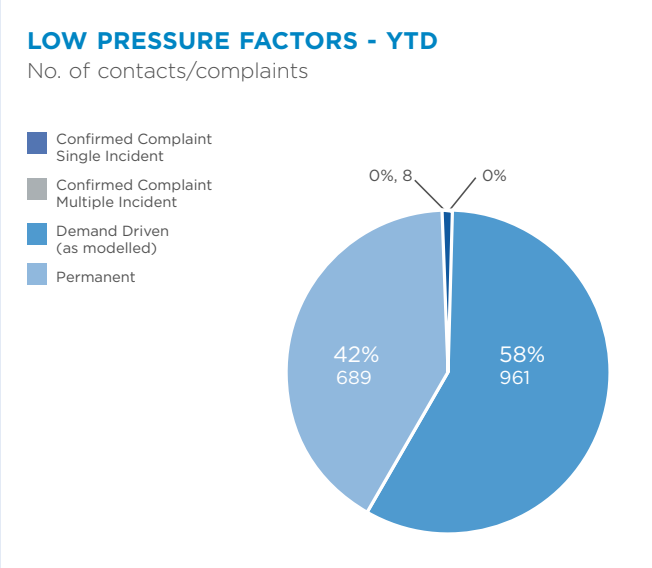
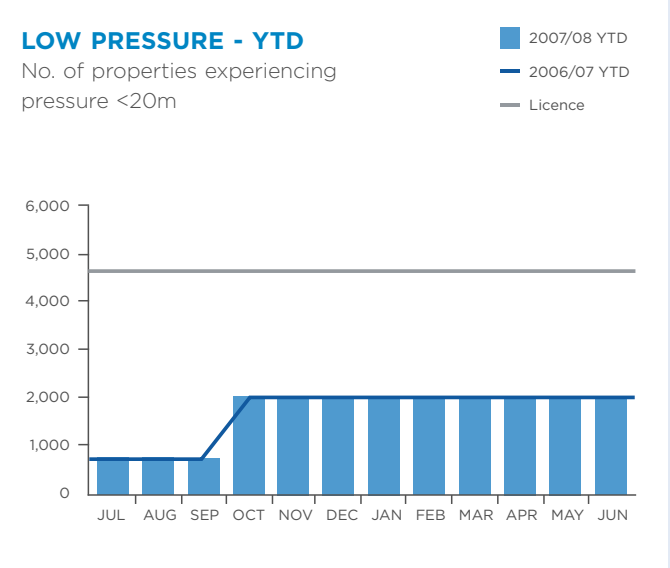
MEASURING PERFORMANCE

2007/08 HAS BEEN AN OUTSTANDING YEAR. MINIMISING THE IMPACTS OF PLANNED SHUTDOWNS HAS BEEN UNDERTAKEN, EFFECTIVELY IMPROVING THE IMPACT ON CUSTOMERS. THE WATERMAIN REPLACEMENT PROGRAM, PRESSURE MANAGEMENT AND WATER LEAKAGE PROGRAMS UNDERTAKEN IN THE PAST FEW YEARS HAS ALSO CONTRIBUTED BY REDUCING KNOWN PROBLEM AREAS AND REDUCING THE RISK OF FAILURE.

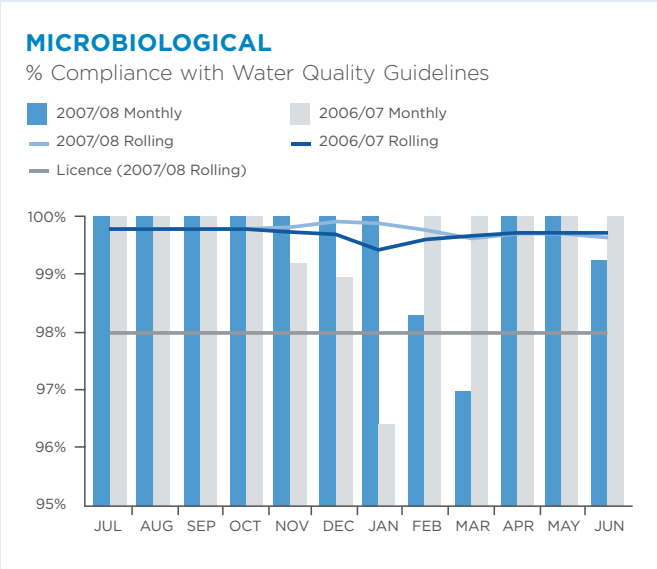
Service reliability measures (water discontinuity, pressure, time in restrictions)



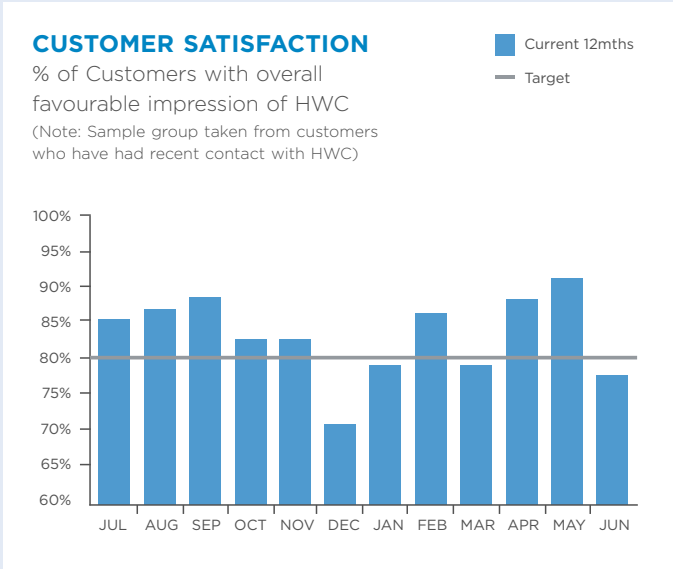
2007/08 experienced a mild summer, therefore the typical high summer demands were not experienced, which kept low pressures to a minimum



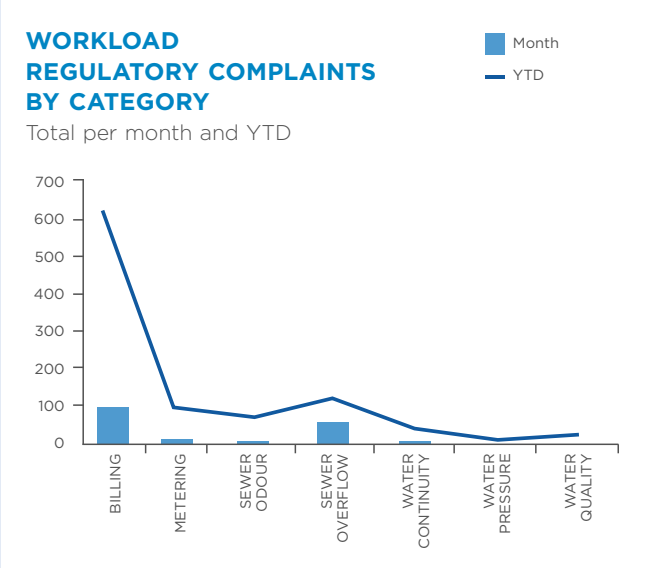
Water quality measures (number of complaints and repeat events, notifiable biological events)



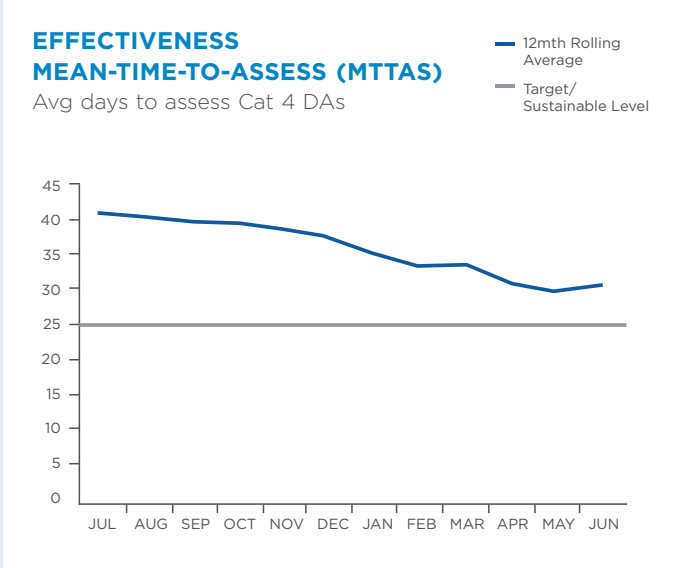
Customer satisfaction/perception survey results



Volume of customer complaints



Development application processing time



WATER STORAGE, TREATMENT AND SUPPLY

HUNTER WATER SUPPLIES POTABLE WATER TO MORE THAN HALF A MILLION PEOPLE IN THE LOWER HUNTER

Water is supplied from four sources, treated at five water treatment plants and delivered via an extensive network of 4,692kms of pipes, 85 reservoirs and 77 pumping stations across six local government areas – Newcastle, Lake Macquarie, Maitland, Port Stephens, Cessnock, small parts of Singleton and as of 1 July 08 to Dungog. Bulk water is also supplied to the Great Lakes Shire.

CATCHMENT MANAGEMENT

Catchment management and source water protection provides the first barrier for the protection of water quality. Catchment management activities undertaken by Hunter Water include revegetation, participation in Landcare activities, feral animal management, bushfire management, and routine patrols to prevent unauthorised access and illegal dumping.

WATER TREATMENT AND QUALITY

Drinking Water Quality is managed in line with the Framework for the Management of Drinking Water Quality, incorporating a preventative risk management approach for all steps in water supply from catchment to tap. Hunter Water applies a “multiple barrier” approach to protecting water quality, where water is:

- protected within the catchment
- detained within a protected reservoir
- treated using coagulation and filtration to remove impurities
- disinfected to protect against microbiological contaminants
- transported and stored within a closed, well maintained distribution system
- routinely sampled and analysed for compliance

Hunter Water supplied drinking water of high quality throughout the year. Compliance with 2004 National Health and Medical Research Council (NHMRC) Australian Drinking Water Guidelines (ADWG) was achieved throughout our area of operations.

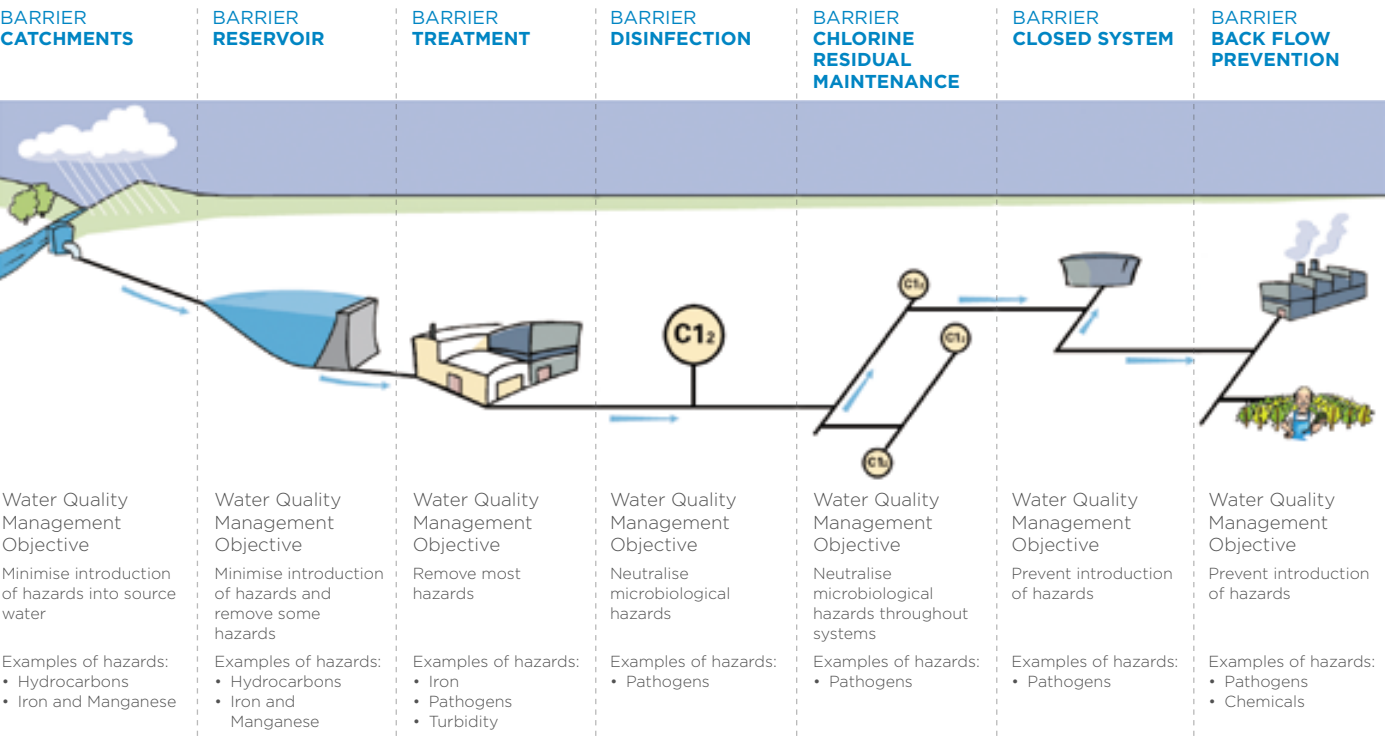
Microbiological Water Quality complied with ADWG for the year. The ADWG requirement that over 12 months at least 98% of routine samples should contain zero E. coli was easily met, with 99.5% of routine samples contained 0 colony forming units (CFU) per 100 mL of E coli.

As shown below, drinking water quality for key chemical and physical parameters complied with Australian Drinking Water Quality Guidelines. .

LICENCE REQUIREMENTS

For health related characteristics, our objective is to be confident that the 95th percentile of results over the preceding 12 months is less than the guideline value. This means that the upper bound of the 95% confidence interval for the 95th percentile should be less than the guideline value.

For water quality characteristics which are not health related, for example aesthetic, the objective is to be confident that the mean value (or average) of results over the preceding 12 months is less than the guideline value. This means that the upper bound of the 95% confidence interval for the mean should be less than the guideline value.



MULTIPLE BARRIER APPROACH TO PROTECTION OF DRINKING WATER QUALITY Diagram Courtesy of SA Water Corporation

PARAMETERS TABLE

	12 MONTHS MEAN	LICENCE PERFORMANCE	GUIDELINE	HEALTH / AESTHETIC
pH	7.8	7.8	6.5 -9.2	Aesthetic
COLOUR	5.1	5.1	< 15 HU	Aesthetic
TURBIDITY	0.4	0.4	< 5 NTU	Aesthetic
CHLORINE	0.3	0.8	< 5 mg/L	Health
ALUMINIUM	0.043	0.045	< 0.2 mg/L	Aesthetic
COPPER	0.02	0.05	< 1 mg/L	Aesthetic
FLUORIDE	0.95	1.13	< 1.5 mg/L	Health
IRON	0.03	0.03	< 0.3 mg/L	Aesthetic
LEAD	1.06	1.79	< 10 ug/L	Health
MANGANESE	0.01	0.04	< 0.5 mg/L	Health
ZINC	0.020	0.021	< 3 mg/L	Aesthetic
THMs	72.6	130.8	< 250 ug/L	Health

Chemical and physical parameters of drinking water 2007/08

MEMORANDUM OF UNDERSTANDING

In December 2007 we signed a new Memorandum of Understanding with the Department of Health (DOH) on drinking water quality monitoring. The MOU sets the scope of the drinking water monitoring plan and procedures for communicating results. It will be reviewed again in five years.

LEAK DETECTION PROGRAM

Hunter Water detects leaks within its water reticulation network on a regular basis as part of an ongoing commitment to water loss reduction.

The leak detection survey has the principle objective to identify and reduce water loss through leakage occurring from pipes, fittings, and water services. A specialist leak detection contractor is engaged to identify and locate leaks on all water mains and fittings within a designated survey area using acoustic listening equipment.



Cessnock and Kurri Kurri were the areas chosen for the leak detection survey in 2007/08. The survey started in April and ended in June 2008. Hunter Water's contractor Detection Services surveyed 501 kilometres (11 % of the total water network) of watermains.

Detection Services used high resolution acoustic sounding on all residential/ commercial water meters, hydrants and valves. The company's staff follows up all potential identified leaks from the preliminary survey with correlation, ground acoustic and sounding equipment to pin-point the location of the leak. Detection Services employed new technology called "Enigma" which uses a multi-point correlation system to locate leaks. "Enigma" technology was mostly employed on large diameter and mains located in remote areas and it can find multiple leaks at the same time by operating over very long distances. This system can be logged on strategic fittings and keeps recording all noises during the night, avoiding costly night time working.

Once all leaks have been identified and located, the leak repair is carried out by Hunter Water Civil Services and plumbing contractors.

The survey located 102 leaks, comprising of 97 leaks from Hunter Water mains, services and fittings and five leaks on the private side of service connections. The total estimated leakage from leaks identified was 509 KL/day with estimated leak rates ranging from

0.003L/minute to 0.5L/minute. This equates to an annual water loss of 186ML per year for the surveyed area.

The ratio of the number of kilometres of pipes to the number of leaks found was one leak per 4.9km. This figure indicates low levels of leakage compared to other Australian water authorities where figures of 1 leak per every 1.5 to 3km surveyed are reported. (Figures supplied by Detection Services who have carried extensive leak detection in Sydney and Melbourne).

DID YOU KNOW

WATER SUPPLY UPGRADE FOR STOCKTON

An upgrade of water supply to Kooragang Island, Fern Bay and Stockton was completed this year to significantly improve continuity of supply for residents and industry in the event of a major main break.

The \$1.13 million dollar project was started in July 2007 and completed in December 2007.



CUSTOMER SERVICE

Understanding what is important to our customers and providing them with superior customer service is a key goal for Hunter Water. This year the Customers and Commercial Development Division was restructured to strengthen the focus on customer service and to more actively identify and pursue potential commercial and product opportunities.

2007/08 CUSTOMER RELATED ACTIVITY

- 696,000 invoices issued
- 208,000 inbound and outbound telephone enquiries
- 69,700 developer/builder applications and certificates issued
- 16,000 meters installed, repaired or replaced
- 7,300 items of written correspondence
- 1,550 complaints to the case investigation team

CUSTOMER SATISFACTION WITH OUR SERVICES HAS REMAINED A FOCUS FOR US OVER THE PAST YEAR. ADDITIONAL TRAINING, NEW STRUCTURES AND SYSTEM IMPROVEMENTS ARE ALL HELPING TO ACHIEVE NEW HIGHS IN SATISFACTION.

CUSTOMER PERCEPTIONS SURVEY

Every two years Hunter Water engages consultants to undertake a customer perceptions survey. The 2007 survey was completed by Ipsos.

Overall customer satisfaction increased from a low of 73% in December 2007 to a high of 90% in May 2008. A rolling average for satisfaction rated at 83% for the year. The proportion of customers who were dissatisfied with our performance declined progressively from 10% at the beginning of the year to 7% by June 2008.

Satisfaction levels with our call taker performance increased from 53% at the beginning of the year to 68% by the year end, an improvement of over 21%.

We also recorded the best-ever results for call abandonment with more than 97% of customers getting through to an operator in a reasonable time and around 70% having their call answered within 30 seconds.

There were strong improvements in satisfaction with office services, management as well as field and technical services.

CUSTOMER SERVICES PROCESS BENCHMARKING STUDY

Hunter Water participated in a detailed Customer Services Process Benchmarking Study in 2007. This was commissioned by the International Water Association (IWA) and the Water Services Association of Australia (WSAA). Fifteen water authorities participated in the study; Australia (10), USA (2) Europe (2) and New Zealand (1).

We were recognised as a 'Best Practice' company in the area of credit management.

When comparing performance against the last benchmarking survey (2002) a considerable performance improvement was achieved. Hunter Water had a 33% improvement in level of services, compared to an average of 8% for the other water utilities participating in the study. Hunter Water's service delivery costs improved by 55% compared to an average improvement of 24% for all other participating utilities.

The survey also highlighted opportunities for improvement. We recognise we could provide more options to our customers particularly with regard to higher-cost service channels such as payment processing, plan-stamping and application processing. This year we will investigate the provision of on line service transactions.

These findings are being used to guide our strategic plans and are helping us to shape a new over-arching customer service delivery model that aims to raise our service standards to new levels.

BETTER COMPLAINTS MANAGEMENT

The number of complaints received this year by Hunter Water was 31% lower this year than last year. The major drivers were;

1. Root cause analysis – going back to the source of the problems and finding a solution.
2. Hot Spot Analysis – working actively to resolve water and sewer issues in known problem areas.

This reduction in complaints is due to a range of factors. A new Case Management portal was implemented in February 2008 to improve in-house communication regarding complaint management. The Customer Information System has assisted the effective reporting and analysis of complaint trends. This has enabled us to better identify problems requiring more focus.

IMPROVED DEVELOPMENT APPLICATION PROCESSING TIMES

Development application turnaround for major works reduced from an average of 40 days to 28 days, a 29% reduction in processing time.

CHANGES TO CUSTOMER SERVICE TEAMS

During 2007/08 the Customers and Commercial Development Division saw changes across the team, allowing for improvement in service delivery in accordance with customer's needs and wants.

In response to a changing market and the contact preferences of customers the Port Stephens Customer Centre was closed in September 2007. Over recent years there has been a steady decline in demand for over the counter services with most customers choosing to pay their bills at post offices or by using direct debit, Bpay or the Internet.

At the same time a new Customer Fulfilment Team was formed to provide quality control of requests and the timely provision of customer applications such as Conveyancing Certificates.

A Product Development function was established to drive innovation around new products and services. Business Development roles were established to uncover untapped customer needs and offer customers more choice in service options. A new Continuous Improvement Team is helping to drive further improvements in the way we deliver services with an absolute focus on the customer.

INVESTING IN PEOPLE AND SYSTEMS

A major focus during 2007/8 was improving the skills and competencies of our people to help provide a superior customer service experience. Approximately 80 of our staff participated in a program offered by Achieve Global, an international training provider with offices throughout Australia, North America and 50 countries around the world. On completion of the program, four of our staff received external recognition through a Certificate IV accreditation. Some of the focus areas of the training included: Reaching for Stellar Service; Guiding Customer Conversations; Healing Customer Relationships; Team Skills and Team Leader Training.

An extensive review of our Intranet facilities and the support documentation required by staff such as policies, procedures and company fact sheets has also commenced. Our staff are working together to develop a Knowledge Management system that responds to the changing needs and focus of their roles and enables staff to deliver better service through easy access to self-help documentation.

Upgrades of our Contact Centre Disaster Recovery site were implemented to ensure business can continue in the event of a major communications failure.

In March 2008 Hunter Water staff were involved in intensive workshops to develop our commitment statements that form the outcomes for our strategic business plan. These will form part of our core activities and outcomes for customers over the next year.

DEVELOPING AND DELIVERING ON OUR KEY CUSTOMER COMMITMENTS WILL HELP SHAPE OUR FUTURE

We are committed to:

PROVIDING SUPERIOR CUSTOMER SERVICE

This means that Hunter Water will...

- Make it easy and convenient to deal with Hunter Water
- Be available, listen, and be responsive - treat customers like we would want to be treated
- Understand and address the individual needs and wants of the customer
- Be the trusted source of information on water issues

DELIVERING HIGHLY RELIABLE WATER SERVICE

This means that Hunter Water will...

- Ensure that there is enough water for our community today and in the future
- Proactively protect, maintain, and improve the water distribution system

PRODUCING SAFE, HIGH-QUALITY WATER

This means that Hunter Water will...

- Enhance water quality through increasing knowledge and continuous improvement
- Be diligent in testing and responsive to water-quality issues or problems
- Address water quality needs of individual customers

PROTECTING PEOPLE'S HEALTH AND ENHANCING THE ENVIRONMENT

This means that Hunter Water will...

- Maximise health benefits for our community by proactively maintaining the sewer system infrastructure and the environment

- Implement sustainability best practices
- Maximise the value of our water and organic resources/products
- Enhance local community by improving the aesthetics of our facilities and infrastructure

INCREASING OUR COMPETITIVENESS AND THE VALUE DELIVERED TO OUR COMMUNITY

This means that Hunter Water will...

- Constantly review our internal activities and how they relate to providing value to customers
- Make good financial decisions and practice sound asset management principles
- Increase operational efficiency and help our customers to make wise decisions about using our products.

BEING OPEN AND COLLABORATIVE

This means that Hunter Water will...

- Involve the community in key decisions related to water and the environment
- Be transparent in our decision making and operations
- Communicate consistently and meaningfully about key issues and decisions
- Learn by implementing best practices from both inside and outside the industry.
- Value people's contribution

CUSTOMER DELIVERY

NEW RESEARCH DIRECTIONS, DEVELOPMENTS IN ELECTRONIC SERVICES AND MAINTAINING A STRONG CUSTOMER FOCUS WILL BUILD OUR FUTURE FOR CUSTOMERS.

WE WILL GROW AND RESPOND TO CHANGING NEEDS.

MAPPING OF THE SERVICE CHAIN

When customers interact with Hunter Water we want them to feel that we are an effective, efficient and contemporary organisation. Our overarching aim is to provide superior customer service through excellent customer access and a high level of customer satisfaction. The program commenced in June 2008 with an analysis of 25 key front end service delivery processes.

The starting point for the delivery of improved customer service is a detailed assessment (mapping and analysis) of existing customer service business processes. This approach involves a major transformation program of administrative processes to improve service standards. Through process mapping, application of electronic technologies and improved system integration we should see significant improvements.

NEW APPROACH TO CUSTOMER RESEARCH

This year a new Research Strategy has been developed that is better aligned to our new strategic business plan. The strategy is more flexible and integrated and will include the development of online survey tools. It also delves beyond determining levels of satisfaction to gather intelligence on the drivers of loyalty and satisfaction. More work will be done on market segmentation and analysis to assist with product and service development. We believe this new approach will deliver a greater understanding of our customers needs.

Hunter Water will call for expressions of interest in the second half of 2008 for a specialist company to assist with implementing this strategy. This will involve conducting the research as well as providing services to interpret and identify improvement strategies.

ELECTRONIC SERVICE DELIVERY

Hunter Water's strategic direction is to provide its customers with greater choice and convenience; services that are scalable with demand; and state of the art access channels, including a wide range of electronic services.

Customers' preferences are changing and they are seeking more convenient service channels. Technological advances are providing opportunities to streamline processes while improving the value. Increased competition in the water market, as well as higher community and regulatory expectations for efficiency and accountability in the use of resources is also driving change.

One of the ways Hunter Water is responding to these changes is to provide more self service options for customers. Currently our primary contact methods for customers are mail, phone and customer centres. In the future it is envisaged that customers will require greater access to email, Internet and face-to-face contact that is more geographically convenient, particularly for business customers.

To date we have not taken full advantage of self service channels such as the Internet to benefit customers. This channel is now a very acceptable and safe option to many customers to make payments, submit applications, track application progress and schedule the delivery of services. It will certainly be an area we will review to ensure we are providing innovative and convenient ways of dealing with us.

IMPROVEMENTS TO SECTION 47 CERTIFICATES AND SECTION 50 APPLICATIONS

Hunter Water is using technology to enhance electronic data capture and workflow processing. The recent upgrade of the Section 47 conveyancing

certificate processing system in the Customer Information System (CIS) has facilitated a substantial improvement in turnaround times (from 10 to less than two days). This involved the streamlining of data capture at the front end of the process for certificates and more effective automation of certificate and service location diagram printing and production processes. Electronic workflows have also been implemented to assist with Section 50 application and certificate approval processes. In the initial stages of the implementation of this project, turnaround times for applications were reduced from 34 to 28 days on average for each application.

We have also established an agent network for the issuing of conveyancing certificates and service location diagrams in conjunction with LPI Brokers and the Department of Lands. The service will become available in the second half of 2008 (with third party suppliers) through an arrangement with Land Property Information (previously the LTO). This arrangement will reduce the cost of obtaining the certificate and improve turn around times. The majority of certificates should be available on the same day.

CUSTOMER COMPLIMENTS

The following are verbatim comments from customers recorded during the April to June 2008 customer satisfaction research survey. Customers who have had recent contact with Hunter Water are randomly contacted to gain feedback on the effectiveness of our service and how satisfied they were with our resolution of their enquiry.

These were some of the responses when customers were asked how their recent telephone contact with a Hunter Water operator compared to that of other Call Centres contacted in recent times and what it was that made them feel that way.

"Her manner on the phone. The promptness of answering the call. Her knowledge and her understanding of my position. A lot of the time in the other centres, they are not as courteous and not as willing to help."

“Better, it was their level of understanding and their willingness and time spent trying to address the problem.”

“They were prompt. I was not put on hold. The lady was courteous and friendly. I was not pushed from pillar to post, from one department to another.”

These are some of the responses recorded when customers were asked to rate the service provided by the Customer Service Operator.

“It was a difficult enquiry and they walked me through the options and put me in touch with the right person.”

“He was pleasant and helpful and assured me everything would be sorted out, very calm and efficient.”

“Very caring and understanding when I need an extension in time to pay my account.”

“The operator had a “smile in her voice” and gave me the information I needed.”

TREE CLEARING FOR SAFE DRIVING

In May 2008, a customer contacted Hunter Water regarding his concerns about traffic safety at the intersection of Industrial Drive and William Streets at Mayfield. The customer's concerns related to a number of trees growing on the land owned and used for our Number 8 Pump Station which were causing a blind spot for motorists and impacting on traffic safety at the intersection.

Hunter Water arranged for the trees to be trimmed back which improved visibility and safety at the intersection.

The customer contacted Hunter Water after the maintenance work was completed and said “Hunter Water deserves a pat on the back for the speedy attention and good job they did of the tree clearing. This intersection is no longer a hazard for drivers, good work Hunter Water”.

WORKING WITH DEVELOPERS



STRENGTHENING THE FUTURE

- GPT development works at Charlestown Square
- New housing development at Gillieston and Chisholm (Thornton North)

Hunter Water has continued to strengthen our relationship and work with developers undertaking residential and commercial developments across the Hunter Region.

During the last 12 months, significant progress and investment has occurred in greenfield residential developments at Gillieston Heights and Chisholm (Thornton North). These developments have involved companies such as Mirvac, Stockland, County Property Group and JPG Development. These development areas form part of the Department of Planning's Lower Hunter Regional Strategy.

Other developers such as GPT have been involved in significant commercial

development projects in our region. GPT are currently undertaking major shopping centre redevelopment works at both Charlestown Square and in the Newcastle CBD.

GPT has engaged Hunter Water to assist in establishing on-site wastewater treatment systems to service these developments. This work assists Hunter Water to further raise the profile of recycled water in our community by identifying further opportunities to use this environmentally sustainable product.

Hunter Water continues to meet regularly with the Urban Development Institute of Australia (UDIA), an industry leader and key advocate for developer issues across Australia. The aim of the meetings is to achieve balanced outcomes for the broader community with regard to development. We look forward to continuing to work with UDIA to provide ongoing benefits for our community.

SUPPORTING OUR COMMUNITY

WE ARE SUPPORTING OUR COMMUNITY THROUGH A RANGE OF PROGRAMS TO BUILD CAPACITY WITHIN A DIVERSE RANGE OF PROJECTS AND EVENTS.

WELCOMING NEW DUNGOG CUSTOMERS

In November 2007 Dungog Shire Council and Hunter Water mutually agreed to transfer the Council's water and sewer business to Hunter Water as of 1 July 2008. Under the previous arrangement Hunter Water supplied bulk water to Dungog Shire Council.

The transfer of services significantly increases our total area of operations and adds approximately 2,500 new customers. The project involved extensive collaboration between Dungog Council and Hunter Water.

A project team was established from various parts of Hunter Water to complete a range of tasks by 30 June 2008 to ensure a smooth transition for the people of Dungog Shire. Ensuring all properties were listed on our Customer Information System (CIS) was critical to ensure Hunter Water could be of service to its new customer for both operational and billing enquiries from 1 July 2008.

A range of system changes and other activities had to be completed. The entire Dungog Shire Council's water and sewer pipe network was surveyed and these assets were created in Hunter Water's SWIMS system. Non-standard connections were identified and customers notified of their

responsibilities to update their systems. Hunter Water's contractors for services such as meter reading were also involved in the project. Pricing requirements were also established for Dungog customers.

An extensive communication program was implemented including the delivery of customer welcome packs, on site information from Hunter Water customer service staff and local advertising and poster placement across Dungog Shire.

SPONSORSHIP

Hunter Water's Sponsorship Program seeks to engage a wide range of community and industry related groups across Hunter Water's area of operations.

Sponsorship proposals for the 2007/08 financial year were assessed against corporation guidelines for sponsorship of projects, events and activities. These guidelines ensure that projects or organisations must either relate in some way to the water cycle, sustainable water management and/or water conservation or contribute towards the attainment of Hunter Water's objectives.

Hunter Water provided more than \$277,000 in sponsorship in 2007/08 to help a range of important initiatives come to fruition.

- Community education initiatives that focused on water in the context of sustainability. Waterwatch, Landcare and community workshops targeting water conservation
- Activities that achieved environmental and social outcomes. Local Government Environmental Awards
- Events that provided a vehicle for promotion of the Corporation's philosophy and mission. Hunter Surf Lifesaving, Surfest, Maritime Festival and Clean Up Australia Day

KEY PROGRAMS

STOMP FEST

Stompfest is a free one-day festival celebrating cultural diversity, social justice, the arts and the environment and was held on Sunday 17 May 2008.

The event focused on sustainable water management and aimed to educate the community on efficient ways to manage their water use. This was the first year in which Hunter Water participated in the festival.

The project incorporated various workshops, discussion groups, interactive displays and information panels aimed at promoting small scale water management techniques which can be integrated into people's daily life.

Since its inception in 1997, the festival has grown to be a significant event on Newcastle's annual calendar, bringing people together to celebrate our region's cultural diversity.



TREES IN NEWCASTLE

Trees in Newcastle (TIN) provides support and assistance to schools moving towards sustainability. It is part of the Biodiversity in Schools Project that Hunter Water proudly sponsors.

TIN's Education Manager visited 28 primary schools this year, providing advice on waterwise gardens, watertank installation, bush tucker gardens and School Environmental Management Plan (SEMP) development.

Consultations were also carried with students at six high schools. These students are now starting to implement sustainable activities on their grounds as environmentally aware student cohorts from participating primary schools are moving into high schools in the area.

The Biodiversity In Schools project creates corridors within catchments, connects students to sustainability solutions and teachers to professional resources.



FERNCREEK GULLY LANDCARE GROUP

The Ferncreek Gully Landcare Project demonstrated the feasibility of harvesting rainwater run-off from roads off Ocean Street in Dudley for the rehabilitation of rainforests which feed into the Awabakal Nature Reserve. This project will save up to 70,000 litres of drinking water per annum.

Storage tanks with a capacity of 61,000 litres were installed taking rainwater through a 300mm diameter stormwater pipe to a diversion pit connected to the tanks, with overflow entering an existing creek. An irrigation system draws filtered water through electronically controlled timers, delivering water across the 1500 square metres of rainforest zone.

Stage two of the project saw additional native trees planted and distribution of a DVD to interested community members on the project.

CATCHMENT DAY

Held at the Hunter Wetlands Centre in Shortland during National Water Week (NWW), Catchment Day aims to encourage and inspire the community to become involved in water conservation and environmental sustainability.



Catchment Day

To help celebrate NWW and encourage our community to "Protect, Conserve and Get Involved", Hunter Water sought the involvement of various environmental and educational groups and local councils. Hunter Region Landcare Network, Newcastle City Council, Port

Stephens Council, Lake Macquarie Council, Hunter Region Catchment Management Authority and Hunter Organic Growers Society joined forces to provide fun, hands-on educational activities such as guided walks, water saving workshops, native tree planting and worm farm demonstrations.

STORMWATER

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

Funding of \$6,000 was provided to Lake Macquarie City Council to partially fund Council's stormwater education officer position.

The position provides community education and support for community groups and schools and facilitating in creek naming and drain stencilling programs. Funding contributions were also made towards the University of Newcastle's "Lower Throsby Creek Contamination and Ecological Condition Assessment Project".

SUPPORT FOR CHARITIES

Another example of Hunter Water's high performance culture is the work by staff to support a range of charities. This year staff voted to determine four charities that would be available for payroll deductions. These charities are:

- Cancer Council NSW
- Salvation Army
- Water Aid Australia
- Westpac Rescue Helicopter Service

WATERAID AUSTRALIA

WaterAid Australia is Hunter Water's primary charity. In 2004 Hunter Water joined a range of other water utilities, water industry groups and aid organisations to launch WaterAid Australia. The charity aims to overcome poverty by enabling the world's poorest people to gain access to safe water, sanitation and hygiene education.

As well as payroll deductions, money is also raised via staff donations from fundraising events and by providing information to customers in bills.

In October 2007 a number of Hunter Water staff, including CEO Kevin Young, joined external contractors and suppliers to walk the Kokoda Track in Papua New Guinea. The team of 28 completed the arduous 96 km walk in eight days, raising approximately \$20,000 for WaterAid projects in PNG and Timor.

Hunter Water recognises the importance of supporting charities and getting involved in fundraising that makes a difference to people's lives.

LEUKAEMIA FOUNDATION

Hunter Water staff participated in a major fundraiser in March 2008 in support of the Leukaemia Foundation's World's Greatest Shave event. Staff from across the organisation gathered to have their hair shaved and coloured and raised \$9,450 for the Leukaemia Foundation.

GOOD FOR KIDS

In late 2007, Hunter Water partnered with Hunter New England Health to introduce the Good For Kids Good For Life program into all primary schools within Hunter Water's area of operations. Hunter Water donated 20,000 water bottles towards the program to help kids and parents appreciate the value of water to their health and lifestyle.

HUNTER SURF LIFESAVING

Hunter Water has been a proud supporter of the Hunter Surf Lifesaving movement for 25 years. This relationship enables the Hunter Branch to initiate and develop education programs for its volunteer members.

The financial support of \$25,000 provided to Hunter Surf Lifesaving during 2007/08 aids this great organisation in providing an invaluable service to our beach loving community with a reduction in the number of lives lost in the surf each year.

COMMUNICATION WITH CUSTOMERS

In the 2007 Customer Perceptions Survey, 81% of customers said that they considered it important to hear more about Hunter Water's activities and services. Even more customers (89%) said that they wanted Hunter Water to encourage efficient use of water.

In 2008 a major external communications strategy was developed to ensure a coordinated and proactive approach was taken towards communicating with our customers and other stakeholders.

The external communications strategy sets the five-year strategic direction for communications activities and identifies the tools, resources and costs associated with delivering this important initiative to customers and stakeholders. This strategy will also support the education initiatives listed in the H₂50 Plan.

This year Hunter Water commenced a process of developing, delivering and evaluating a suite of communications strategies and actions that effectively promote our services, operations and values. An important first step was the development of a our customer commitments as listed on page 41.

The focus on external communication has seen revitalised Open Board messaging, encouraging dynamic and variable presentations and media releases to Board members and guests. There has also been a refresh of the Sponsorship and Events Program, updating guidelines and promoting synergies between event themes and conservation messages.

A proactive approach has also been taken to news items, seeking out key issues from staff and promoting these through various media channels. This proactive, planned approach will be the cornerstone for communications planning in the coming year.

The strategy will continue to build upon and reinforce the key themes and messages of the organisation including water conservation, recycling, infrastructure and upgrade programs, providing capacity for growth, competition and improved customer service. Water efficiency and recycling

themes will continue to support the vision of securing our water future.

Key initiatives commenced this year include: the redesign of our website; water conservation messages and water conservation competition on ABC Radio; a water conservation advertising campaign; and improved information in customer bills.

NEW WEBSITE

In August 2007, Hunter Water launched a new website. The website was redesigned to provide more information, better visual appeal and greater ease of navigation.



The website caters for a wide range of stakeholders including property owners, developers, students and teachers and includes information on water conservation, major projects currently being undertaken, water supply and wastewater networks, sponsorships, community events and environmental education.

Analysis of visitors to the website since its launch indicates a high degree of community interest in a number of Hunter Water's activities.

- The Education section continues to provide an opportunity to raise community awareness of our water conservation messages, environmental programs and activities. In particular, use of the water usage calculator, interactive water cycle and teacher information kit as the demand for educational resources in schools remains high
- The Tillegra Dam section of the website was introduced to provide

members of the community access to comprehensive information on activities being undertaken specific to this project. Project activities are communicated through online community newsletters. Information about the work of the community reference group, project news and consultancies are also available on the internet

- The Forms and Publications section provides access to our suite of reports, plans, regulations, forms, community newsletter and brochures. Interested community members are provided with efficient access to information while we minimise our impact on the environment through reduced printing needs

GET TANKED

Four Hunter families saved more than 60,000 litres of water over six weeks during the 1233 ABC Radio Newcastle and Hunter Water "Get Tanked" Challenge.

Each family "belonged" to one of the ABC's four program teams. The teams competed in weekly water related challenges and developed innovative water saving ideas.

The Lodue family from Williamstown was the winner of the competition. They received a fully installed water tank courtesy of Hunter Water.

The competition raised significant awareness of the topic of water saving among ABC listeners. In addition to the competition, the ABC ran a series of water saving tips from Managing Director Kevin Young.





MAKING WAVES – CUSTOMER NEWSLETTER

In March 2008 we introduced a new customer newsletter called Making Waves.

Previously Hunter Water's 12 page newsletter, Splash, was distributed to around 1000 customers. For a small increase in production cost, we have moved to a six-page newsletter which is now distributed with every customer bill.

The newsletter provides regulatory information for customers along with information on our capital projects, sponsorship program and tips on saving water.

EXTERNAL CUSTOMER COMPLAINTS - EWON

A total of 133 contacts were made to the Energy and Water Ombudsman of NSW (EWON) by Hunter Water customers during the period 1 July 2007 to 30 June 2008. There were 13 contacts carried over from 2006/07 financial year. In total, these contacts represent 0.05% of Hunter Water's customer base. The 133 contacts comprised:

- 45 enquiries
- 78 contacts requiring investigation that have been completed
- 10 contacts for which investigations are not yet finalised

"Enquiries" are generally straightforward matters relating to Hunter Water where EWON have provided information to customers and did not need to contact Hunter Water, or where they have referred the customer to Hunter Water or another more appropriate agency. "Contacts" are matters that generally require some degree of investigation by either or both Hunter Water and EWON.

Hunter Water hosted a visit from EWON staff in June 2008 to specifically discuss water and sewer assets. Discussions covered the obligations of Hunter Water and also the customer as outlined in the Customer Contract. The session was facilitated by Hunter Water's Plumbing Inspector who was able to provide pictures and equipment such as meters for EWON to gain a better understanding of our business.

Throughout the year policy information was provided to EWON to update its in-house intranet site for use by their staff in handling enquiries from customers of Hunter Water.

Notification to all customers of the availability of EWON's services was provided in the November 2007 to February 2008 billing cycle. We have established a protocol for contact and ongoing communication between EWON and Hunter Water regarding investigation, and will continue to use EWON's feedback to improve our processes in the future.

BUBBLES AND SUPA SQUIRT SHOW

This year Hunter Water engaged local theatre group 'Ship O Fools' to create a series of short plays for presentation to local primary schools that focused on water conservation. 'Ship O Fools' performed the 'Bubbles and Supa Squirt' show at a total of 66 schools.



A majority of schools had at least 200 students observe the show which encompassed eight water saving messages including "When you have a shower keep it short", "When you brush your teeth turn off the tap", and "When you use the loo think one or two". In addition, students in kindergarten through to Year 2 were given a Bubbles and Supa Squirt colour-in book (designed and printed by Hunter Water) to take home and use to educate their entire family. Ten thousand colour-in books were handed out by 'Ship O Fools' during this period.

DID YOU KNOW

A new system called ComQuest went live across Hunter Water in June 2008 enabling improved monitoring and reporting of regulatory performance.

CONSULTATIVE FORUM

Hunter Water's Consultative Forum is made up of representatives from a cross section of our community including environmental and community groups, business and local Government. It meets four times during the year, in September, December, March and June.

Formal agendas and report papers were provided for all meetings on key operating, environmental and community matters. Meeting minutes were incorporated in the Open Board reports and made available on our website.



Matters discussed included:

- Suggested improvements to Hunter Water's new website
- Transfer of Dungog Water and Sewer Business to Hunter Water
- Status of plans for the provision of sewerage facilities to Heatherbrae, Williamtown, Tomago and Hexham
- Review of Integrated Water Resource Plan (IWRP) – H250 Plan
- New Operating Licence Standards
- Role of IPART and overview of Audit Process
- Payment Assistance Scheme vouchers
- Proposed closure of Balickera Park
- Process for provision of infrastructure for land release areas proposed in the Lower Hunter Regional Strategy
- Wider advertising/acknowledgement of infrastructure projects

- The possibility of providing individual metering of all apartments and units
- Tillegra Dam (including an on-site visit in June 2008)
- Williams River catchment management initiatives
- Proposed drag-strip at Raymond Terrace and potential impacts on Grahamstown Dam storage levels
- Removal of silt and sediment in stormwater drains

The following documents were forwarded to Forum members out-of-session for comment and information:

- Discussion paper on the five-year Drinking Water Quality Management Plan
- The draft Environmental Management Plan
- The draft H250 Plan (Integrated Water Resource Plan)

A review of the Consultative Forum was also undertaken. The size and composition of the forum, meeting frequency and content of meeting papers were considered appropriate. Members agreed to arrange for 'alternate' attendees should they be unavailable for a meeting and to ensure that they disseminate information shared at forum meetings to their constituents as required. It was agreed that field inspections should be taken on at least an annual basis. A listing of key Hunter Water staff contact details is now incorporated in the Minutes of each meeting.

Following an Expression of Interest in December 2007, new members were appointed to the Forum in March 2008. Cr Glenn Wall (Dungog Shire Council); Ingrid Berthold (Hunter-Central Rivers Catchment Management Authority); Paul Murphy (Hunter Business Chamber); and Rick Banyard (Property Owners Association) replaced retiring members Harold Sternbeck, John Steele and Gillian Summers.

BURWOOD BEACH COMMUNITY REFERENCE GROUP

In July 2007, a Community Reference Group was formed for the Burwood Beach Wastewater Treatment Plant upgrade project.

The independently chaired Community Reference Group's role is to canvas issues the community wants considered in the planning process for the project. The Group comprises a wide range of stakeholders including representatives of the surfing community, beach users, local residents, surf clubs, schools, the business sector, the development industry and local environmental organisations.



The Group meets on a monthly basis with seven meetings held in the 2007/8 year. Meetings have included a tour of the plant and presentations from scientific and environmental experts involved with the project.

The Group's involvement in the project has led to Hunter Water pioneering new risk assessment methodologies with the UNSW to determine the impact of the plant's discharge on recreational beach users. The investigation will play a key role in determining the long-term function of the plant.

The Group will continue to meet through to the completion of the planning phase of the project.

COMMUNITY EDUCATION AND EVENTS

COMMUNITY EDUCATION AND CONSULTATION

Each year Hunter Water is proud to be associated with a range of activities, giving us the opportunity to actively participate in the community in which we operate. During 2007/08 Hunter Water attended the below listed events and offered advice on water efficiency and conservation, rainwater tank rebates and other water-related issues. A variety of displays, signage, giveaways, brochures and fact sheets were used and provided at each event. Oggie the Froggie and the Hunter Water 'Water Bar' also featured on specific days.

- Newcastle Home Show
- Maritime Festival
- Catchment Day
- Total Field Days
- Surfest
- Chichester Dam Picnic Day
- StompFest
- Bunnings Watersaving Weekend

COMMUNITY EDUCATION

During 2007/08 Hunter Water's Education Officer and other approved staff undertook 23 school and community talks on water conservation.

Hunter Water staff also attended a variety of educational forums and expos, including the Maitland Environmental Youth Forum and the World Environment Day celebrations at Charlestown Square.

Hunter Water communications staff made a presentation to teachers at an in-service day at the Hunter Wetlands Centre. The Communications Team offered advice and details of the educational tools provided by Hunter Water via its website. During 2007/08, 20 educational outlets downloaded the Water Kit from the Hunter Water website.



Newcastle Home Show



Catchment Day



Surfest



Chichester Dam Picnic Day



ENVIRONMENT

INTEGRATING SUSTAINABILITY PRINCIPLES

WE TAKE OUR RESPONSIBILITY AS AN ENVIRONMENTAL STEWARD VERY SERIOUSLY AND WE ARE COMMITTED TO INTEGRATING SUSTAINABILITY PRINCIPLES INTO THE WAY WE PLAN AND OPERATE OUR BUSINESS.

HUNTER WATER IS IN THE 'ENVIRONMENT' BUSINESS. WE INTERVENE DIRECTLY IN THE WATER CYCLE AND, LIKE MOST BUSINESSES, OUR EVERYDAY ACTIONS AND DECISIONS HAVE THE POTENTIAL TO IMPACT ON THE ENVIRONMENT.

Hunter Water is in the 'environment' business. We intervene directly in the water cycle and, like most businesses, our everyday actions and decisions have the potential to impact on the environment.

OUR GOALS FOR THIS YEAR WERE TO:

- meet community expectations regarding standards of environmental stewardship
- recognise the holistic environmental impacts of our business activities
- create a common awareness of, and commitment to, environmental management across all areas of the corporation
- deliver our services with minimal environmental impact
- ensure that water supplies are sustainably harvested and economically available to customers without restriction, other than in extreme circumstances
- balance the pressure on the water resources of the Lower Hunter through efficient use of water
- meet regulated environmental standards
- ensure that the community is informed and accepting of Hunter Water's resource planning strategies

MEASURING SUCCESS

We aim to measure our success through a range of performance indicators including: effluent quality; effluent reuse; potable water substitution; sewer overflows; environmental incidents; greenhouse gas emissions; renewable energy consumption; average household water consumption and infrastructure leakage.

A number of great outcomes were achieved under the existing Integrated Water Resource Plan:

- Continuation of the Community Awareness Campaign
- Installation of REFIT kits in 7778 Department of Housing properties in the Lower Hunter in partnership with Energy Australia
- Expenditure of approximately \$3.8 million by Hunter Water on water service replacement, water main replacement, leakage control and pressure reduction. Hunter Water again achieved excellent benchmarked performance in minimising losses from the water supply system
- Recycled water volumes increased by over 400ML to 4471ML, with potable reuse totalling 2174ML
- Completion of the installation of outdoor meters for the Residential Outdoor Metering Program

LOOKING AHEAD

Next year our focus will be on determining renewable energy and Greenhouse Gas strategies and targets. We will finalise our H250 Water Resource Plan and embark on its community education and demand management initiatives. Our active leak management program will continue. Work will continue on Tillegra Dam and the Kooragang Island Water Recycling project.

PERFORMANCE MEASURES

PERFORMANCE MEASURES

- EFFLUENT QUALITY
- EFFLUENT REUSE/POTABLE SUBSTITUTION
- SEWER OVERFLOWS
- ENVIRONMENTAL INCIDENTS
- GREENHOUSE GAS EMISSIONS
- RENEWABLE ENERGY CONSUMPTION
- AVERAGE HOUSEHOLD WATER CONSUMPTION



EFFLUENT QUALITY

ONSITE	180	4.03%
INDUSTRIAL	1607.45	35.95%
GOLF CLUBS	376.74	8.43%
TREE PLANTATIONS	38.24	0.86%
AGRICULTURE (DIRECT)	250.81	5.61%
AGRICULTURE (INDIRECT)	2017.93	45.13%
		50.74%

EFFLUENT REUSE/POTABLE SUBSTITUTION POTABLE SUBSTITUTION DATA

Volume Of Water Sourced From Recycling (ML)

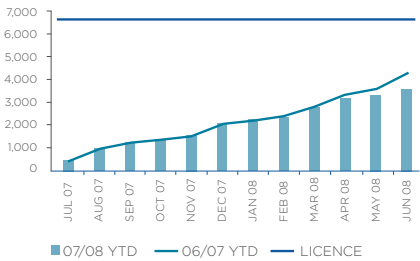
2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
1988	2403	1929	1860	2055	2174

Total Volume Of Water Sourced (ML)

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
79615	75285	73608	74765	76924	69510

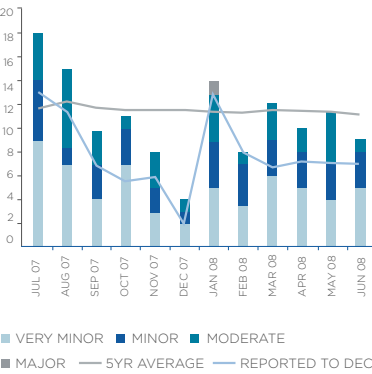
SEWER OVERFLOWS YTD

SEWAGE OVERFLOWS - YTD
No. of uncontrolled overflows other than on public land



ENVIRONMENTAL INCIDENTS Month

ENVIRONMENTAL INCIDENTS - MONTH
No. of incidents per month by severity



GREENHOUSE GAS EMISSIONS

Net greenhouse gas emissions (net tonnes CO2-equivalents) - water (per 1000 properties)

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
139	150	143	140	175	117

Net greenhouse gas emissions (net tonnes CO2-equivalents) - sewerage (per 1000 properties)

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
252	236	236	213	192	215

RENEWABLE ENERGY CONSUMPTION

Net greenhouse gas emissions (net tonnes CO2-equivalents) - sewerage (per 1000 properties)

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
252	236	238	213	192	215

Net greenhouse gas emissions (net tonnes CO2-equivalents) - other (per 1000 properties)

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
20	21	21	21	15	14

Total net greenhouse gas emissions (net tonnes CO2-equivalents) - (per 1000 properties)

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
396	393	390	362	371	333

AVERAGE HOUSEHOLD WATER CONSUMPTION

Average Annual Residential Water Supplied (KL/Property)

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
222	208	197	205	195	177

Total Recycled Water Supplied (ML)

2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
3866	4588	4020	3942	4060	4471



ENVIRONMENTAL STEWARDSHIP

THERE HAVE BEEN A NUMBER OF ADDITIONAL DEVELOPMENTS SINCE THE RELEASE OF THE IWRP IN 2003.

RAINWATER TANK REBATE

The State Government introduced a new state-wide rainwater tank rebate from 1 July 2007. This program, which replaced Hunter Water's rebate program, provided 401 rebates in 2007/08 saving an additional 20ML per annum.

Eligible customers can receive rebates of between \$150 and \$1500, depending on the size of the tank and whether it is connected to either toilets or washing machines. We have promoted the scheme to our customers at events, on our website and via newsletters with customer bills.

REVISED DEFINITION OF YIELD

In August 2007, Hunter Water adopted a new definition of yield (amount of water that can be reliably extracted from Hunter Water's dams and groundwater sources) which includes a new criterion based on the risk of implementing a key Drought Management Plan action.

WHY TILLEGRA NOW PAPER

This paper was released in August 2007 and explains why Tillegra Dam is the preferred supply augmentation option and why demand management actions alone will not be sufficient to meet the demand forecast for the Lower Hunter region.

TOGETHER TODAY

Hunter Water continued to support the Together Today initiative which aims to improve water and energy efficiency in the Lower Hunter. Together Today supported the EnviroSaver program which installed 8442 flow restrictors or low flow shower heads in the Lower Hunter in 2007/08.

A major initiative for this year was the completion of a new draft Integrated

Water Resources Plan (IWRP), called the H₂50 Plan, and its exhibition to the public. The H₂50 Plan heralds a new phase in water resource planning in the region. The plan looks further forward than any previous plan. It includes a range of initiatives to ensure drought security for the region, including a new dam, water efficiency projects and unprecedented levels of water recycling.

A new environment management plan was also completed in late 2007, in line with our new Operating Licence. Performance against the existing plan was very strong. The number of sewer overflows was down by more than 50 % and odours were down by 13%. Last year the sewer overflow performance was affected by the June 2007 storms. However, significant work has been carried out on the waste water transportation system including inspections and relining of sewers as well as upgrades to a number of pumping stations.

While we have always sought to find ways to minimise our impact on the environment, this year an Eco-Office was established to drive improvements in environment management and performance.

Hunter Water undertakes considerable work and makes a significant investment in managing its catchments to protect drinking water quality. This year was no exception. We concluded the Williams River Best Management Practice Farm Demonstration Project and worked with other agencies to successfully crack down on illegal dumping.

ENVIRONMENT MANAGEMENT PLAN

ENVIRONMENT MANAGEMENT PLAN

Hunter Water's operations are regulated by the NSW Government through a number of regulatory instruments including an Operating Licence. The licence specifies customer service standards, including drinking water quality and environmental requirements.

Section 7 of the Operating Licence relates to environmental management within Hunter Water. The licence requires the development and implementation of a five year Environmental Management Plan (EMP) and the development of a set of Environmental Performance Indicators that are reported each year. Together the Environmental Management Plan and Environmental Performance Indicators form the basis for Hunter Water's public commitment and reporting in relation to environmental management and sustainability.

Environmental sustainability is a fundamental priority for the management of the services undertaken by Hunter Water. We are committed to integrating sustainability principles into the way in which we plan and operate our business. Our aim is to create a common awareness of and commitment to environmental management across all areas of Hunter Water.

As part of our new Operating Licence, Hunter Water was required to develop a new five-year Environment Management Plan.

After significant internal consultation and a period of public exhibition, the revised plan was completed in late 2007. It was approved by the Board's Community and Environmental Committee.

The new plan sets out the goals, objectives, actions and targets that have been identified to manage Hunter

Water's environmental performance. The plan also nominates environmental performance indicators. We report against 27 indicator categories with 78 individual performance measures. The performance indicators were developed as part of the 2008/13 EMP.

The 2007/08 Environmental Performance Indicators Report is the first report for the current set of indicators available at www.hunterwater.com.au.

Environmental performance for 2007/08 has been generally strong.

BUSINESS AREA

2007/08 PERFORMANCE

CATCHMENT MANAGEMENT	On track to meet EMP commitments
WATER SUPPLY	Minor breaches in water management licence Water demand was generally down due to a wet year and mild summer
WATER CONSERVATION	Performance good with good progress on water efficiency programs and development of the H250 Plan which outlines how Hunter Water will maintain the forecast water supply and demand balance over the next 50 years
WATER RECYCLING	Performance was consistent with previous years. Plans are underway for several major water recycling projects
WASTEWATER, TRADE WASTE, RESIDUALS	Performance in relation to trade waste, biosolids reuse and beachwatch has been excellent. Improvements are required in relation to odour management and compliance with DECC wastewater system licences
CORPORATE RESPONSIBILITIES	One infringement notice was received in relation to a sewer overflow incident Electricity consumption and greenhouse emissions were lower than normal due to reduce water demand during the reporting period Met targets for environmental training Measures taken to 'green' Hunter Water's vehicle fleet
CUSTOMERS AND COMMUNITY	Strong performance in all indicators
FINANCIAL INDICATORS	Consistent performance with previous years

WASTEWATER TRANSPORTATION

WASTEWATER TRANSPORTATION

Hunter Water is committed to minimising sewer overflows from our systems, which are generally related to either tree root blockages or wet weather conditions.

During heavy rain or extended rain periods, parts of the system can become overloaded by stormwater seeping into cracked pipes, illegal connections of stormwater into the sewerage system, damaged customer fittings, or poorly located customer fittings such as low lying sewer shafts or yard sinks. The vast majority of our customers are unaffected by wet weather overflows, with problems occurring generally only in low-lying areas or where the water table is high.

In 2007/08, 303 overflows were attributed to heavy rain compared with 655 in the previous year. Although the region did not experience a repeat of the June 2007 long weekend storms, consistent rainfall throughout the period affected the system. As the flows are heavily diluted with stormwater, there is generally minimal environmental impact.

In 2007/08, a number of initiatives were undertaken to improve the performance of the wastewater transportation system:

- Completion of \$2.3 million worth of sewer main linings, replacements and reconstruction of major access chamber reconstructions, in response to root intrusions and structural defects
- A further \$0.6 million worth of sewer main lining works in the low lying areas of Swansea and Glendale to prevent groundwater entering the system
- Completion of \$1.9 million worth of mains cleaning and Closed Circuit Television (CCTV) inspections of sewer mains in order to investigate

causes of sewer overflows and planned inspections of critical sewer mains

- Reconstruction of a section of the carrier main under Throsby Creek at Islington at a cost of \$0.4 million. Works included removing the access chamber from within the creek, which was major source of inflow that impacted on the capacity of the system
- Sewer overflow investigation reports were completed for nine out of our 17 catchment areas. These reports were developed in accordance with Department of Environment and Climate Change (DECC) guidelines to contain wet weather
- Pump station upgrades in Edgeworth, Barnsley, Belmont, Redhead and Branxton worth \$1.6 million
- Improvements to the design of the proposed Newcastle Wet Weather System (Mayfield to Burwood Beach) have been made to upgrade its wet weather capacity
- Upgrades within the Beresfield to Morpeth system at a cost of \$8.7 million. This program included the new Berry Park (Thornton North) pump station. This station will allow for flows to be diverted from existing stations that have capacity problems in wet weather
- Plans are progressing to sewer the area's of Millfield and Ellalong under the State Government Priority Sewerage Program (PSP). On-site systems have already been replaced under this program in the area's of Lochinvar, Kitchener and Fern Bay



Morpeth

ODOUR CONTROL MANAGEMENT



This year saw a reduction in sewer odour complaints. A total of 207 complaints were received this year which is 31 (13%) less than the 238 received during the previous year. Hunter Water continues to address the problem of odours holistically, to prevent not only the generation of foul odours, but also to prevent damage to our assets caused by the potentially corrosive nature of sewer gases.

Highlights for the year that have played an important role in achieving the improvements include:

Playing a major part in the reduction in odours this year was the installation of five new chemical dosing units/ odour control systems at Kitchener, Fern Bay and Bright Waters as well as an upgraded system at Maitland.

Proactive CCTV inspections of concrete sewer mains have identified sources of odours being blockages or broken sections of pipe, rather than a system problem. Fixing these problems has sped up the resolution of odour issues. There has also been increased concentration on inspecting private septic tank pump-out systems.

Hunter Water has also worked closely with the Department of Environment and Climate Change in an investigation into ongoing odours from the Rutherford industrial area.

In 2008/09 additional chemical dosing units will be installed in Port Stephens that will incorporate technology known as “Smart Dosing”. This will provide remote monitoring, control of pumps and control settings. Pumps are automatically stopped to prevent overdosing.

BELMONT WWTW UPGRADE

Work continued on the \$26 million upgrade of the Belmont Wastewater Treatment Works. The objective of the work is to increase the treatment capacity of the plant by 35% to cater for growth. The capacity of the Belmont WWTW will rise from an equivalent population of 92,000 to 115,000. The work involves upgrades to almost all the process units at the plant.

The work will guarantee the effluent discharged into the ocean always meets the regulatory standards, as well as ensure that the biosolids recovered from the treatment process, are of a quality that maximises our ability to reuse them in a cost effective manner.

This important upgrade is being undertaken by Abergeldie Young Pty Ltd. Construction work commenced in late 2006 and is scheduled to be complete by the end of 2008.

MORPETH WASTEWATER TRANSPORTATION UPGRADE STAGE 1

Hunter Water is upgrading the wastewater transportation system at Thornton. The aim of the upgrade is to improve the performance of the system during wet weather periods and to provide capacity for future development in Thornton North and Somerset Park.

The project involves the construction of two new wastewater pumping stations and approximately 5km of pipelines to transport wastewater to Morpeth wastewater treatment works. The new stations are located adjacent to John Arthur Avenue at Thornton and to the north of Raymond Terrace Road at Berry Park.

Construction work commenced in mid 2007 and commissioning of the new system is expected to be complete by October 2008.

The project also includes construction of a recycled watermain from Morpeth wastewater treatment works. This pipeline will be commissioned in 2009 following the construction of other components of the recycled water system and will provide recycled water to the adjacent residential development.

The total cost of the project will be in the order \$16 million.

RECYCLED WATER

HUNTER WATER HAS STARTED THE PROCESS FOR UNPRECEDENTED LEVELS OF WATER RECYCLING.

RESIDENTIAL RECYCLED WATER SCHEMES

In 2008/09 Hunter Water will continue providing infrastructure which will ultimately provide approximately 8,200 homes in the areas of Thornton North, North Cooranbong and Gillieston Heights with two water supplies - recycled water and drinking water. This is known as dual reticulation.

This year, pipes were laid at Gillieston Heights, with plans to continue to other development areas in 2008/09. In order to educate Hunter Water customers and suppliers alike, a new display and numerous fact sheets have been developed to ensure all residents and plumbers in the areas serviced by dual reticulation are aware of their roles and responsibilities in the drinking water saving scheme.

Customers who connect to the new service will have recycled water connected to their toilet cisterns as well as an outdoor tap for garden use. There is also the potential for recycled water to be connected to washing machines which would further reduce the demand on our drinking water supply.

The recycled service will be delivered to customers from a nearby sewerage treatment plant via a purple or lilac pipe. This is the plumbing industry standard colour for recycled water supply. Properties connected to the recycled service will be fitted with two water meters.

This project has the potential to improve community perceptions about recycled water. The more this product can be used for suitable applications such as gardening, watering, toilet flushing and car washing, the more we can decrease the demand on our drinking water supply.

Recycled water is treated to a very high standard. It goes through a series of processes including microfiltration and ultraviolet disinfection on top of the usual high level of wastewater treatment.

Customers using recycled water can reduce drinking water usage by approximately 40%. We estimate these three schemes will save approximately 1050 million litres of water per annum.

KOORAGANG RECYCLED WATER SCHEME

As part of its H₂50 Plan, Hunter Water proposes to build a \$36 million water recycling plant on Kooragang Island, near Newcastle.

The site for the plant has been selected and settlement arrangements completed. Concept designs, environmental investigations and customer negotiations also commenced this year.

Kooragang Island is home to some of the region's biggest industrial water users. Recycling the water used by these customers and re-supplying it to them will help meet the growing demand for recycled water and at the same time take pressure off our valuable drinking water supplies.

The scheme will ultimately replace up to three billion litres of precious drinking water with highly treated effluent each year for use by major industrial customers on Kooragang Island and the Mayfield Industrial Precinct.

NEW H₂50 PLAN

Hunter Water's new draft Integrated Water Resource Plan (IWRP), titled the H₂50 Plan was released for a month long period of public comment on 18 April 2008. H₂50 is the first revision of the IWRP, which was published in early 2003. It outlines our proposed strategy to meet the water supply needs of the Lower Hunter - from both a supply and demand perspective - in a sustainable way over the next 50 years.

Demand for drinking water in the Lower Hunter is expected to grow from the current 75,000 megalitres per year to about 118,000 megalitres per year by 2058. This demand forecast takes into account the expected water savings from a range of water efficiency and recycling programs currently in place.

The proposed H₂50 strategy includes actions to increase supply and moderate demand through recycling, minimising leakage in the water supply system

and water efficiency. It incorporates major projects announced by the State Government in November 2006 to secure the water future of the Lower Hunter.

These projects, which have a significant bearing on long term water resource planning for the region, include the proposed Tillegra Dam, the Kooragang Industrial Water Scheme (a major recycling project), recycled water schemes for large greenfield residential subdivisions and an upgrade of Balickera Pumping Station to provide increased pumping capacity from the Williams River during flood flows. Other projects to extend Hunter Water's Water Efficiency Program will cost an extra \$1 million per year.

Given that a number of major works were already underway to secure the water future of the lower Hunter, the focus in the development of the H₂50 Plan was water efficiency. Community research was undertaken to gain

the level of support for increased expenditure on water efficiency. This involved three community focus group sessions and an online survey of 500 customers. The research results indicated that a large majority of respondents supported an annual increase in charges of \$5 per customer to allow Hunter Water to expand current water efficiency programs.

In total \$495 million is committed to be spent over the 2009/14 period to deliver the H₂50 Plan.

Hunter Water received submissions from 20 groups and individuals. The submissions were reviewed and a number of minor changes were made to the final plan for release in October 2008.



TILLEGRA DAM



Tilleggra Dam is a central part of Hunter Water's long term Integrated Water Resource (H₂O) Plan. The 450 billion litre storage proposed to be built in the Upper Williams Valley, just north of Dungog, will effectively drought-proof the Hunter and Central Coast regions as they face unprecedented growth and the uncertainties of climate change.

Hunter Water has made significant progress on this enormous project and is on track for the first water to be available in 2013, subject to receiving the necessary planning approvals.

PROPERTY ACQUISITIONS

As at June 2008, Hunter Water owned 78% of the land required for the inundation area. Discussions with the Department of Lands for a further 4% of the required land which is Crown land commenced this year. All land purchased has been through negotiated agreement, with landholders offered discounted leaseback arrangements. All properties owned by Hunter Water are currently leased.

DAM DESIGN

Hunter Water has spent significant resources this year on design work for Tilleggra Dam. Preliminary design layouts have been prepared for three dam types.

Consulting firm Dams & Civil has undertaken comprehensive geotechnical and geological investigations in the area in conjunction with the required design process for the dam, building on investigations carried out in previous years. Their work has found that there is nothing to suggest that the geology of the area is not suitable for the construction of a dam. Issues identified in previous investigations (including fault lines) can be managed with appropriate precautions and design. The geotechnical investigations to date indicate the foundations at the dam wall site are suitable for all three types.

An independent peer review panel has been established to overview the concept and design of Tilleggra Dam. The panel comprises five experts, each of whom is recognised internationally as an authority in respective fields of geology and geotechnical engineering, dam engineering, seismology, hydrology and hydraulics. All members of the review panel inspected the site of the dam.

Geology and Geotechnical Engineering – Professor Robin Fell.

Professor Fell is Emeritus Professor, School of Civil and Environmental Engineering, University Of New South Wales.

Dams Engineering – Murray Gillon

Murray Gillon is Managing Director of Damswatch Services Ltd of New Zealand, a private company specialising in dam safety advice and surveillance services for over 50 dams.

Geology – Patrick MacGregor

Patrick MacGregor is a consulting geologist with over 40 years' experience in engineering geology, geotechnical investigations, design and construction of dams, roads, tunnels and major civil engineering works. He has been involved in over 80 dam projects in Australia, Asia, Africa and United Kingdom and also numerous mining projects.

Seismology – Dr Trevor Matuschka

Trevor Matuschka is a Director of Engineering Geology Ltd of New Zealand, specialising in dam-related seismological studies.

Hydrology and Hydraulics – Dr Rory Nathan

Dr Rory Nathan of Sinclair Knight Merz's (SKM) Melbourne office, is a member of ANCOLD's (Australian National Committee on Large Dams) working group for Guidelines on Selection of Acceptable Flood Capacity for Dams.

ENVIRONMENTAL ASSESSMENT REPORT (EAR)

In November 2007 the NSW Minister for Planning, Frank Sartor, formally declared the Tilleggra Dam proposal to be "of State and regional environmental planning significance". The proposal is subject to rigorous assessment under Part 3A of the Environmental Planning & Assessment Act.

Hunter Water lodged the Tilleggra Dam Project Application (accompanied by the Preliminary Environmental Assessment report) with the NSW Department of Planning in November 2007. In January 2008 the Department of Planning issued the Director-General's Environmental Assessment Requirements for the proposal. The Requirements were prepared based on information provided to date and following the Planning Focus Meeting with government agencies held in October 2007.

During the year consulting firm Connell Wagner assisted Hunter Water in carrying out environmental assessment and planning investigations in line with requirements of Part 3A of the EP&A Act. A comprehensive Environmental Assessment Report (EAR) was well underway at the end of June 2008. The EAR outlines the findings of extensive environmental and social investigations. The Department of Planning will place the EAR on public exhibition as part of its planning approval process.

DUNGOG SHIRE COUNCIL PLANNING REVIEW

Hunter Water has sponsored a land use planning review initiated by Dungog Shire Council this year. Consulting firm Planning Workshop Australia is assisting Council in its understanding and response to the strategic implications of the proposed construction of Tillegra Dam. The work includes a review of Council's Local Environmental Plan, Development Control Plans, as well as strategic documents such as Council's tourism and economic policies.

HERITAGE

Heritage investigations form an important part of the environmental assessment work on the dam. Heritage items relate to both Aboriginal and non-Aboriginal groups and can include buildings, monuments, natural landscapes and archaeological sites. Under both State and Commonwealth law, Hunter Water has a responsibility to conserve these items.

A Heritage Open Day was held at Munni House on March 5, 2008. The aim of the day was to provide an opportunity for interested community members to learn about and provide input to the heritage studies associated with the project. Members of the Dungog Historical Society were available throughout the day, as were Hunter Water representatives and heritage consultants, ERM. Participants provided stories and material, such as personal letters and photos, for recording as part of the area's history.

Hunter Water was very appreciative of the interest shown by community members and of the contribution to the day from members of the Dungog Historical Society.

Members of the Dungog Historical Society also assisted Hunter Water's engaged consulting firm Connell Wagner, to identify cultural heritage items in and around the area proposed for the dam. More than seventy different items have been identified. Connell Wagner will use this information to assist in documenting the key issues and sites, as well as providing a series of recommendations to ensure that during construction of the proposed dam, cultural heritage impacts can be avoided, managed or otherwise reduced.

Dungog Historical Society also commenced the establishment of a collection of historic and current photographs relating to the area in and around the proposed Dam site. The photographs will be of people, events and the environment (both built and natural). They will be placed in a Tillegra Dam album and will be held by the Society at the Museum. A copy will also be provided to the Dungog Library Reserve Room.

ROAD RELOCATIONS

Further progress was made towards determining the preferred route for relocation of Salisbury Road which will be impacted by the proposed dam.

Consulting firm GHD published a report summarising the views of the 110 community members who submitted comments on road relocation options following a public exhibition period. The report, Route Options Submissions Report, also outlines community preferences for recreational opportunities on and around the proposed dam.

More than 73% of respondents favoured some form of low road. Low road options were considered as having the least environmental impact, lesser impact on landholders' properties and agricultural land, and would require the least amount of infrastructure to access the dam for recreational activities.

COST

Hunter Water's estimate for the cost of constructing Tillegra is \$400 million (net of surplus land). This adjusts the original figure of \$300 million announced in 2006 for inflation and increases in the cost of constructing new roads to meet required safety standards.

COMMUNITY AND STAKEHOLDER CONSULTATION

Ongoing consultation and communication with the community is an integral part of the project.

In August 2007, Hunter Water published a paper entitled Why Tillegra Now? The paper was written as a resource for stakeholders as well as the broader community. It outlines why Hunter Water needs to enlarge its existing water supply with a new water source, and demonstrates why Hunter Water believes Tillegra is the right decision for the Lower Hunter community.

The Tillegra Dam Community Reference Group met each month and remains the primary vehicle for two way communication between Hunter Water and the community regarding the dam.

Hunter Water also published a monthly newsletter The News about Tillegra Dam in the local newspaper (Dungog Chronicle). The newsletter is also distributed to interested parties via email and placed, along with other information, on a section of the Hunter Water website dedicated to Tillegra Dam.

An update on the dam was also included in Hunter Water's customer newsletter, which is distributed with each bill. Updates are also placed in each edition of Pipeline, Hunter Water's staff magazine.

An Open House is held at Munni House each month, providing an opportunity for community members to come and ask questions and access information about the dam. A display was manned at the Dungog Show in November 2007.

TILLEGRA DAM COMMUNITY REFERENCE GROUP

NSW Government Taskforce

In January 2008 the NSW Government established a taskforce to facilitate communication between Government agencies and key stakeholders (particularly Dungog Council) on matters related to Tillegra Dam. The taskforce is chaired by the Department of Premier and Cabinet's Regional Co-ordinator for the Hunter.

The Taskforce had its first meeting at Munni House on 20 February 2008 and continues to meet on a regular basis.

One of the key outcomes of the taskforce has been the joint funding by Hunter Water and the Department of State and Regional Development of a senior strategic position at Dungog Council to assist Council to prepare for and maximise the economic and social benefits of the dam for the people of the Dungog Shire. NSW Tourism is assisting Dungog Council and Hunter Water to identify tourism opportunities associated with the proposed dam.



The Tillegra Dam Community Reference Group, which was established in early 2007, has continued to meet monthly this year to facilitate two-way communication between Hunter Water and stakeholders in the local community on relevant matters.

The members of the group have been very active in bringing relevant matters to Hunter Water's attention on behalf of the local community. Reference group members come from key stakeholder groups in the local Dungog and Upper Williams Valley areas.

Brett Peterkin (Chair)

Glenn Wall and Steve Low,
Dungog Shire Council

Kate Murphy, Dungog District
Chamber of Commerce

John Rapson, Dungog Information
& Neighbourhood Service

John Hooke, Williams River Water
Users Association

Bob Muscat, No Tillegra Dam Group
Maureen Kingston, Dungog
Historical Society

Marion Stuart, Dungog Tourism
Advisory Committee

Priscilla Mason, Karuah Local
Aboriginal Land Council

Anne McDonald, representing the
community in the inundation area

Des Hopson and Owen Nicholson,
representing the community above
the dam

Linda Bowden, representing the
community below the dam

An example of how the committee is facilitating public discussion is the Public Information Session it hosted in July 2007 to provide an opportunity for the community to hear about the NSW Dams Safety Committee's role in setting and monitoring safety standards for all relevant dams in New South Wales. Around 75 people attended the information session.

The committee's two sub groups continued to work to provide recommendations on important components of the project.

The Quart Pot/Munni Cemetery sub-group is considering matters related to the relocation of the cemetery, including guiding Hunter Water in providing information to assist affected families as the project progresses.

The Economic & Tourism sub-group is considering potential economic and tourism development opportunities for the Dungog area should the dam proposal proceed. The group organised a bus trip for interested community members to Keepit Dam to raise awareness of potential tourism opportunities and issues for Dungog from the establishment of Tillegra Dam.

Hunter Water's website contains a public summary list of issues related to various aspects of the proposed Tillegra Dam raised by members. The Committee's Terms of Reference, meeting notes and member contact details are also on the site.

SUSTAINABLE GROUNDWATER EXTRACTION STRATEGY

MANAGING GROUNDWATER SOURCES EFFECTIVELY IS A KEY ELEMENT IN THIS NEW STRATEGY FOR TOMAGO, TOMAREE AND STOCKTON GROUNDWATER SOURCES

This year we completed a draft Sustainable Groundwater Extraction Strategy (SGES) for the Tomago and Tomaree aquifers.

The strategy is a requirement of Hunter Water's Water Management Licence to comply with water access rules established in the Water Sharing Plan for Tomago Tomaree Stockton Groundwater Sources. The Water Sharing Plan is a statutory document created under the Water Management Act 2000. The objective of the plan is to manage the various groundwater resources in the Lower Hunter region to balance environmental, social and economic uses. Both Hunter Water's licence and the Water Sharing Plan are administered by the Department of Water and Energy (DWE).

The SGES proposes an extraction regime for the Tomago and Tomaree groundwater sources (within the current entitlements) that is safe and ecologically sustainable. It identifies critical water levels and takes into account the need to: avoid exposure of pyritic layers to oxidising conditions; minimise water quality impacts from mined areas in the Tomago aquifer; avoiding saline intrusion into the aquifers; and avoid water level drawdown that results in a detrimental impact on Groundwater Dependent Ecosystems (GDEs).

To develop the strategy Hunter Water used an existing hydrological model of the Tomaree aquifer and analysed existing geotechnical and water quality information. A number of studies were undertaken by specialist consultants including a study of groundwater dependent ecosystems and further detailed hydrological modelling of the Tomago aquifer.

CATCHMENT MANAGEMENT



Effective catchment management is fundamental to Hunter Water delivering safe, high quality drinking water to the Lower Hunter region.

Hunter Water manages the catchments that provide the region's drinking water. Our catchment management activities are regulated under our Operating Licence. The protection of drinking water catchments is paramount and a cornerstone of the current Australian Drinking Water Guidelines.

Catchment management and source water protection provides the first barrier for the protection of drinking water quality. Drinking water catchments include areas that capture water from surface runoff and/or groundwater aquifers. Their protection and enhancement ensures good quality and cost-effective water remains available for treatment and distribution, protecting community health, supplying diverse domestic requirements, providing an asset for business and industry, and reducing treatment costs. Catchment management also benefits the broader community by protecting significant parts of the natural environment.

This year, Hunter Water continued its ongoing weed management and bush fire management programs. Regular inspections indicated no aquatic weed problems in either Chichester or

Grahamstown catchments. Mechanical hazard reduction work was carried out in both catchments.

Specific initiatives are highlighted in more detail below.

In 2008/2009 we will focus on carrying out work to support water supply augmentation. We will complete detailed vegetation assessment work in the North Stockton aquifer, forming part of the preliminary Environmental Impact Assessment (EIA) work for emergency supply of groundwater from this aquifer. We will also assess various management options for Irrawang Swamp, primarily as a follow up on the Grahamstown Stage-2 Augmentation consent conditions. The assessment will address management of the swamp condition, including restoration of fish passage and biodiversity plantings, and impacts on or from the Williams River.



TRANSFER OF LAND TO NPWS

Transfer of Crown Land within the special area water reserves at Tomago and North Stockton to the National Parks and Wildlife Service (NPWS) took place on 1 July 2007.

All of the Crown land within the Tomago and Salt Ash aquifers was transferred from the control of Hunter Water to the Department of Environment & Climate Change on 1 July 2007 for incorporation into the newly created Tilligerry State Conservation Area.



Following the transfer, site tours and inductions have been conducted by Hunter Water for DECC (National Parks and Wildlife Services (NPWS)) staff and keys to Hunter Water gates have been issued to relevant DECC staff. Management and communication meetings have been also held between the DECC and HWC. The primary outcomes from the first of these meetings were;

- Ongoing meetings will be convened on a quarterly basis (or as required) as a means of general communication between Hunter Water and the DECC
- Given the high level of presence on this site by the Department of Defence (RAAF) that these meetings also include representation from Defence
- A Plan of Management (PoM) be prepared
- An Operations Plan be prepared

The DECC are required to produce the PoM in consultation and agreement with HWC with sign off of the final PoM by the Chief Executive Officer of both organisations.

An Operations Plan detailing the day-to-day responsibilities and activities is currently being prepared with a Memorandum of Understanding prepared and agreed to as part of the Operations Plan.

The transition of management of the now Tilligerry State Conservation Area has been extremely successful, strengthening the relationship between Hunter Water, National Parks & Wildlife Service and DECC.

BATS IN BALICKERA TUNNEL

During the environmental impact assessment undertaken for Stage 2 augmentation of Grahamstown Dam, it was found that a colony of bats used Balickera Tunnel as a roosting site. Further studies were carried out on the behaviour and habits of the bats and a pumping protocol was developed to minimise the impact of changes in water level on the bat habitat.

The pumping protocol was followed in 2007-08 and any water transfers resulting in high water levels in the tunnel potentially impacting on bat habitat were monitored.

Proposed upgrade works planned for Balickera Pump Station include additional pumping capacity. Additional investigations undertaken this year reveal that the upgrades can proceed without impacting on the bats and we will continue to revise the existing pumping protocols prior to the commissioning of the new pumps.

DID YOU KNOW

The Water Quality Management Framework was completed in accordance with National Health and Medical Research Council (NHMRC) Guidelines, including a Water Quality Monitoring Plan.

SEAHAM WEIR REVEGETATION



SEAHAM WEIR REVEGETATION AND BEST PRACTICE LAND MANAGEMENT DEMONSTRATION FARM

The Williams River Best Management Practice Farm Demonstration Project concluded this year. It was established in June 2004 to facilitate best practice in riparian management.

The purpose of the project was to provide a demonstration site on the Seaham Weir Pool to showcase how best practice riparian management can positively impact agricultural landholdings and the surrounding environment.

The project was designed to offer practical solutions that could be replicated in a cost effective way by landholders on their own properties. The project was not intended to provide a detailed scientific review of rehabilitation techniques or specific recommendations but rather showcase how various techniques can be incorporated into the management of the overall farm plan.

Funding for the project has been by way of both cash and in-kind contributions from Hunter Water (\$160,000 over four years) and the NSW Environment Trust which contributed a grant of approximately \$83,000 over three years. Significant in-kind contributions were also received from project partners.

The project was governed by a Steering Committee including representatives

from Hunter Water, Port Stephens Council, Rural Lands Protection Board, Hunter-Central Rivers Catchment Management Authority, the Department of Primary Industries and the landholders.

Works trialled during the project include stream-bank erosion measures, fencing techniques, weed control methods, tree planting techniques, alternative stock watering methods, feral animal control and general pasture management procedures. Soil investigations, water quality monitoring, riverbank surveys and bird surveys have also been included.

An integral component of the project has been to develop successful methods of communicating the various project elements to a wider audience with a particular emphasis on landholders within the immediate and surrounding catchment.

Seven field days and six education days for 590 students, landholders, government and industry representatives have been particularly well received by the participants. In order to broaden the potential stakeholder audience and provide an ongoing ability to promote and document the project work, a booklet and DVD were developed for distribution in 2007/08 to interested participants.

The landholders prepared a comprehensive set of reports documenting project elements such as the trials, lessons learnt, costing

details and photos. This information will be loaded onto the Hunter Water website and made available to other landholders wanting to initiate land management improvements.

Whilst many of the project trials have been successful, attempts to establish aquatic vegetation along the edge of the riverbank to slow down erosion have been limited in their success and it is evident that additional river management measures may be required. Hunter Water will continue to collaborate with landholders and the steering committee in the hope of reducing riverbank erosion in the future.

We continue to be a member of the Williams River Consultative Committee convened by Maritime NSW to examine ecologically sustainable recreational boating on the Williams River. Hunter Water will continue to work with members in 2008/09 to address issues such as river bank erosion within the Seaham Weir Pool.

DID YOU KNOW

Starting in the 1980s Hunter Water led the water industry in Australia with water conservation through user pays pricing causing a sustained reduction in residential per capita demand of around 30%.

ENVIRONMENTAL PROGRAMS

LANDCARE

Hunter Water continues to provide support and sponsorship to Landcare groups within the lower Hunter region, recognising the benefits of healthy catchments by contributing significant funding towards on the ground and in river catchment works.

In the spirit of collaboration and community owned solutions, Hunter Water again provided grants of up to \$1500 to ten local Landcare groups this year. The grants are administered by Hunter Region Landcare Network.

For Landcare groups to be funded, their application must value a strong community partnership ethos as well as meeting one of the following categories.

- Conserve, rehabilitate and better manage river systems
- Restore bushland and conserve sensitive areas by planting native trees, shrubs and grasses
- Provide protection for native species including threatened and endangered flora and fauna
- Protect our urban environment

Projects completed in 2007/08 include those that either directly or indirectly impact upon the water cycle by reducing stormwater surges, creek bank stabilisation, minimising erosion and salinity near seasonal watercourses and natural waterways, or providing mulch and new plants to restore degraded areas.

Landcare sponsorship empowers local community groups to identify water conservation issues and encourages them to implement practical, efficient and sustainable solutions. In each case, community volunteers are involved and give up their time and devote their energy to making a positive difference.

With an increasing community awareness of fluctuating climate issues and local resource challenges, these projects lend a positive and practical statement to the maxim "think globally, act locally".

FERAL ANIMAL MANAGEMENT

Hunter Water's annual feral animal management program primarily targets land owned or controlled by Hunter Water within the Port Stephens Local Government Area such as the Tomago Sandbeds, Grahamstown Dam and Balickera Canal areas.

Hunter Water is a founding member of the Port Stephens Vertebrate Control Committee, comprising major landholders in the Port Stephens LGA including Hunter Water, Port Stephens Council, Forests NSW, Department of Defence, Rural Lands Protection Board, Department of Lands and NSW National Parks & Wildlife Service.

The committee members work together on a strategic and coordinated annual control program during July and August targeting wild dogs and foxes by the use of 1080 baiting.

BUSHFIRE MANAGEMENT

Hunter Water is a proud member of the Port Stephens Bush Fire Management Committee, convened and coordinated by the Port Stephens Rural Fire Service. All bushfire management planning by Hunter Water is carried out in full consultation with the Port Stephens Rural Fire Service.

Hunter Water operates a Bush Fire Management Plan for land under its care and control within the Chichester, Tomago and Grahamstown catchments. The plan details Hunter Water's obligations under the Rural Fires Act 1997 providing a framework for meeting those obligations.

The primary objective of our Bushfire Management Plan is risk minimisation of identified assets in and adjacent to Hunter Water land. Hazard reduction strategies such as mechanical clearing (slashing) of fire trails and asset protection zones as well as controlled burning at strategic locations is part of this plan.

In 2007/08 mechanical hazard reduction was undertaken on three occasions with an area of 560 hectares being slashed each time.

UNAUTHORISED ACCESS TO PROPERTY AND ILLEGAL DUMPING

Operation Recovery

Unauthorised access and illegal dumping on Hunter Water land continues to be a significant problem, requiring co-operation and support from many agencies and community members.

Hunter Water is represented on the Hunter Regional Illegal Dumping Group, established in 2006 by the DECC.

The Committee takes a cooperative approach and maintains representation by all local councils and agencies such as Department of Lands, NSW Police, Department of Environment and Climate Change, Forests NSW, Energy Australia and Hunter & Central Rivers Catchment Management Authority.

An exciting initiative in 2007/08 was 'Operation Recovery', a multi-agency operation conducted in December 2007 across the Port Stephens Local Government Area concentrating on public land in the Tomago, Grahamstown, Salt Ash, Balickera and Medowie State Forest areas.

Operation Recovery was planned and coordinated by the NSW Police and was conducted over a weekend, thereby offering the greatest chance of detecting offenders. The focus of the operation covered five main areas:

- stolen or dumped motor vehicles
- unregistered trail bikes
- trespassing on Commonwealth and Crowns Lands
- arson and bushfires
- illegal rubbish dumping sites, (all within the Port Stephens LGA)

The results of Operation Recovery were:

- 92 dumped vehicles located
- 15 people were issued traffic infringement notices
- Several sites where dumping of rubbish had occurred were identified and recorded for later clean up. Two of these were asbestos dump sites

INNOVATIONS IN ENVIRONMENT



EARTH HOUR

At 8pm on Saturday 29 March, 2008 Hunter Water 'switched off for a brighter future' as part of the 'Earth Hour' initiative. This was the first time Hunter Water participated in Earth Hour 2008 by switching off. By encouraging all staff to take responsibility for ensuring all non critical equipment was turned off at the powerpoint, a substantial amount of energy was saved in our unoccupied premises after hours. The Eco-Office Committee is continuing to work with staff to highlight a continuation of this practice into the future.

ECO-OFFICE COMMITTEE

Hunter Water's Eco-Office Committee was established as a result of the positive response and action undertaken by employees for Earth Hour. The Eco-Office Committee has 10 members selected to act as 'sustainability champions' for their respective groups and surrounding colleagues. The role the committee is to develop and prioritise potential sustainability initiatives in consultation with staff, meeting on a quarterly basis.

We all know that there are lots of things we can do as individuals to be more environmentally responsible. We know there are lots of relatively simple things that could be done to make us a more sustainable organisation. Some good initiatives have commenced, but there are many more projects planned. The Eco-Office concept, including the development of a steering committee is thought to be one of the best ways to get staff engagement and drive positive changes in this area.

The Committee will devise, promote and monitor sustainability initiatives around the office. A large list of potential initiatives has been developed via the General Environmental Awareness training that has been running for approximately 12 months. The Committee will evaluate and prioritise these initiatives with a practical roll-out of initiatives over time.



An important task for 2008/09 will be to develop improved measurement systems and to set various targets. Information will be provided to staff about our progress against the selected sustainability measures.

RENEWABLE ENERGY AND GREENHOUSE GAS REDUCTION

During 2007/08, Hunter Water let a contract to CBD Energy/Hydro Tasmania to assess our operating assets for potential renewable energy generation opportunities. A study was also commissioned to produce a comprehensive overview of our current greenhouse gas position and to provide some scenario analysis of options to mitigate our greenhouse gas impacts for the future. This work will form the

basis for the development of an ongoing greenhouse gas management strategy.

Both reports are due early in the new financial year.

ENERGY EFFICIENT VEHICLES



In 2008 Hunter Water introduced a policy for replacing its corporate fleet vehicles with 4 to 5 star rated energy efficient vehicles. As part of this initiative we have also moved towards using biofuels in all of our vehicles to assist in reducing greenhouse gas emissions. Hunter Water now uses biofuels in all of its petrol and diesel powered vehicles and participates in the fuel offset program, Greenfleet. The use of biofuels in all of our vehicles reduces greenhouse gas emissions and provides an opportunity to minimise our footprint on the environment.

Furthermore, we are committed to reducing the environmental impact by completely offsetting all unleaded and diesel fuels used. In order to achieve this, we subscribe to not-for profit organisation Greenfleet, who plant trees on our behalf. As these trees grow, they will absorb the greenhouse gases that our vehicles produce.

GRAFFITI PROGRAM



In 2007 Hunter Water commenced an innovative community partnership with 'The Loft Youth Venue' targeting graffiti at our key assets. Hunter Water's Graffiti Program has taken the corporation in a new direction – a 'whole of community' approach. This includes a comprehensive set of options and policy direction for graffiti management encompassing removal, a strong advocacy role, public arts and youth development and local asset management.

The 'whole of community' approach encourages new partnerships between Hunter Water and other agencies such as local government, youth groups, residents and businesses and graffiti artists. It unites these groups in a call to action for the removal of random graffiti, while offering an opportunity for young people to undertake graffiti art in a managed and consultative way.

Hunter Water sees the graffiti program as a way to support values such as inclusion and collaboration while assisting communities to address localised graffiti issues while respecting the rights of young people, in particular those who are seen as 'graffiti artists'.

Hunter Water acknowledges the aspirations of property owners to have their properties and those of Hunter

Water free from defacement. There is also a broader community desire for well-maintained public space areas on which some of Hunter Water's assets are located.

Effective prevention and management of graffiti is of great importance in creating and maintaining quality open and public space in Hunter Water's area of operations.

Hunter Water recognises that graffiti is a problem for some sectors of the community as it can have a significant impact on people's perception of safety and they may therefore avoid those areas where graffiti is present. Hunter Water is keen to work with local communities to encourage ownership of public places. We want residents to enjoy the amenity of their local area.

The first site to be targeted in the program was Charlestown Reservoir. Local youth from The Loft worked with Hunter Water staff and local residents to come up with a suitable mural design for the reservoir. Work started in June 2007 and the design has a strong water theme.

To date, the following work has been undertaken as part of the Graffiti Program:

- Repainting various reservoirs including Cardiff, Toronto, Belmont and Lookout Rd, New Lambton
- Repainting water pump stations such as Braye Park (with a mural) Lambton (in the middle of Newcastle Rd), Merewether, Cherry Rd Eleebana, Charlestown, and Whitebridge
- Repainting wastewater pump stations including a mural at Raymond Terrace, electrical control cubicles and tree planting such as at Waratah West
- Consistent signage at assets such as in stormwater channels

The positive outcomes for the community and Hunter Water include a reduction in graffiti in key areas and an increase in focus on the appearance of assets. There has been positive support from the community in reporting incidents and an increase in ownership of the care of Hunter Water assets by the young people involved in the program. We look forward to a continuing partnership of the program in 2008/09.



HUNTER WATER
AUSTRALIA PTY LIMITED

ABOUT US

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

Mr Ron Robson, who is Chairman of Hunter Water Corporation, chairs HWA's Board. Other directors are Mr Ross Knights, Deputy Chairman, Hunter Water Corporation (retired 30 June 2008); Mr Alan Chappel, Director, Hunter Water Corporation; and Mr Kevin Young, Managing Director, Hunter Water Corporation. Mr Jim Keary is HWA's General Manager and Mr Peter Dennis is the Company Secretary.

WHAT WE DO

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

- Operation of water and wastewater treatment plants
- Water and wastewater planning and investigations
- Process and structural design of water and wastewater treatment plants and other infrastructure
- Laboratory testing of water and wastewater
- Community education and environmental assessment
- Surveying and electronic mapping
- Materials and corrosion engineering
- Dams monitoring and assessment
- Asset management
- Pricing and institutional studies
- Project management
- Irrigation engineering

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



FINANCIAL PERFORMANCE

The net profit after tax year for ended 30 June 2008 amounted to \$3,263,568 which was a very good result.

OUR PROJECTS AND CAPABILITIES

Whilst many projects were undertaken in 2007/08, the following are examples of the wide range of projects that the company is involved in.

Water Process Design

Hunter Water Australia has one of the largest water treatment process teams in Australasia. The team is currently working on a range of projects including:

- Upgrade program at Townsville for the existing Douglas and new northern water treatment plants
- Master Planning for Auckland Watercare and the upgrade of their water treatment infrastructure
- Upgrade of Teddington Water treatment plant for Fraser Coast Water to address disinfection by-product issues
- Upgrade strategy for water treatment infrastructure in the Hunter at Grahamstown and Dungog
- Upgrade of Armidale water treatment plant to protect against algae and its associated organic contaminants
- The commissioning of West Mildura water treatment plant for Lower Murray Water

During 2007/08, Hunter Water Australia had a large design team working on the detailed design of a 100ML/d water treatment plant at Bray Park in northern NSW for Tweed Shire. The treatment plant was designed so that it could be easily upgraded by 50%. The plant, which uses the latest immersed membrane technology, is currently one of the largest water treatment projects in Australia.

The project involved some innovative approaches to managing project risks and potential construction cost blow-outs in a region which has a very buoyant and high priced construction market. A very high level of detailed design was adopted for this project to minimise risks and potential costs. This approach will deliver residents of the Tweed region with a large increase in its supply of high quality drinking water at about 15% of the cost of the new desalination plant of similar size being built about 30 kilometres away on the Gold Coast.

Wastewater Process Design

Hunter Water Australia has one of the largest and best wastewater treatment process teams in Australia. The team is currently working on a range of projects including:

- Upgrade of the Mareeba sewage treatment plant for the Tableland Regional Council in northern Queensland
- Upgrade of Mt St John sewage treatment plant to provide capacity for ongoing growth in the Townsville region as well as enhanced nutrient removal for increased protection of the Great Barrier Reef
- Upgrade of Morpeth, Farley, Paxton and Shortland wastewater treatment plants in the Hunter
- Upgrade of Koorlong sewage treatment plant for Lower Murray Water
- Upgrade of South West Rocks sewage treatment plant for Macleay Water

The team's operational background is highly valued by our clients since it delivers robust and workable designs that meet their ongoing needs.

Recycled Water

Hunter Water Australia continues to develop its list of projects that enable wastewater to be recycled. Projects during 2007/08 have included the industrial recycling plant for Kooragang Island in the Hunter, a non-potable water scheme for Hastings Council at Port Macquarie in New South Wales, dual reticulation for South West Rocks, and investigating indirect potable water schemes.

Technical Due Diligence and Condition Assessment

Hunter Water Australia took part in the South East Queensland Water's restructuring in late 2007. HWA's role was to carry out the technical due diligence of bulk water supply pipelines owned and operated by the south east Queensland water service

providers. 22 councils and four bulk water suppliers has assets assessed in order to determine the condition and volume of the assets as a basis for the transfer of assets to a new state owned entity. The technical due diligence covered operating and capital expenditures and condition assessments in order to determine current resourcing requirements and to evaluate current levels of expenditure and liabilities including backlog maintenance and renewals.

For each water pipeline assessed, HWA performed a physical inspection of the main and provided a report on the current condition of the main. For this task many factors were taken into account such as pipeline capacity, failure history, pipeline route, maintenance history and the results of the physical inspection. Cardno, the principal contractor, then valued each asset according to the condition rating provided by HWA.

Research

Hunter Water Australia initiated a research program with the University of Newcastle and Hunter Water Corporation on the feasibility of stormwater harvesting in an urban environment. HWA is providing technical guidance and funding for data collection. The trial catchment is the Throsby Creek catchment which is owned and managed by Hunter Water Corporation, who are providing in-kind support. The University is assisting with technical supervision and coordination of the four undergraduate engineering students who are doing the study.

Operational Systems

Hunter Water Australia has been developing world class operational systems to assist in the day-to-day operation of water and wastewater treatment plants. The systems include web-based operating systems, advanced process optimisation tools and troubleshooting support systems.



These systems have had a positive impact on the performance of treatment plants in the Hunter. The team at HWA have also been working with many regional clients in developing similar systems to assist in operation and optimisation of their treatment plants.

Partnership and Operations Support

During 2007/08, HWA has developed strategic partnerships with many of our regional clients. Our focus has been on working closely with these clients to assist with solving their specific issues. Work has ranged from capital works planning and procurements, plant optimisation, asset management, water pricing, plant audits, operator training and development of operational systems. HWA currently has 12 partnership agreements in five states and territories across Australia, providing national coverage of services. HWA's focus has been on working closely with regional Australian communities to assist them in dealing with the many issues they face. As an extension to this, the team has also been working on providing support to a number of indigenous communities in Queensland and the Northern Territory.

International Projects

Over the years of operation, Hunter Water has established an international reputation for its asset management expertise. During 2007/08, HWA continued to service the needs of Canadian and North American water and wastewater entities.





REGIONAL LAND MANAGEMENT
CORPORATION PTY LIMITED

HIGHLIGHTS

2007/08

- Over its five year term, allocated more than 1800ha of land for projects with a capital value of more than \$1.2 billion
- Lease signed with Newcastle Coal Infrastructure Group for Newcastle's coal loader
- The \$20M underground barrier wall, part of the remediation strategy for the Intertrade Industrial Park, won a national engineering award
- Proponents short-listed after international call for proposals for the former Newcastle Steelworks site (now Intertrade Industrial Park)
- NSW Government approved plans for bulk liquids facility on Kooragang Island. Plans for a ship refuelling facility on a neighbouring site also go on public display
- Expression of Interest issued for remaining Tomago land after site declared state significant
- Raised \$5.2M in revenue from the leasing of buildings and sites and \$2.1M through property sales. Achieved an operating surplus of \$254,000 for non-remediation activities
- Merged with the Honeysuckle to form the Hunter Development Corporation (HDC). Ceased operations on January 31, 2008

ABOUT THE RLMC

Regional Land Management Corporation (RLMC) was established in 2003 by the NSW Government to manage more than 3,500 hectares of former BHP and other state owned lands in the Hunter. It operated as a subsidiary of Hunter Water Corporation with its own Board.

It was always meant to be a temporary, project focussed, organisation but after early successes, and the complexity of the Steelworks clean up was realised, the NSW Government extended its term until 2008. RLMC merged with Honeysuckle Development Corporation to form the Hunter Development Corporation on January 1, 2008. The RLMC offices closed on January 31, 2008.

Its task was to make land on four sites ready for a new era of sustainable, private sector development.

RLMC had three main tasks.

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

RLMC SITES

Kooragang Island	1,300ha
Intertrade Industrial Park (former Steelworks)	150ha
Tomago	545ha
West Wallsend	1,545ha
TOTAL	3,540ha

RLMC facilitated private sector investment and land development with a core focus on industrial, employment generating, outcomes that benefit the people of the Hunter and NSW. Development and marketing strategies were designed so that they could be adapted to industry needs.

At the same time RLMC ensured land allocation for environmental protection.

The focus of RLMC this year was on completing remediation works at the Intertrade Industrial Park site, marketing that site, and on unlocking the development potential of the Kooragang and Tomago sites.

LAND DEVELOPMENT AND MARKETING

Kooragang Island

In January 2008 the lease for Newcastle Coal Infrastructure Group (NCIG) to use approximately 136ha of land for the region's third coal loader was finalised. NCIG has stated that as well as creating up to 1,000 extra jobs in the Hunter, the project will increase GDP by \$1.5billion per year, boost exports by \$1billion and generate up to 5,000 jobs across NSW.

At Walsh Point, liaison with Marstel Terminals and Manildra Park continued following the signing of agreements for lease of land in early 2007. In January 2008 the NSW Government announced its approval of Marstel's plans for a 6ha bulk liquids facility following a period of public exhibition. Plans for Manildra's ship refuelling and bulk liquids storage facility went on public display in the same month.

Negotiations also continued with BHPBilliton in relation to the acceptance of treated river sediments in a containment cell at Kooragang Island and use of the Mayfield site to treat the contaminated sediment.

Intertrade Industrial Park (former Steelworks) Site

In August 2007, RLMC reported to Cabinet on the outcomes of the international call for proposals process. Seven initial bids were short-listed to three. Evaluation of those proposals led to further short-listing to two proponents - Mirvac and the Buildev Intertrade Consortium. Both bids propose to buy around 60ha of the site for a range of general industrial and freight uses, consistent with the master plan developed for the site.

Plans were finalised to progress \$8 million worth of improvements to road and rail access, as well as a new wastewater system for the site. Design works were to commence early in 2008, with construction taking place in 2009/10.

Tomago and West Wallsend

In October 2007 a request for proposals was issued for the remaining 240ha of the Tomago site. There was significant interest with six bids received. The assessment of these bids was taken over by Hunter Development Corporation.

The options for, and issues associated with, ways to facilitate private sector development of the West Wallsend site were raised for consideration by the new Hunter Development Corporation Board.

LAND REMEDIATION

\$110M remediation of Mayfield site

Remediation works remained on track and within expenditure budget forecasts. The first stage of remediation works with a value of \$70M is on track to be completed in 2008 with Daracon Engineering completing its \$27M contract to establish new drains and capping of the site surrounded by the barrier wall.

The \$20M underground barrier wall, completed in March as part of these works, won the Australian Environmental Engineering Award at the Australian Engineering Excellence Awards held at Parliament House, Canberra in November. The project was also a winner at the Newcastle Division 2007 Engineering Excellence Awards held in Newcastle in September.

The \$110M remediation of the Intertrade Industrial Park site is the Hunter's largest ever industrial site remediation project. The remainder of the site will be capped and contoured in line with development.

Kooragang Island

The former BHP Waste Emplacement Site is a solid waste landfill site licensed by the NSW Department of Environment and Climate Change (DECC). RLMC did not accept any waste at the site this year.

RLMC continued to monitor and report to DECC on groundwater and surface water quality in the vicinity of the landfill at six monthly intervals as part of our licence.

Discussions continued with DECC on plans for priority remediation works. These negotiations were taken over by Hunter Development Corporation.

LAND AND BUILDING MANAGEMENT

RLMC managed more than 80 agreements for use of land. Agreements cover a wide range of uses including community and sporting purposes, residential, commercial, industrial, and state significant projects. Rental agreements and agreements for lease raised \$5.2million in revenue this year. The result helped RLMC to achieve an operating surplus of \$254,000.

COMMUNITY RELATIONS

RLMC sought to maintain positive and productive relations with other Government agencies, the communities surrounding its sites and the business community.

The RLMC website continued to keep people informed about the performance of RLMC. A separate website operated to assist in the marketing of the Intertrade Industrial Park call for proposals process and to keep other stakeholders informed about the process.

Through sponsorship of the Hunter Business Chambers Awards RLMC supported the endeavours of local manufacturing companies.

Mayfield Community Consultative Committee (CCC)

In accordance with consent conditions for the development of the Intertrade site the RLMC continued to provide secretariat support to the Community Consultative Committee.

The CCC did not formally meet. In the first six months of the financial year. The provision of support to the committee was taken over by Hunter Development Corporation and a meeting was held in March 2008.

PROTECTING THE ENVIRONMENT

More than half of the total RLMC managed land (1800ha) has been allocated for environmental protection that will preserve conservation corridors and help support significant regional wetlands.

During its term of operations RLMC allocated more than 1800ha of land for environmental protection.

This year work was carried out to transfer 241ha of the land at Tomago to the National Parks estate. The internationally recognised wetlands are an important part of the Hunter River flood plain.





REGULATORY
INFORMATION

The framework for our business operations comes from two key instruments:

- 1 The Statement of Corporate Intent (SCI), which sets out the strategic objectives and business performance targets that are agreed with the Corporation's owner, the NSW Government. These objectives and targets are incorporated in the Corporation's strategic and business planning
- 2 The NSW Government's regulatory framework for metropolitan water utilities, which protects consumers and the environment through a set of licences and other controls

STATEMENT OF CORPORATE INTENT

The foundations of the Statement of Corporate Intent (SCI) are our mission statement, values and goals.

Our Mission

Hunter Water adopted a new mission and values in 2007 to guide the Corporation into the future. Hunter Water's mission is to:

Grow the business and add value to our community and environment by being provider of choice.

Our Values

Hunter Water values:

- Thinking, working and living safely
- Providing superior customer service
- Delivering a highly reliable water service
- Producing safe, high-quality water
- Protecting people's health and enhancing the environment

- Increasing our competitiveness and the value delivered to our community and our shareholders
- Being open and collaborative
- Building a high-performance culture

OUR GOALS

Hunter Water's business plan is structured around the four key themes of Customers, Environment, Operational Excellence and Performance Culture.

Customers

Hunter Water's prime purpose is to be a service provider to its customers. Our aim is to be regarded by all customers as their supplier of choice. We recognise that providing a quality service and supplies to our customers is critical to our business success, particularly as we move forward from our history as a monopoly provider into a new and evolving competitive environment. We are committed to:

- Making ourselves easy and convenient to deal with
- Being available, listening and responsive
- Understanding and addressing the individual needs and wants of customers
- Being a trusted source of information on water issues
- Enhancing water quality through increasing knowledge and continuous improvement
- Being diligent in testing and responding to water-quality issues or problems
- Addressing the water quality needs of individual customers
- Ensuring that there is enough water for our community today and in the future, and

- Proactively protecting, maintaining and improving the water distribution system

Environment

At Hunter Water, we are in the 'environment' business. We intervene directly in the water cycle and, like most businesses, our everyday actions and decisions also have the potential to impact on the environment. We take very seriously our responsibility as environmental stewards and we are committed to integrating sustainability principles into the way in which we plan and operate our business. We are committed to:

- Maximising the health benefits for our community by proactively maintaining the sewer system and the environment
- Implementing sustainability best practices
- Maximising the value of our water, wastewater by-products and other services, and
- Enhancing the local community by improving the aesthetics of our facilities and infrastructure

Operational Excellence

At Hunter Water, we strive to meet the dual objectives of providing value for money services to our customers and adequate returns to our shareholder, the NSW Government. To achieve this, we must drive continual improvements in our business efficiency and effectiveness, through responsible cost control and a focus on business process improvement and new opportunities. We benchmark our key processes against industry best practice to assess our success in this regard.

We are committed to:

- Constantly reviewing our activities and how they relate to providing value to customers
- Making good financial decisions and practising sound asset management
- Increasing operational efficiency and helping our customers to make wise decisions about our products
- Optimising, financial, social and environmental outcomes
- Growing business revenues and margins
- Making appropriate investments in traditional and new products
- Complying with all regulatory requirements and responding in a timely manner to new requirements
- Having robust processes in place to ensure regulatory compliance
- Educating staff to ensure they understand our regulatory requirements

Performance Culture

Our people are our most important asset - without them, achieving our business goals would not be possible. Hunter Water is in the midst of a culture change program that aims to develop a high-performance business culture. In this culture, people are motivated, achievement-focused and work co-operatively and collaboratively as "one team". The ongoing development and safety of our people is a key focus. We are committed to:

- Eliminating workplace and related injuries
- Challenging the status quo and always looking for ways to improve
- Working collaboratively
- Being accountable
- Providing our people with the training and development

that they need to succeed in their roles

- Fostering an environment in which our people are motivated to come to work, enjoy challenges and achieve the goals they have set
- Developing a shared understanding of, and commitment to, achieving our corporate goals
- Being mindful of our impact on customers, the community and the environment

The Statement of Corporate Intent also serves as a formal agreement on business performance targets with our shareholder. Hunter Water is wholly owned by the NSW Government, represented by two shareholding ministers. At 30 June 2008, the shareholding ministers were the NSW Treasurer and the Minister for Finance.

REGULATORY FRAMEWORK

Hunter Water's operations are regulated by the NSW Government through a number of regulatory instruments including an Operating Licence. The Operating Licence is administered by the Minister for Water Utilities. Performance against the Operating Licence is outlined on page 32. The Minister also has powers to direct Hunter Water in certain matters of public interest.

Other regulators and their roles are:

- The Independent Pricing and Regulatory Tribunal (IPART), which advises the Minister for Water Utilities on the conditions for the Corporation's Operating Licence. The Licence specifies customer service standards, including drinking water quality. IPART arranges an annual audit of the Corporation's performance against the conditions in the Operating Licence. IPART also sets the prices we charge for our services

- The Department of Environment and Climate Change (DECC), which licences the operations of our wastewater pipe network and wastewater treatment plants
- The Department of Water and Energy (DWE), which licences the extraction of water from natural surface and groundwater sources for supply to Hunter Water's customers
- The Department of Health (DoH), which through a Memorandum of Understanding, establishes the scope of the Corporation's drinking water monitoring plan and procedures for communicating results of water quality monitoring programs

WASTEWATER SYSTEMS

The Department of Environment and Climate Change issues licences under the Protection of the Environment Operations Act 1997 for Hunter Water's wastewater pipe network and treatment systems.

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

ACCESS TO WATER

Hunter Water extracts water from the Williams River and groundwater sources under stringent conditions set out in licences issued by the Department of Water and Energy (DWE) under the Water Act 1912 and Water Management Act 2000. Further information about the water access licensing arrangements can be obtained from DWE's website, www.dwe.nsw.gov.au

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

PRICING IN 2007/08

Hunter Water's water and sewer charges are made up of:

- A small fixed charge for access to the water supply network
- A water usage charge applied to all water used by an individual customer. Usage charges generally

comprise the greater proportion of an individual customer's bill and so serve to encourage customers to use water wisely

- A fixed service charge for sewer, which covers most of the costs of operating the sewer system
- A small usage charge for sewer
- Drainage charges to cover the maintenance and up keep of the stormwater networks managed by Hunter Water. Only businesses and residential properties within the catchments of Hunter Water's stormwater drains pay drainage charges
- An Environmental Improvement Charge (EIC) which contributes to the cost of providing sewerage to some established, but unsewered, areas in the lower Hunter and which have been approved for servicing by the NSW Government

The prices that Hunter Water charges its customers for water, sewer services, stormwater drainage and trade waste are all set by the NSW Independent

Pricing and Regulatory Tribunal (IPART). IPART is an independent body that sets prices for a range of Government monopoly services including water, public transport and aspects of gas and electricity services.

IPART issued the current price determination for Hunter Water on 2 September 2005 and, Hunter Water fully implemented the new charges as prescribed by the determination for 2007-08. The determination set Hunter Water's prices for the period from 1 November 2005 to 30 June 2009. The schedule of new charges was outlined to our customers through the newsletter in their accounts, our website and flyers for various functional areas, such as trade waste and developer services.

The 2005 IPART price determination made two important changes to the structure of Hunter Water's prices:

- Water usage prices:
The existing lower second tier price, applying to a customer's water use over 1,000 kilolitres per year, will be phased out over the four-year price period. 2007-08 was the last year of this second tier price
- Stormwater charges:
The existing system of property-based charges for non-residential stormwater customers will be phased out and replaced by a fixed charge based on property area. The new area-based charges applied from 1 July 2006

REGULATORY AND OPERATING FRAMEWORK

GOVERNING LEGISLATION	STATE OWNED CORPORATION ACT, 1989 HUNTER WATER ACT, 1991
PRINCIPAL REGULATORY CONTROLS	OPERATION LICENCE - NSW GOVERNMENT THROUGH IPART PRICING - IPART WATER RESOURCE ACCESS - DEPARTMENT OF WATER AND ENERGY WASTEWATER SYSTEMS - DEPARTMENT OF ENVIRONMENT AND CLIMATE CHANGE WATER QUALITY - NSW HEALTH
OBLIGATION TO CUSTOMERS	OPERATING LICENCE - IPART CUSTOMER CONTRACT - IPART
OBLIGATION TO SHAREHOLDER	STATEMENT OF CORPORATE INTENT
OPERATIONAL MANAGEMENT	HUNTER WATER CORPORATION - BOARD OF DIRECTORS HUNTER WATER CORPORATION - CEO HUNTER WATER CORPORATION - STAFF

BASIC CHARGES	30 JUNE 2008	30 JUNE 2007
WATER SERVICE CHARGE (\$/ANNUUM)	\$38.24	\$35.02
WATER USAGE CHARGE (\$/KL) ¹ UP TO 1000 KL/YEAR OVER 1000 KL/YEAR	\$1.20 \$1.18	\$1.14 \$1.10
SEWER SERVICE BASE (\$/ANNUUM) ²	\$605.65	\$567.70
SEWER SERVICE CHARGE (RESIDENTIAL HOUSE) ³ (\$/ANNUUM)	\$302.83	\$283.85
SEWER USAGE (\$/KL) ²	\$0.46	\$0.44
DRAINAGE RESIDENTIAL ⁴	\$55.25	\$49.00
ENVIRONMENTAL IMPROVEMENT CHARGE	\$53.33	\$51.57

The basic charges applying at 30 June 2008 are shown above.

IPART will be reviewing Hunter Water's prices during 2008/09 with a view to setting new prices to come into effect from 1 July 2009. The Tribunal will publish an Issues Paper in July 2008. Hunter Water will be required to lodge a submission with IPART by mid September 2009. The community may also make submissions to this review up until the close of the submission period, expected to be late October 2008. A public hearing will be held in late November/early December. IPART proposes releasing a draft determination in February 2009 and a final determination of prices by the end of May 2009.

CONSULTATIVE FORUM

Hunter Water uses the Consultative Forum to give information and advice on issues related to our activities in the Hunter Region. Community representatives can use the Consultative Forum to provide important feedback to Hunter Water and to raise any issues they may have about our operations. The current representatives on the Consultative Forum, meeting quarterly are:

- Cr Arch Humphery - Maitland City Council
- Cr Wendy Harrison - Lake Macquarie City Council

- Cr Jeffrey Maybury - Cessnock City Council
- Cr John Nell - Port Stephens Council
- Cr Marilyn Eade - Newcastle City Council
- Cr Glenn Wall - Dungog Shire Council
- Mr Paul Murphy - Hunter Business Chamber
- Ms Carolyn Gillard - Wetlands Environmental Education Centre
- Mr Kevin McDonald - Hunter Region Botanic Gardens
- Mr James Hopson - Williams River Water Users Association
- Ms Ingrid Berthold - Hunter-Central Rivers Catchment Management Authority
- Mr Rick Banyard - Property Owners Association
- Mr Alex Burns - Northern Settlement Services (migrant services)
- Mr Bob Hopkins - Newcastle Combined Pensioners Area Council
- Professor George Kuczera - University of Newcastle

CORPORATE GOVERNANCE

Hunter Water has a strong corporate governance program that underpins our strategic objectives and commitment to our customers, shareholder and the community.

The Board's Corporate Governance and Audit and Compliance Committees play a key role in setting Hunter Water's corporate governance culture.

CORPORATE GOVERNANCE COMMITTEE

The objective of the Corporate Governance Committee is to overview the Board's strategic direction and business performance. It provides a mechanism for ensuring that good governance protocols and policies are in place for dealing with matters arising from an internal or external source relating to directors and senior management.

The Committee meets three times per year and as required and at 30 June comprised:

- Mr R Robson - Chairman of the Board/Committee Chairman
- Mr R Knights - Deputy Chairman
- Ms B Crossley - Director
- Mr K Young - Managing Director

The Committee's responsibilities include staying abreast of developments in Corporate Governance issues, changes in relevant legislation and ensuring that Directors and Officers of Hunter Water are adequately advised in this regard. It is also the Committee's responsibility to maintain a Code of Conduct applicable to Directors and senior management.

AUDIT AND COMPLIANCE COMMITTEE

The role of the Audit and Compliance Committee is to assist the Board in fulfilling its responsibilities for:

- The integrity of Hunter Water's financial statements
- Compliance with legal and regulatory requirements
- Oversight of Hunter Water's risk management process
- Performance of the internal audit function and the external auditors

The Committee operates to a Charter which sets out its authority, role and responsibilities as delegated by the Board. This Charter is subject to periodic review with the most recent review being in June 2007.

The Committee meets four times per year and is comprised of four independent directors. At 30 June 2008 Committee members were:

- Mr J Eather - Director/ Committee Chairman
- Mr R Robson - Chairman of the Board
- Mr W Elliott - Director
- Ms B Crossley - Director

In 2007/08 the Committee undertook a self-assessment to determine conformance of the Committee's actions against the requirements of its Charter. The review found that the Charter's requirements were largely being met, however, it was noted that it had been some time since the Committee's membership had changed. As a result Ms B. Crossley replaced Mr R. Knights in March 2008. A further membership change was necessitated by the retirement from the Board of the Committee's Chairman, Mr D. Boyd. Mr Boyd was replaced as Chairman by Mr J. Eather.

In assessing the integrity of the financial statements, the Audit and Compliance Committee considers the appropriateness of accounting policies and principles and their application. The Committee:

- Assesses the reasonableness of significant estimates and judgements in the financial statements
- Reviews the processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information
- Assesses information arising from internal and external audits that may affect the quality of the financial reports

The Board has also delegated to the Committee the oversight of Hunter Water's risk management processes. A principle objective of the Committee is to review and assess the effectiveness of the Corporation's systems of internal control. As part of the refresh of risk management processes in 2007/08, the Committee's role in risk management has evolved to include oversight of the Enterprise Risk Management Framework, as well as review and validation of Corporate level risk assessments. With the changing focus in the Committee's role, the Board took a decision in July 2008 to re-name the Audit and Compliance Committee as the Audit and Risk Committee.

The Committee receives reports on all suspected and actual frauds, alleged corrupt conduct, maladministration and serious and substantial waste of public moneys as well as breaches of laws.

The NSW Audit Office is Hunter Water's statutorily appointed external auditor. In 2007/08 the Audit Office outsourced Hunter Water's audit to Prosperity Advisors for a period of four years.

The Audit and Compliance Committee, together with the external auditor, reviews the scope of the external audit before agreeing to the terms of engagement for each financial year. The Committee also approves the annual internal audit plan, monitors progress against the plan and monitors and assesses the effectiveness of Hunter Water's internal audit function.

COMPLIANCE AND REVIEW

Hunter Water's internal audit function is provided by the Compliance and Review Group. The primary purpose of Compliance and Review is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the Hunter Water group of companies.

The scope of work conducted by the Compliance and Review Group is designed to assist Hunter Water's management in meeting the strategies and objectives under the Operational Excellence pillar of the strategic business plan. The Group is also responsible for advising management and the Board of the effectiveness of the Corporation's system of internal control and risk management processes in ensuring:

- Risks are appropriately identified and managed
- Significant financial, managerial and operating information is reliable, accurate and timely
- Strategic business plan activities are achieved

The Manager Compliance and Review reports functionally to the Chairperson of the Audit and Compliance Committee however for administrative purposes reports to the General Manager Strategy and Communications. The Internal Audit Charter provides for escalation of any conflicts of interest in auditing operations that fall within the sphere

of responsibility of the General Manager Strategy and Communications to the Managing Director or directly to the Chairperson of the Audit and Compliance Committee.

The Compliance and Review Group also has a role to play in assisting management in ensuring compliance with its regulatory and legislative requirements. To assist in monitoring compliance, a new software application was implemented during 2007/08. As part of the 2008-2013 Strategic Business Plan, Hunter Water will develop and implement an enhanced compliance programme as part of its commitment to increasing the value delivered to our community and our shareholders.

PROMOTION OF ETHICAL BEHAVIOUR

Hunter Water's Code of Conduct sets out the principles governing the conduct and behaviours of Hunter Water's employees. The Code is supported by a number of other policy documents supporting the creation of an ethical culture.

Hunter Water has in place a Fraud and Corruption Control Plan that meets the requirements of Australian Standard AS8001-2003 Fraud and Corruption Control. This Plan informs all Hunter Water employees of their responsibilities in the prevention, detection and reporting of actual or suspected fraudulent or corrupt conduct and in doing so works in conjunction with the Code of Conduct. The Plan is to be reviewed and updated in 2008/09 to ensure ongoing compliance with Australian Standards and better practice in fraud and corruption control.

Hunter Water actively encourages employees to report suspected fraud, corruption, maladministration or serious or substantial waste.

Employees can report their concerns directly to the Compliance and Review group, the Managing Director or to the nominated disclosure officer. Hunter Water has an Internal Reporting Policy to protect individuals who make such reports through these channels.

This policy complies with the requirements of Australian Standard AS8004 – Whistleblower Protection Programmes for Entities and affords employees making reports in compliance with its requirements the protection of the NSW Protected Disclosures Act, 1994.

RISK MANAGEMENT

Risk management is an ongoing process intrinsic to the vast majority of tasks performed by Hunter Water. The successful integration of this process into our strategic planning, project management and work practices has over time seen a number of varying risk assessment tools developed to satisfy the specific needs of Hunter Water departments. These tools and mechanisms have been aligned with Australian Standard 4360 - Risk Management, and provided clear impetus for efficiency improvements and proactive management of risks, particularly in the occupational health and safety field.

During 2007/08, a comprehensive Enterprise Risk Management (ERM) Framework was developed to further build upon our substantial expertise in, and commitment to, effective risk management. This Framework is designed to provide a corporate risk profile that is dynamic and readily able to identify the key risks facing the business as a whole at any singular point in time. The key themes underpinning the corporate strategy map were used to develop identification and assessment tools which are designed to be utilised in all aspects of the business.

The focus of the ERM Framework is to provide consistency and therefore comparability in our risk management techniques and subsequent outcomes. Our risk monitoring activities have been revamped, with active oversight from the senior management team, Audit and Compliance Committee and Board. Our Corporate Strategic Business Plan (SBP) 2008-2013 has undergone a thorough risk assessment by the senior management team of Hunter

Water, with the results reviewed and endorsed by the Audit and Compliance Committee and final approval provided by the Board of Directors. This process will be iterative, with completed actions from the SBP reflected in our risk profile.

Hunter Water's approach to risk management places equal emphasis on the optimisation of opportunities and mitigation of negative risk. One of our traditional control actions to assist in this latter area is the retention of a comprehensive insurance portfolio. Policies for public liability, workers compensation, professional indemnity and vehicles are maintained with the NSW Treasury Managed Fund. The suite of policies is reviewed and renewed annually, with premiums reflecting our performance as benchmarked against other like industry corporations.

OPERATING LICENCE PERFORMANCE

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

- Drinking water quality
- Supplying customers with safe drinking water
- Water continuity
- Providing customers with a reliable supply of water
- Water pressure
- Providing customers with water pressure as specified in the licence
- Wastewater transport
- Providing the reliable transport of sewerage
- The Operating Licence also sets out conditions relating to:
 - Community consultation
 - Customer and consumer rights

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

A new Operating Licence came into force from 1 July 2007. This followed a full review by the Independent Pricing and Regulatory Tribunal (IPART) of the performance of the previous licence, which had been in place since 2002. A full copy of the Operating Licence is available on Hunter Water's website www.hunterwater.com.au

INDEPENDENT AUDIT

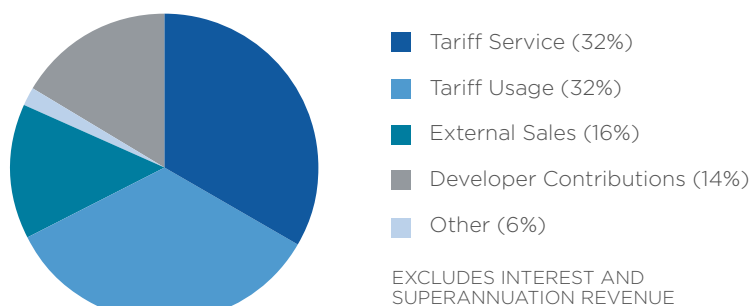
Each year, an independent audit of Hunter Water's operations is conducted to assess the Corporation's compliance with the Operating Licence. The audit assesses Hunter Water's performance against service standards and associated conditions of the licence.

IPART is responsible for the annual operational audit, periodic reviews of our operating licence and pricing.

In August 2008, IPART commissioned consultants GHD Pty Ltd to conduct the operational audit for Hunter Water for the period 1 July 2007 to 30 June 2008.

IPART will make the results of the audit available to the community once GHD has completed its investigations.

REVENUE BASE 2007/08



FINANCIAL OVERVIEW

ECONOMIC ENTITY	2007-08 \$M	2006-07 \$M
Total Revenue	243.47	257.05
Operational Costs	113.01	112.00
Total Operating Profit	56.03	89.25
Dividend	35.30	34.60
Community Service Obligations (eg pension rebates)	8.96	9.00
Total Property, Plant and Equipment	2,2104.28	1,941.08
Financial Assets	6.93	23.26
Financial Liabilities	406.48	329.47
Net Debt/(Investment)	399.55	306.21
Capital Expenditure	99.70	138.9
Working Capital Ratio (Times)	0.65	0.33
Real Rate of Return	2.83	2.47

OUR BOARD

HUNTER WATER'S BOARD COMPRISES THE MANAGING DIRECTOR AND A MAXIMUM OF EIGHT PEOPLE, ONE OF WHOM IS THE CHAIRPERSON, APPOINTED BY THE SHAREHOLDERS.

Our Board of Directors for 07/08 are Mr Ron Robson, Chairman, Mr Kevin Young, Managing Director, Mr Ross Knights, Deputy Chairman, Mr Gary Kennedy, Mr David Boyd, Mr Warren Elliott, Ms Barbara Crossley, Mr Alan Chappel and Mr J Eather.

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

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

INFORMATION ON HUNTER WATER'S DIRECTORS

R ROBSON

OAM, FAIM, FAICD, JP



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

KJ YOUNG

B Eng, MBA, FIE Aust, CPENG, GAICD



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

Mr Young is also on the Board of the Water Services Association of Australia (WSAA) and chairs WSAA's Water, Health, Environment and Sustainability Committee.

RI KNIGHTS

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



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

DW BOYD

FCPA, AICD



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

WJ ELLIOTT

CPA, MAICD



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

BL CROSSLEY

B.Nat.Res. (Hons), MEAI, MIACD



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

RA CHAPPEL

BE (Civil), Dip T & R.P, Hon FIE Aust, FTSE



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

GT KENNEDY

Mr Kennedy was appointed as a Director on 1 January 2006. Mr Kennedy is the Secretary of Newcastle Trades Hall Council and currently serves on the Hunter Economic Development Corporation (HEDC). He is part of the Honeysuckle Development Corporation and is the chairman of Newcastle and Cardiff Panthers and a director on the Group Board of the Penrith Panthers. Mr Kennedy holds positions on the Industry Development Centre and Disability Advocacy Services Hunter and is the chair of the IDC Human Resource Committee. He was previously the NSW President of the Communications Workers Union and has extensive experience in the communications area.

J EATHER

B.Com (Ncle), CPA, FCIM



Mr Eather was appointed as a Director on 1 January 2008. Mr Eather is the Managing Director of the Callaghan Institute, a Business and Economic Research and advisory practice he established in 2007. Previously, he was CEO Media for the SOUL Group, where he was directly responsible for the running of NBN Television. During his 27 years with the NBN and SOUL Groups, he was actively involved in the expansion of the Group from its media base to the converging world of telecommunications. Mr Eather is Chairman of the Newcastle University Foundation, is an Alternate Director on the Board of Regional Broadcasters Australia and is a Director of the Mayumari Trust, a healing centre for survivors of child abuse.

RETIRING MEMBERS

David Boyd, Warren Elliott and Ross Knights.

INCOMING MEMBERS

As of 1 July 2008, two new members were appointed to the Hunter Water Board of Directors. The new members are Jann Gardner and Professor Adrian Page.

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GLOSSARY OF TERMS

Biosolids: Solids from sewage treatment processed into products suitable for beneficial uses such as agriculture or forestry.

Catchment: An area from which rainwater drains into a stream, lake or dam.

Call abandonment: An abandoned call is a call or other type of contact initiated to a call centre that is ended before any conversation occurs. When inbound calls are abandoned, it is often because the caller is frustrated with the time on hold.

CIS: Customer Information System.

Conservation: Use, management and protection of resources so that they are not degraded, depleted or wasted and are available on a sustainable basis for present and future generations.

Continuous Improvement: A new section at Hunter Water that helps establish an organisation-wide culture of identifying improvement opportunities and facilitates the successful completion of continuous improvement projects.

Culture change: Involves the creation of a new system of values and beliefs that allow the organisation to perform.

DECC: Department of Environment and Climate Change – the primary NSW public sector organisation responsible for protecting the environment. Formerly known as Environment Protection Authority (EPA).

Demand management: Strategies to reduce water consumption by residential, commercial and industrial sectors.

EAPS: Ethnic Affairs Priorities Statement.

EEO: Equal Employment Opportunity.

Effluent: A waste product that is discharged to the environment, usually used to mean wastewater discharged from sewage treatment plants.

Enterprise Risk Management

Framework: A framework designed to provide a corporate risk profile and identify the key risks facing the business at any one time.

Environmental impact: Any change to the environment, whether adverse or beneficial, wholly or partially resulting from an organisation's activities, products and services.

ESD: Ecologically sustainable development – development that improves the quality of life, both now and in the future, in a way that maintains the ecological processes on which life depends.

EWON: Energy and Water Ombudsman NSW – a body that provides an independent way of resolving customer complaints about member water providers and electricity and gas providers in NSW.

Faecal coliforms: Bacteria that inhabit the intestines of humans and other vertebrates and are present in faeces. Used as a primary indicator of sewage pollution in the environment.

Gated Capital Process: A system to improve the delivery of programs on time and on budget.

Greenhouse gas emissions: Gases such as carbon dioxide and other forms of air pollutants, resulting from the burning of fossil fuels such as coal, natural gas or oil, which contribute to the warming of the Earth's atmosphere.

Grey water: The wastewater from your shower, bath, basin, laundry and kitchen, but not your toilet waste.

HWA: Hunter Water Australia Pty Ltd, a subsidiary of Hunter Water.

H₂50 Plan: The new Integrated Water Resources Plan which looks forward fifty years to ensure drought security for the region.

Human Synergistics®: A tool to assess current culture, preferred culture, causal factors and outcomes within an organisation.

IPART: Independent Pricing and Regulatory Tribunal – the independent body that oversees regulation in the water, gas, electricity and public transport industries in NSW.

LTI: Lost Time Injuries – number of injuries/illnesses where one or more full days were lost due to a work related incident.

Kilolitre: 1kL=1,000 litres

Nutrients: Compounds required for growth by plants and other organisms. Major plant nutrients are phosphorus and nitrogen.

OHS: Occupational health and safety – protection of the health, safety and welfare of employees, contractors and visitors who are at, or may be affected by, a work site.

Operating Licence: A licence issued under the Hunter Water Act 1991 that defines many of Hunter Water's performance standards.

Potable: Fit or suitable for drinking.

Rainwater tank: A storage vessel used to collect rainwater from roofs for domestic or industrial purposes.

Rebate: Financial support which may be provided to a customer to reduce the cost of the item or charge.

Receiving water: A stream, river, pond, lake or ocean that receives stormwater or effluent discharges.

Recycled water: Highly treated wastewater that can be used in industrial processes, for irrigation in agriculture, urban parks and landscapes, and in the home for flushing toilets, car washing and watering gardens. It is not for drinking or personal use.

Regulators: Organisations that set standards and guidelines for Hunter Water.

Reticulation: Separate networks of pipes that supply water to and remove from properties.

Retrofit: The removal and replacement of water and energy appliances with more efficient technologies.

RLMC: Regional Land Management Corporation, a subsidiary of Hunter Water.

GLOSSARY OF TERMS

Sandbeds: Deep sand containing groundwater eg the Tomago Sandbeds.

Sapphire Sessions: A collaborative presentation where Hunter Water employees come to together to learn about building a more positive culture.

SCI: Statement of Corporate Intent – an annual statement that specifies business drivers for financial management and commercial performance targets agreed by Hunter Water and its shareholders.

EIC: Environmental Improvement Charge – a levy on Hunter Water customers to be spent on projects providing environmental benefit in addition to the normal program of work planned by the Corporation.

Sewer: Pipes transporting wastewater to wastewater treatment plants.

Sewage: The wastewater from homes, offices, shops, factories and other premises discharged to the sewer. About 99 per cent of sewage is water.

Sewage overflow: Any liquid or odour that escapes from the sewerage system, as well as partially treated sewage that is discharged from a sewage treatment plant.

Sewerage system: The network of pipes, pumping stations and treatment plants used to collect, transport, treat and discharge sewage.

Six Sigma: A tool used to ensure consistency in processes and reduce variation as part of our commitment to continuous improvement.

Stakeholder: A stakeholder is any individual or group, which can affect or is affected by an organisation's activities.

Stormwater: Rainwater that runs off the land, frequently carrying various forms of pollution such as litter and detritus, animal droppings and dissolved chemicals. This untreated water is carried in stormwater channels and discharged directly into creeks, rivers, the harbour and the ocean.

Strategic Business Plan: The Strategic Business Plan will play an integral role in managing Hunter Water and achieving its goals over the next five years. It will be used extensively by the employees and the Board. When necessary, it will be modified to reflect the ongoing development and needs of the Corporation.

Suspended solids: Particles in water that can be removed by sedimentation or filtration.

Sustainability: Refers to the ability of a system to replenish itself. See ESD.

Trade waste: Liquid waste from business/industry that requires special treatment. It can contain food residues, greases, oils, toxic substances and metals. A trade waste policy between Hunter Water and business/industry customers restricts toxic and other potentially harmful liquid substances being discharged to the sewerage system. The policy sets charges and limits the discharge of such waste to the sewer system.

Trunkmain: A large watermain or sewer pipe.

Waste: Discarded, rejected, unwanted, surplus or abandoned substances, excluding gas, water, wastewater, beneficially used biosolids and reuse water.

Water pumping station: A facility including pumps and equipment for pumping water from one place to another.

WWTW: Wastewater Treatment Works – a facility to improve sewage quality before discharge to receiving waters.

Wastewater: Another name for sewage.

WSAA: Water Services Association of Australia.

WTP: Water Treatment Plant – a facility that improves water quality by removing impurities.

Yield: The amount of water that can reliably be extracted from Hunter Water's dams and groundwater sources.

FEEDBACK FORM

WE WELCOME YOUR FEEDBACK ON THIS REPORT. IT WILL HELP US TO IMPROVE FUTURE REPORTS AND OUR OTHER COMMUNICATION TOOLS

MY INTEREST IN THIS REPORT IS AS A:

- ☐ Residential customer
- ☐ Government stakeholder
- ☐ Member of a community group
- ☐ Contractor/supplier
- ☐ Student
- ☐ Business customer
- ☐ Member of an environmental group
- ☐ Member of a business/industrial group
- ☐ Employee

HOW WOULD YOU RATE HUNTER WATER’S PERFORMANCE?

	Excellent	Very Good	Average	Poor	Very Poor
Overall	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance Culture	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Operational Excellence	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Environment	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

HOW WOULD YOU RATE THIS REPORT?

	Excellent	Very Good	Average	Poor	Very Poor
Overall	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For the usefulness of the information	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For its ease of use and reading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
For the design and look of the report	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

WAS THERE ANYTHING NOT COVERED IN THE REPORT THAT YOU WOULD LIKE TO SEE INCLUDED IN FUTURE REPORTS?

OTHER COMMENTS AND SUGGESTIONS

PLEASE POST YOUR COMPLETED FORM TO:

ANNUAL REPORT FEEDBACK COMMUNICATIONS
HUNTER WATER
PO BOX 5171,
HRMC NSW 2310

YOUR DETAILS

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Company

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Email

Please include me on your mailing list for future reports.
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BUILDING A
BETTER FUTURE

PERFORMANCE CULTURE

- Thinking, working and living safely
- Building a high performance culture

OPERATIONAL EXCELLENCE

- Increasing value delivered to our community and shareholders
- Increasing our competitiveness

CUSTOMERS

- Being open and collaborative
- Providing superior customer service
- Delivering highly reliable water service
- Producing safe, high-quality water

ENVIRONMENT

- Protecting people's health and enhancing the environment
- Balancing water supply and demand

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Paper and disc copies are also available on request (1300 657 657)

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FINANCIAL REPORT
HUNTER WATER CORPORATION

INTER WATER

FINANCIAL REPORT HUNTER WATER CORPORATION AND CONTROLLED ENTITIES

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COMPANY PARTICULARS

DIRECTORS

Mr R Robson
Chairman

Mr K Young
Managing Director

Mr R Knights
Retired 30 June 2008

Mr D Boyd
Retired 31 December 2007

Mr W Elliott
Retired 30 June 2008

Ms B Crossley

Mr R Chappel

Mr G Kennedy

Mr J Eather
Appointed 1 January 2008

Prof A Page
Appointed 1 July 2008

Ms J Gardner
Appointed 1 July 2008

COMPANY SECRETARY

Mr J O'Hearn

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

Directors' Report

The Directors submit the following report made in accordance with a resolution of the Directors of the Parent Entity and Controlled Entities for the year ended 30 June 2008.

Directors

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

Mr	R	Robson	Chairman
Mr	K	Young	Managing Director
Mr	R	Knights	Retired 30 June 2008
Mr	D	Boyd	Retired 31 December 2007
Mr	W	Elliott	Retired 30 June 2008
Ms	B	Crossley	
Mr	R	Chappel	
Mr	G	Kennedy	
Mr	J	Eather	Appointed 1 January 2008
Prof	A	Page	Appointed 1 July 2008
Ms	J	Gardner	Appointed 1 July 2008

Information on Directors

R Robson

OAM, FAIM, FAICD, JP

Mr Robson was appointed as Chairman of the Board on 1 August 1995 and previously held the position of Director since 1 January 1992. Mr Robson is Chairman of Hunter Water Australia Pty Limited and the Regional Land Management Corporation Pty Ltd (in the process of being wound up). He is also a director of the Hunter Development Corporation Pty Ltd, a Director of Robson Health Care Pty Limited, Chairman of the Newcastle Knights-Wests Hospitality Group Business Development Committee, Chairman of Banlaw Pipeline Pty Ltd, Chairman of Cromford Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

K J Young

B Eng, MBA, FIE Aust, CPENG, GAICD

Mr Young was appointed Managing Director on 19 July 2004 and is also a Director of Hunter Water Australia Pty Limited. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities. He has previously held a diverse range of positions at Hunter Water Corporation including Chief Operating Officer, Company Secretary, Manager Corporate Planning & Government Regulation and Manager Assets. Mr Young is on the Board of the Water Services Association of Australia (WSAA) and is Chairperson of WSAA's Water, Health, Environment and Sustainability Committee.

R I Knights

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

Mr Knights was appointed as a Director on 1 December 1992 and is also a director of the Regional Land Management Corporation Pty Ltd (in the process of being wound up). Mr Knights retired as a Director of Hunter Water Corporation and Hunter Water Australia Pty Limited on 30 June 2008. Mr Knights was also Chairman of the Broke Fordwich Private Irrigation District until he retired as Chairman and a member in November 2003. Mr Knights was previously Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

B L Crossley

B.Nat.Res. (Hons), MEIA, MAICD

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

R A Chappel

BE (Civil), Dip T & RP, Hon FIE Aust, FTSE

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

G T Kennedy

Mr Kennedy was appointed as a Director on 1 January 2006. Mr Kennedy is the Secretary of Newcastle Trades Hall Council and currently serves on the Hunter Economic Development Corporation (HEDC). He is part of the Hunter Development Corporation and is the Chairman of Newcastle and Cardiff Panthers and a Director on the Group Board of the Penrith Panthers. Mr Kennedy holds positions on the Industry Development Centre and Disability Advocacy Services Hunter and is the Chair of the IDC Human Resource Committee. He was previously the NSW President of the Communications Workers Union and has extensive experience in the communications area.

J R Eather

B.Com, CPA, FCIM

Mr Eather was appointed as a Director on 1 January 2008. Mr Eather is the Managing Director of the Callaghan Institute, a Business and Economic Research and advisory practice he established in 2007. Previously, he was CEO Media for the SOUL Group, where he was directly responsible for the running of NBN Television. During his 27 years with the NBN and SOUL Groups, he was actively involved in the expansion of the Group from its media base to the converging world of telecommunications. Mr Eather is Chairman of the Newcastle University Foundation, is an Alternate Director on the Board of Regional Broadcasters Australia and is a Director of the Mayumarri Trust, a healing centre for survivors of child abuse.

Prof A W Page

ASTC, BE, PhD, FTSE, Hon FIEAust, CPEng

Professor Page was appointed as a Director on 1 July 2008. He is an Emeritus Professor in Civil Engineering at the University of Newcastle and has held a range of senior university management positions including Deputy Vice-Chancellor (Research) and Pro Vice-Chancellor (Engineering and Built Environment). He is currently a Director of NUSPORT and has previously served as a Director on several Australian Research Council Co-operative Research Centres and other research organisations including the Board of the University of Newcastle Research Associates (TUNRA) and the Hunter Medical Research Institute.

J A Gardner

BA, LLB, MBA

Ms Gardner was appointed as a Director on 1 July 2008. Ms Gardner is the Newcastle Managing Partner of Sparke Helmore lawyers and sits on the national Board of that firm. Previously she headed the Statutory Schemes Business Unit, was the Chair of the Promotions Committee and sat on the Board of Tornaydo Pty Ltd, a defined benefits superannuation company. She is the Vice-President of the Women's Network (Hunter NSW). She has wide experience in the operational and strategic management of a successful professional services business.

D W Boyd

FCPA, AICD

Mr Boyd was appointed as a Director on 1 January 2000 and retired as a Director on 31 December 2007. Mr Boyd is a Certified Practising Accountant and is currently employed as a Management Consultant, mainly in the mining industry. Mr Boyd has extensive experience in management roles in Port Waratah Coal Services and Rio Tinto. Mr Boyd was previously Chairman of the Hunter Economic Council, a Director of Mega First Corp (Malaysia) and a Director of Perilya Mines.

W J Elliott

CPA, MAICD

Mr Elliott was appointed as a Director on 1 September 2001 and retired as a Director on 30 June 2008. He has had extensive experience in the financial/administrative field and was previously Chief Executive Officer of Shortland Electricity and Chairman of Advance Energy. Mr Elliott is a Director of the Newcastle Permanent Building Society (NPBS) Ltd, Newcastle Friendly Society Ltd and Chairman of NPBS Securities Pty Ltd.

Meetings of Directors

	BOARD MEETINGS		COMMITTEE MEETINGS			
	A	B	Audit & Risk		Corporate Governance	
			A	B	A	B
R Robson	12	12	4	4	4	4
R Knights	11	12	2	2	3	4
D Boyd	4	6	2	2	*	*
W Elliott	11	12	4	4	*	*
B Crossley	12	12	2	2	4	4
R Chappel	11	12	*	*	*	*
G Kennedy	10	12	*	*	*	*
K Young	11	12	*	*	4	4
J Eather	6	6	2	2	*	*

A = Number of meetings attended

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

* = Not a member of the relevant committee

Principal Activities

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

Results and Dividends

The operating profit after tax, for the financial year ended to 30 June 2008, was \$34.9m compared with an operating profit after tax of \$60.9m for the previous year.

Review of Operations

Financial

The terminology used in reporting the results is as follows:

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

The unfavourable operating profit result compared to the prior year is largely driven by an unfavourable impact from the performance of the Economic Entity's defined benefit superannuation funds coupled with lower demand for water due to wet weather and lower levels of third party contributions. These unfavourable impacts were partially offset by favourable impacts including depreciation and amortisation costs.

Subsequent Events

With effect from 1 July 2008, water and sewer services in the Dungog Shire Council area will be provided by Hunter Water Corporation under a change of area of operations.

Details of the asset/liabilities acquired are as follows:

- All real property, including fixtures and fittings and all access rights used in connection with the water and sewerage business
- Other assets currently used in relation to the water and sewerage business
- Net cash in the reserve fund to be transferred to Hunter Water Corporation
- Employee liabilities of relevant employees that are transferred to Hunter Water Corporation

In addition, Hunter Water Corporation is obliged to use all reasonable endeavours to complete the Clarence Town Sewerage Scheme in the manner Hunter Water Corporation thinks fit, in its discretion.

As at the date of this financial report, Dungog Shire Council is still in the process of finalising their financial records and hence the full financial impact of the acquisition cannot be estimated at this point in time.

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

Directors Indemnification

Hunter Water Corporation has an agreement to indemnify the Directors and secretary of the Corporation and its Controlled Entities.

The indemnity relates to:

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

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

Change in State Of Affairs

As a result of a Ministerial policy decision, the operating activities of the Controlled Entity, Regional Land Management Corporation Pty Ltd were transferred to a new NSW government body, Hunter Development Corporation, effective 31 January 2008. Regional Land Management Corporation Pty Ltd is currently in the process of being deregistered. The deregistration of the company was lodged on 25 June 2008. The Australian Securities & Investments Commission (ASIC) has approved the application for voluntary deregistration and the deregistration was finalised by ASIC on 27 August 2008.

Other than matters reported in the Directors' Report (or above), in the opinion of the Directors there were no significant changes in the state of affairs of the Economic Entity during the year ended 30 June 2008.

Audit and Risk Committee

Hunter Water Corporation has an Audit and Risk Committee, which meets 4 times per year which (at reporting date) was comprised of:

Mr	J	Eather	Director – Committee Chairman
Mr	R	Robson	Director – Chairman
Mr	W	Elliott	Director – Retired 30 June 2008
Ms	B	Crossley	Director
Ms	J	Gardner	Director – Appointed 1 July 2008

The committee's main objectives are to:

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

Corporate Governance

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

The Duties and Responsibilities are:

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

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

Mr	R	Robson	Chairman
Mr	K	Young	Managing Director
Mr	R	Knights	Deputy Chairman – Retired 30 June 2008
Ms	B	Crossley	Director
Ms	J	Gardner	Director – Appointed 1 July 2008

Directors' Benefits

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

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

Code of Conduct

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

Environmental Regulation

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

Signed in accordance with a resolution of the Directors of Hunter Water Corporation.

A stylized, handwritten signature in black ink, appearing to be 'R Robson'.

R Robson
Chairman

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

K Young
Managing Director

Date: 25 September 2008
Newcastle

Independent Audit Report



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

Hunter Water Corporation and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of Hunter Water Corporation (the Corporation), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes for both the Corporation, and the Corporation and controlled entities (the consolidated entity). The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the Corporation and the consolidated entity as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

Directors' Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 report.

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 or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their 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, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office 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

9 October 2008
SYDNEY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

		Economic Entity		Parent Entity	
		2008	2007	2008	2007
	Notes	\$'000	\$'000	\$'000	\$'000
Revenue					
Services	2	241,588	243,657	207,952	207,743
Superannuation revenue	4	-	11,461	-	10,883
Other income	2	1,880	1,931	4,617	3,928
Total Revenue		243,468	257,049	212,569	222,554
Expenditure					
Operational costs	3	(113,008)	(112,000)	(84,860)	(81,200)
Depreciation and amortisation	4	(30,586)	(37,277)	(30,055)	(36,816)
Finance costs	4	(26,225)	(18,524)	(26,568)	(18,807)
Superannuation expense	4	(17,617)	-	(15,396)	-
Total Operating Expenditure		(187,436)	(167,801)	(156,879)	(136,823)
Profit Before Income Tax Expense		56,032	89,248	55,690	85,731
Income tax expense	5	(21,088)	(28,377)	(19,655)	(26,519)
Profit for the Year From Continuing Operations		34,944	60,871	36,035	59,212
Profit is attributable to:					
Members of the entity		34,944	60,871	36,035	59,212
Minority Interest		-	-	-	-
		34,944	60,871	36,035	59,212

The Income Statement should be read in conjunction with the accompanying notes on pages 47 to 46

BALANCE SHEET AS AT 30 JUNE 2008

		Economic Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current Assets					
Cash and cash equivalents	7	6,926	13,157	1,412	7,478
Trade and other receivables	8	36,233	34,230	38,617	33,424
Investments available for sale	9	10,002	-	10,002	23
Inventories	10	1,992	2,003	1,992	2,003
Assets held for sale	11	860	127	860	127
Other	12	1,555	1,330	870	684
Total Current Assets		57,568	50,847	53,753	43,739
Non-Current Assets					
Investments available for sale	9	-	10,101	-	10,101
Other financial assets	9	-	-	900	900
Other	12	7,293	12,176	7,017	10,574
Property, plant & equipment	13	2,104,278	1,941,078	2,105,545	1,941,772
Intangible assets	14	7,482	12,650	7,289	12,519
Total Non-Current Assets		2,119,053	1,976,005	2,120,751	1,975,866
Total Assets		2,176,621	2,026,852	2,174,504	2,019,605
Current Liabilities					
Trade and other payables	15	27,766	40,346	29,826	38,751
Current tax liabilities	16	1,882	6,841	1,044	6,303
Borrowings	17	1,100	53,600	1,100	53,600
Provisions	18	58,252	55,630	55,120	52,292
Total Current Liabilities		89,000	156,417	87,090	150,946
Non-Current Liabilities					
Borrowings	17	413,497	278,370	418,497	283,370
Provisions	18	10,423	6,859	10,158	6,287
Deferred tax liabilities	19	271,391	245,789	272,344	246,571
Total Non-Current Liabilities		695,311	531,018	700,999	536,228
Total Liabilities		784,311	687,435	788,089	687,174
Net Assets		1,392,310	1,339,417	1,386,415	1,332,431
Equity					
Contributed equity	20	100,000	100,000	100,000	100,000
Reserves	21A	645,282	592,033	645,282	592,033
Retained profits	21B	647,028	647,384	641,133	640,398
Total Equity		1,392,310	1,339,417	1,386,415	1,332,431

The Balance Sheet should be read in conjunction with the accompanying notes on pages 19 to 47

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

		Economic Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Contributed Equity		100,000	100,000	100,000	100,000
Reserves		592,033	915,974	592,033	915,974
Retained Profits		647,384	620,817	640,398	615,490
Total equity at beginning of year		1,339,417	1,636,791	1,332,431	1,631,464
Movements					
Contributed Equity		-	-	-	-
Reserves					
Fixed asset revaluation increment from revaluations, before tax	21A	465,990	138,703	465,990	138,703
Fixed asset decrement from impairment, before tax	21A	(379,804)	(562,679)	(379,804)	(562,679)
Land held for sale increment, before tax	21A	(17)	127	(17)	127
Revaluation of investment available for sale, before tax	21A	(149)	(239)	(149)	(239)
Write-back of written down value of decommissioned assets, before tax	21A	(9,790)	(4,178)	(9,790)	(4,178)
Income tax on items taken directly to or directly from equity	21A	(22,981)	104,621	(22,981)	104,621
Aggregate amount of transfers to Retained Profits	21A	-	(296)	-	(296)
Net Income Recognised Directly in Equity for the Year		53,249	(323,941)	53,249	(323,941)
Retained Profits					
Dividends provided for	6	(35,300)	(34,600)	(35,300)	(34,600)
Profit for the Year		34,944	60,871	36,035	59,212
Aggregate amount of transfers from Reserves	21B	-	296	-	296
		(356)	26,567	735	24,908
Contributed Equity		100,000	100,000	100,000	100,000
Reserves		645,282	592,033	645,282	592,033
Retained Profits		647,028	647,384	641,133	640,398
Total Equity at End of Financial Year		1,392,310	1,339,417	1,386,415	1,332,431

The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 47 to 46

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

		Economic Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash Flow from Operating Activities					
Receipts from customers (inclusive of goods and services tax)		214,792	206,235	177,580	164,912
Payments to suppliers and employees (inclusive of goods and services tax)		(135,237)	(132,109)	(100,848)	(95,768)
		79,555	74,126	76,732	69,144
Dividends received		-	-	2,173	1,539
Interest received		1,566	1,371	1,418	1,212
Proceeds from environmental levy and developers		24,875	28,730	24,875	28,730
Borrowing costs		(28,390)	(20,763)	(28,808)	(20,958)
Income taxes paid		(23,428)	(23,663)	(22,122)	(22,340)
Net Cash Flows from Operating Activities	22	54,178	59,801	54,268	57,327
Cash Flow from Investing Activities					
Purchases of property, plant and equipment		(109,030)	(133,118)	(109,009)	(133,116)
Proceeds from sales of property, plant and equipment		609	5,305	625	5,265
Loans to related entities		-	-	23	(15,526)
Loans repaid by related entities		-	-	-	16,011
Net Cash Flows from Investing Activities		(108,421)	(127,813)	(108,361)	(127,366)
Cash Flow from Financing Activities					
Proceeds from borrowings		135,127	96,949	135,127	98,449
Repayment of borrowings		(53,600)	-	(53,600)	-
Dividends paid	6	(34,600)	(35,100)	(34,600)	(35,100)
Net Cash Flows from Financing Activities		46,927	61,849	46,927	63,349
Net Increase / (Decrease) in Cash Held		(7,316)	(6,163)	(7,166)	(6,690)
Cash at beginning of financial period		13,157	19,331	7,478	14,168
Effects of exchange rate changes on cash		(15)	(11)	-	-
Cash at the End of the Financial Period	7a	5,826	13,157	312	7,478

The Cash Flow Statement should be read in conjunction with the accompanying notes on pages 19 to 47

Note 1. Summary of Significant Accounting Policies

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

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations and the *Public Finance & Audit Act 1983*. The financial statements also incorporate financial reporting requirements specified in the *Public Finance and Audit Regulation 2005* and the relevant Treasurer's Directions.

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

Compliance with IFRSs

Australian Accounting Standards include AIFRSs. Compliance with AIFRSs ensures that the consolidated financial statements and notes of the Economic Entity and Parent Entity comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

The financial statements have been prepared on an accruals basis using the historical cost convention, except for the non-current physical assets which are shown at valuation.

Rounding to the nearest \$000

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

Comparatives

Where the presentation or reclassification of items in the financial report is amended, comparable amounts are reclassified unless it is impracticable.

b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Parent Entity (Hunter Water Corporation) and the two wholly-owned Controlled Entities (Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd) as at 30 June 2008 and the results of the Parent Entity and Controlled Entities for the year then ended. The Parent Entity had the capacity to dominate the decision making in relation to the financial and operating policies of the Controlled Entities so that the Controlled Entities operated with the Parent Entity to achieve its objectives. The Controlled Entities are detailed in note 32 to the accounts.

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

In the consolidated results the income generated by the Regional Land Management Corporation Pty Ltd has been categorised as an External Sale (refer note 2). The associated costs have been categorised as a Cost of External Sale and disclosed accordingly in note 3. This treatment has been adopted as the nature of the work undertaken by the Regional Land Management Corporation Pty Ltd differs significantly from that performed by either the Parent Entity or the other Controlled Entity, Hunter Water Australia Pty Limited.

c) Revenue recognition

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

(i) Tariff income

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

Revenue is recognised in respect of these services on an accrual basis as the services are provided. Estimated water usage recorded in unread meters is brought to account at 30 June. The estimate is derived by multiplying the number of days since the last reading date to 30 June by the historic average daily consumption for each property.

(ii) Contributions for capital works

Contributions for capital works includes Environmental Levy receipts and contributions from developers and the Hunter Sewer Program (HSP).

In accordance with Urgent Issues Group Interpretation 1017, where physical asset contributions are received from developers and HSP in return for connection to a service delivery network, contributions are recognised as revenue and assets at their assessed fair value on receipt. For 2007/08 physical assets totalling \$13.6m (2006/07 \$17.9m) were received.

In respect of cash contributions received from developers of \$16.2m (2006/07 \$20.3m), these have been shown as revenue. Environmental levy receipts are considered revenue in nature and are shown at their cash value.

(iii) Property sales

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

(iv) Investment income

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

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

(v) Dividends

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

d) Income tax

Hunter Water Corporation and one of its wholly-owned Australian Controlled Entities, Hunter Water Australia Pty Limited, are subject to the National Tax Equivalent Regime (NTER). An "equivalent" or "notional income tax" is payable to the NSW Government through the Office of State Revenue. The liability for income tax is primarily assessed in accordance with the *Income Tax Assessment Act* (1997) (ITAA) and is administered by the Australian Taxation Office.

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

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

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

e) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

f) Trade receivables

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

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

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

g) Investments

Investments in marketable securities with a maturity period of greater than 3 months are classified as cash and cash equivalents. Those with a maturity period of greater than 12 months are classified as non-current assets.

Investments are initially recognised at cost and then subsequently are classified as available for sale and as such are recognised at fair value (with the estimate of fair value provided by an external expert). For the entity's long-term investment, any gains or losses arising from its measurement to fair value are recognised as a component of equity (through the investment revaluation reserve).

h) Inventories

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

External contracts work in progress

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

i) Assets held for sale

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

j) Property, plant and equipment

Acquisitions and Capitalisation

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

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

Items costing greater than \$300 individually and having a minimum expected operational life of 3 years are capitalised.

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

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

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

Valuation

The Parent Entity has valued its non current assets in accordance with AASB 116 *Property, plant & equipment* and NSW Treasury's accounting policy TPP07-1 "Valuation of Physical Non-Current Assets at Fair Value".

The Parent Entity's policy is to revalue assets over a 5 year cycle by selecting assets according to a predetermined schedule of 5 asset groups. Other than the asset group scheduled for revaluation, the remaining 4 groups are indexed annually to maintain current values.

While the estimated written down current replacement cost is used in the asset revaluation process, the carrying amount of the total asset set is assessed against their net cash inflows. Where the carrying values exceed the recoverable amount, assets are written down. (Refer note 1(I) and note 13D).

For each class of property, plant & equipment subject to valuation, revaluation increments are credited to the asset revaluation reserve within equity in the balance sheet. Where a revaluation decrement or impairment loss reverse a revaluation increment previously credited to the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve. In other cases the decrement or impairment loss is recognised in the income statement.

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

It should be recognised that due to the nature of the water industry assets (in particular pipes) their realisable value is determined by the stream of income that can be derived from use of the assets (that is, value in use), rather than the realisable value of the assets themselves. It therefore follows that in individual cases the value ascribed may not be achieved in the event of a sale.

Land and buildings of a commercial nature owned by the Parent Entity are valued by registered valuers every 3 years. Land, upon which the Parent Entity's system assets are located, is valued at its value in use by the expert valuer, which is considered to be the highest and best use. The written down value of all other property, plant and equipment is considered a surrogate for their fair value.

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

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

Depreciation

Depreciation is calculated using the straight line method on all property, plant and equipment, other than freehold land, at rates calculated to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

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

The estimated useful lives for each class of assets are as follows:

Class of fixed asset	Useful life (yrs)
Sewer	
- Sewer mains	80-100
- Sewer Pump Stations	10-75
- Wastewater Treatment Works	10-60
Water	
- Water mains	100-150
- Water Chlorinators	15-50
- Water Pump Stations	10-60
- Water Resources	10-50
- Water Treatment Works	10-50
Stormwater	100-150
General support	
- Meters	15
- Buildings	25-75
- Fleet	3-10
- General equipment	4-14
Non-Commercial	20-75

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

k) Intangible assets

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

Consistent with NSW Treasury policy, easements (the right of access over land) are recognised as intangible assets and are not amortised. Software is also classified as an intangible asset and these assets are amortised over 3 years.

l) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (cash generating units). The Economic Entity has assumed that one cash generating unit exists for the purposes of impairment due to the integrated nature of the systems in use. This cash generating unit excludes land & buildings as a market value exists for these assets.

Impairment losses are recognised as an expense in the Income Statement unless an asset has been previously revalued through the asset revaluation reserve, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in the Income Statement.

In accordance with the requirements of AASB136 and NSW Treasury Policy TPP07-1, an assessment has been made of the expected net cash flows to be received over the remaining life of the existing asset base to determine the extent of any difference in the economic value and the carrying value of the assets. This assessment includes business assumptions in respect of future income streams, ongoing operational cost efficiencies and future growth in new connections. With respect to future income streams, estimates of pricing outcomes have been made which are broadly based on the general application of the Independent Pricing and Regulatory Tribunal's (IPART) pricing methodology. The expected net cash flows have been discounted to their present value using a market determined risk adjusted real discount rate.

The major assumptions underlying the impairment calculation for the current reporting period are:

- Time period (the weighted average remaining life of the asset base) – 72 years (2007: 73 years);
- Real discount rate (before tax) – 7.22% (2007: 7.02%); and
- Growth rate – 1.9% per annum for a period of 10 years (2007: 1.9% pa).

Estimates of future revenues have been based on prices determined by IPART which are applicable up to 30 June 2009, and expected water consumption. Beyond 2009 a level of pricing support has been assumed to ensure the current asset base is maintained with an acceptable weighted average cost of capital return of 7.5%.

Estimates of future expenditure have been based on the 2008/09 operating expenditure budget with some anticipated cost increases factored in for future years in line with the entity's Statement of Corporate Intent.

m) Leases

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

n) Trade and other payables

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

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

o) Borrowings

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

Borrowings are measured initially at cost, being the fair value of consideration received less any transaction costs associated with the borrowing. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest method.

p) Employee benefits

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

Liabilities for salaries and wages including annual leave and vested sick leave expected to be settled within 12 months of the reporting date are recognised as current employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The provision for sick leave represents 50% of the value of untaken leave accrued by wages employees prior to 15 February 1993. This requirement to provide for untaken sick leave ceased from 15 February 1993 with amendments to the *Industrial Relations Act 1991*.

(ii) Long service leave

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

(iii) Superannuation

Employees of the entities within the Economic Entity are members of either defined benefit superannuation funds or defined contribution superannuation funds. The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of the defined benefit plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any past service cost. Actuarial gains and losses are recognised immediately in the income statement in the year in which they occur. The assessment of these liabilities and assets is undertaken by the funds' administrator, Pillar Administration.

q) Dividends

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

r) Goods and Services Tax

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

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

Cash flows are included in the Cash Flow Statement on a gross basis.

s) Foreign Currency Transactions and Balances

Foreign currency transactions are translated into Australian currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

t) Accounting Standards and Australian Accounting Interpretations Issued but not yet Operative

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Economic Entity and Controlled Entities' assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 101 *Presentation of Financial Statements*

This standard is applicable to reporting periods beginning on or after 1 January 2008. The initial application of this revised standard will not impact on the financial results of the Economic Entity or the presentational content of the financial report.

(ii) AASB 123 *Borrowing Costs*

This standard is applicable to reporting periods beginning on or after 1 July 2009. The Economic Entity currently expenses all borrowing costs. This standard will require the Economic Entity to capitalise borrowing costs directly attributable to the acquisition or construction of a qualifying asset. The exact impact of the initial application of this standard on the financial results of the Economic Entity has not yet

been assessed, however it will result in a reduction in interest expense recognised in the Income Statement.

- (iii) *AASB 208-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
This standard is applicable to reporting periods beginning on or after 1 January 2009. The initial application of this standard will not impact on the financial results of the Economic Entity or the presentational content of the financial report.
- (iv) *AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
AASB-I 14 is applicable to reporting periods beginning on or after 1 January 2008. It is not expected that the application of this standard will impact on either the financial results of the Economic Entity or the presentational content of the financial report.

Note 2. Revenue

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Services				
Tariff - service charges	77,779	71,854	77,779	71,854
Tariff - usage charges	78,447	81,144	78,447	81,144
Other regulated income	6,302	5,030	6,302	5,030
	162,528	158,028	162,528	158,028
External sales	10,095	11,359	103	192
External revenue generated by RLMC	23,714	25,540	-	-
	33,809	36,899	103	192
Developer contributions - environmental charge	8,697	8,403	8,697	8,403
Developer contributions – cash	16,178	20,327	16,178	20,327
Developer contributions – assets	13,575	17,915	13,575	17,915
	38,450	46,645	38,450	46,645
Corporate services	129	(258)	165	498
Other	6,672	2,343	6,706	2,380
	6,801	2,085	6,871	2,878
	241,588	243,657	207,952	207,743
Other Income				
Interest income	1,609	1,388	1,461	1,229
Dividends	-	-	2,854	2,173
Gain/(loss) on disposal of assets	286	554	302	526
Foreign exchange gain/(loss)	(15)	(11)	-	-
	1,880	1,931	4,617	3,928
Total Income	243,468	245,588	212,569	211,671

Note 3. Operational Costs

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee-related costs	27,879	26,386	15,868	16,739
Maintenance expense				
Maintenance-related employee expenses	11,597	10,428	12,865	10,358
Other maintenance expenses	18,533	16,459	18,494	16,272
	30,130	26,887	31,359	26,630
Materials	8,906	9,209	3,114	3,369
Energy	9,410	6,678	9,410	6,678
Plant & vehicles	1,445	1,010	1,020	931
Contracts, Property & other	3,529	7,216	23,836	26,506
Cost of external sales	8,273	6,932	253	347
Cost of external revenue generated by RLMC	23,436	27,682	-	-
	54,999	58,727	37,633	37,831
	113,008	112,000	84,860	81,200

Note 4. Profit Before Income Tax

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

Net gain on disposal of				
Property, plant and equipment	286	554	302	526
Foreign exchange gain /(loss)	(15)	(11)	-	-
	271	543	302	526
Expenses				
Changes in restoration provision	72	69	72	69
Depreciation and Amortisation				
Amortisation	5,444	4,645	5,364	4,572
Depreciation	25,142	32,632	24,691	32,244
	30,586	37,277	30,055	36,816
Other charges against assets				
Bad and doubtful debts - trade debtors	(19)	108	(8)	97
Write-down of inventory to net realisable value	99	-	99	-
	80	108	91	97
Borrowing costs				
Amortisation of (premium)/discount on loans	13	(1,086)	13	(1,086)
Long term borrowings	24,190	18,238	24,190	18,238
Other interest expense	81	147	424	430
Finance charges	1,941	1,225	1,941	1,225
	26,225	18,524	26,568	18,807
Rental expense relating to operating leases				
Minimum lease payments	2,084	785	1,117	196
	2,084	785	1,117	196
Superannuation Expense / (Revenue)				
Superannuation revenue – defined benefit funds	15,616	(13,586)	14,112	(12,221)
Superannuation expense – contributions	2,001	2,125	1,284	1,338
	17,617	(11,461)	15,396	(10,883)

Note 5. Income Tax

		Economic Entity		Parent Entity	
	Notes	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
(a) Income Tax Expense					
Current tax		18,350	23,584	16,590	22,206
Deferred tax		2,717	4,263	3,075	3,783
Under/(over) provided in prior years		21	530	(10)	530
		21,088	28,377	19,655	26,519
Deferred income tax (revenue)/expense included in income tax expense comprises:					
(Decrease)/increase in deferred tax liabilities		4,505	2,622	4,807	2,156
Decrease/(increase) in deferred tax assets		(1,788)	1,641	(1,732)	1,627
(b) Numerical reconciliation of income tax expense to prima facie tax payable					
Profit before income tax expense		56,032	89,248	55,690	85,731
Subtract inter-company dividend income		-	-	(2,854)	(2,173)
Profit before income tax excluding dividend		56,032	89,248	52,836	83,558
Tax at the Australian rate of 30% (2007 - 30%)		16,810	26,774	15,851	25,067
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Non-deductible expenses		6,586	3,372	6,586	3,372
Tax consolidation benefit		-	-	(410)	(134)
Non-assessable contributions to capital works		(2,391)	(2,310)	(2,391)	(2,310)
Sundry items		62	11	29	8
		21,067	27,847	19,665	26,003
Under/(over) provision in prior years		21	530	(10)	516
		21,088	28,377	19,655	26,519
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity					
Net deferred tax - debited directly to equity	19	22,981	(104,621)	22,981	(104,621)
		22,981	(104,621)	22,981	(104,621)

The deferred tax assets attributable to tax losses is

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This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised; and
- (ii) the consolidated entity continues to comply with the conditions of deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the losses.

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

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

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

Note 6. Dividends Paid Or Provided For

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Opening Balance	34,600	35,100	34,600	35,100
Add dividend declared at 35.3 cents per share (2007: 34.6 cents per share)	35,300	34,600	35,300	34,600
Less dividend paid at 34.6 cents per share (2007: 35.1 cents per share)	(34,600)	(35,100)	(34,600)	(35,100)
	35,300	34,600	35,300	34,600

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

Note 7. Cash And Cash Equivalents

Cash at bank and on hand	1,997	3,147	1,412	1,478
Foreign currency at bank and on hand	-	6	-	-
Deposits at call	4,929	10,004	-	6,000
	6,926	13,157	1,412	7,478

Deposits at call are bearing interest rates between 6.2% and 7.2% (2007: 5.7% and 6.2%)

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial years as shown in the Cash Flow Statement as follows:

Balances as above	6,926	13,157	1,412	7,478
Overdrafts	(1,100)	-	(1,100)	-
Balances per Cash Flow Statement	5,826	13,157	312	7,478

Note 8. Trade And Other Receivables

Current

Trade debtors	36,341	34,357	35,871	31,367
Provision for doubtful debts	(108)	(127)	(108)	(116)
	36,233	34,230	35,763	31,251
Dividend receivable	-	-	2,854	2,173
	36,233	34,230	38,617	33,424

Note 9. Other Financial Assets

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Current				
Loan to Controlled Entity	-	-	-	23
Investments available for sale				
Inscribed Stock - Government Issues - at market value	10,002	-	10,002	-
	<u>10,002</u>	<u>-</u>	<u>10,002</u>	<u>23</u>
Non-Current				
Investments available for sale				
Inscribed Stock - Government Issues - at market value	-	10,101	-	10,101
	<u>-</u>	<u>10,101</u>	<u>-</u>	<u>10,101</u>
Other (non-traded) investments				
Shares in Controlled Entities - at cost	-	-	900	900
	<u>-</u>	<u>-</u>	<u>900</u>	<u>900</u>

The above external investments are not quoted on the stock exchange but are marketable. Market valuation was provided by NSW Treasury Corporation Limited as at 30 June 2008.

The inscribed stock was acquired in 1997, has a face value of \$10m and is redeemable in August 2008. The effective yield is 8.0%.

Note 10. Inventories

Current				
Consumable stores at cost	1,992	1,904	1,992	1,904
Consumable stores at net realisable value	-	99	-	99
	<u>1,992</u>	<u>2,003</u>	<u>1,992</u>	<u>2,003</u>

Note 11. Assets Held For Sale

Current				
Land held for sale	860	127	860	127
	<u>860</u>	<u>127</u>	<u>860</u>	<u>127</u>

Note 12. Other Assets

Current				
Prepayments	795	683	573	380
Accrued Interest	297	304	297	304
Work In Progress	463	343	-	-
	<u>1,555</u>	<u>1,330</u>	<u>870</u>	<u>684</u>
Non-Current				
Discount on loans	7,017	2,503	7,017	2,503
Prepaid superannuation contributions	276	9,673	-	8,071
	<u>7,293</u>	<u>12,176</u>	<u>7,017</u>	<u>10,574</u>

Note 13. Property, Plant & Equipment

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
A Fixed Assets – comprise the following all at Directors' valuation				
Water				
Water assets	1,183,391	811,593	1,183,391	811,593
Accumulated depreciation	(277,292)	(159,676)	(277,292)	(159,676)
	<u>906,099</u>	<u>651,917</u>	<u>906,099</u>	<u>651,917</u>
Sewer/Wastewater				
Sewer assets	1,020,544	1,136,865	1,020,544	1,136,865
Accumulated depreciation	(170,485)	(183,788)	(170,485)	(183,788)
	<u>850,059</u>	<u>953,077</u>	<u>850,059</u>	<u>953,077</u>
Drainage				
Drainage assets	77,873	90,012	77,873	90,012
Accumulated depreciation	(19,746)	(21,636)	(19,746)	(21,636)
	<u>58,127</u>	<u>68,376</u>	<u>58,127</u>	<u>68,376</u>
General Support				
General support assets	71,004	71,351	67,603	68,217
Accumulated depreciation	(25,816)	(25,297)	(23,882)	(23,148)
	<u>45,188</u>	<u>46,054</u>	<u>43,721</u>	<u>45,069</u>
Land				
Land	123,534	99,145	123,534	99,145
	<u>123,534</u>	<u>99,145</u>	<u>123,534</u>	<u>99,145</u>
Non-commercial				
Non commercial assets	762	783	762	783
Accumulated depreciation	(447)	(392)	(447)	(392)
	<u>315</u>	<u>391</u>	<u>315</u>	<u>391</u>
Total gross assets	2,477,108	2,209,749	2,473,707	2,206,615
Accumulated depreciation	(493,786)	(390,789)	(491,852)	(388,640)
	<u>1,983,322</u>	<u>1,818,960</u>	<u>1,981,855</u>	<u>1,817,975</u>
B Works in Progress at Cost				
Works under construction	120,956	122,118	123,690	123,797
Total property plant & equipment	<u>2,104,278</u>	<u>1,941,078</u>	<u>2,105,545</u>	<u>1,941,772</u>

C Reconciliations

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

Consolidated 2007	Water	Sewer	Drainage	General	Land	Non	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2006	771,108	1,215,715	90,669	37,380	50,949	654	2,166,475
Additions	28,919	47,376	-	11,408	29,437	-	117,140
Disposals	(2,737)	(4,938)	-	(4,666)	(403)	-	(12,744)
Transfers between classes	42	41	(7)	137	134	(272)	75
Revaluation: increments/(decrements)	77,876	29,816	2,140	9,674	19,028	169	138,703
Impairment	(213,867)	(317,491)	(22,803)	(3,764)	-	(132)	(558,057)
Depreciation expense	(9,424)	(17,442)	(1,623)	(4,115)	-	(28)	(32,632)
Carrying amount 30 June 2007	<u>651,917</u>	<u>953,077</u>	<u>68,376</u>	<u>46,054</u>	<u>99,145</u>	<u>391</u>	<u>1,818,960</u>

Parent Entity 2007

	Water	Sewer	Drainage	General	Land	Non	Total
	\$'000	\$'000	\$'000	Support	\$'000	Commercial	\$'000
Carrying amount 1 July 2006	771,108	1,215,715	90,669	36,541	50,949	654	2,165,636
Additions	28,919	47,376	-	10,860	29,437	-	116,592
Disposals	(2,737)	(4,938)	-	(4,652)	(403)	-	(12,730)
Transfers between classes	42	41	(7)	137	134	(272)	75
Revaluation: increments	77,876	29,816	2,140	9,674	19,028	169	138,703
Impairment	(213,867)	(317,491)	(22,803)	(3,764)	-	(132)	(558,057)
Depreciation expense	(9,424)	(17,442)	(1,623)	(3,727)	-	(28)	(32,244)
Carrying Amount 30 June 2007	651,917	953,077	68,376	45,069	99,145	391	1,817,975

D Valuation Notes

The valuation of assets is based on the modern engineering equivalent replacement asset methodology (MEERA). The valuation of these assets is confirmed by application of a cash generating unit test (CGUT) based on the expected net cash flows to be generated discounted to their present value. The outcome of this test for 2007/08 indicated that the net present value of future revenues did not support accounting book values of the asset base and an impairment was processed as a result (refer to the reconciliations of property, plant & equipment and intangible assets for the allocation of this impairment). The key driver behind this year's impairment was the movement in the discount rate from 7.0% in 2007 to 7.2% in 2008.

In 2007/08 water network assets were expertly revalued and the remainder of the property, plant & equipment asset base were indexed by the March quarter CPI (4.3%). The water network assets had an effective date of revaluation of 30 June 2008.

E Reconciliations

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

Consolidated 2008

	Water	Sewer	Drainage	General	Land	Non	Total
	\$'000	\$'000	\$'000	Support	\$'000	Commercial	\$'000
Carrying amount 1 July 2007	651,917	953,077	68,376	46,054	99,145	391	1,818,960
Additions	41,106	51,279	168	4,259	15,838	-	112,650
Disposals	(3,276)	(6,302)	-	(400)	(7)	-	(9,985)
Transfers between classes	(516)	128	8	(490)	-	12	(858)
Revaluation: increments/(decrements)	411,731	41,451	2,831	1,420	8,558	-	465,991
Impairment	(187,262)	(176,731)	(12,043)	(2,192)	-	(66)	(378,294)
Depreciation expense	(7,601)	(12,843)	(1,213)	(3,463)	-	(22)	(25,142)
Carrying amount 30 June 2008	906,099	850,059	58,127	45,188	123,534	315	1,983,322

Parent Entity 2008

	Water	Sewer	Drainage	General	Land	Non	Total
	\$'000	\$'000	\$'000	Support	\$'000	Commercial	\$'000
Carrying amount 1 July 2007	651,917	953,077	68,376	45,069	99,145	391	1,817,975
Additions	41,106	51,279	168	3,310	15,838	-	111,701
Disposals	(3,276)	(6,302)	-	(384)	(7)	-	(9,969)
Transfers between classes	(516)	128	8	(490)	-	12	(858)
Revaluation: increments/(decrements)	411,731	41,451	2,831	1,420	8,558	-	465,991
Impairment	(187,262)	(176,731)	(12,043)	(2,192)	-	(66)	(378,294)
Depreciation expense	(7,601)	(12,843)	(1,213)	(3,012)	-	(22)	(24,691)
Carrying Amount 30 June 2008	906,099	850,059	58,127	43,721	123,534	315	1,981,855

F Written Down Replacement Value

Reconciliations of the written down replacement cost of each class of property, plant and equipment at 30 June 2008 are as follows:

Consolidated 30 June 2008

	Water \$'000	Sewer \$'000	Drainage \$'000	General Support \$'000	Land Commercial \$'000	Non Commercial \$'000	Total \$'000
Gross replacement cost	1,909,412	1,928,539	151,410	91,963	123,534	1,307	4,206,165
Accumulated depreciation	(423,215)	(306,357)	(36,965)	(36,298)	-	(705)	(803,540)
Written down replacement value	1,486,197	1,622,182	114,445	55,665	123,534	602	3,402,625
Accumulated impairment	(580,098)	(772,123)	(56,318)	(10,477)	-	(287)	(1,419,303)
Carrying amount 30 June 2008	906,099	850,059	58,127	45,188	123,534	315	1,983,322

Parent Entity 30 June 2008

	Water \$'000	Sewer \$'000	Drainage \$'000	General Support \$'000	Land Commercial \$'000	Non Commercial \$'000	Total \$'000
Gross replacement cost	1,909,412	1,928,539	151,410	88,562	123,534	1,307	4,202,764
Accumulated depreciation	(423,215)	(306,357)	(36,965)	(34,364)	-	(705)	(801,606)
Written down replacement value	1,486,197	1,622,182	114,445	54,198	123,534	602	3,401,158
Accumulated impairment	(580,098)	(772,123)	(56,318)	(10,477)	-	(287)	(1,419,303)
Carrying amount 30 June 2008	906,099	850,059	58,127	43,721	123,534	315	1,981,855

Note 14. Intangible Assets

	Economic Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Intangible Assets				
Intangible assets	19,172	21,125	18,628	20,692
Accumulated amortisation	(11,690)	(8,475)	(11,339)	(8,173)
	7,482	12,650	7,289	12,519

Reconciliations

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

Consolidated 2007

	Easements \$'000	Software (acquired from external parties) \$'000	Software (internally developed) \$'000	Other \$'000	Total \$'000
Carrying amount 1 July 2006	1,975	5,325	44	85	7,429
Additions	10	13,728	435	315	14,488
Disposals	-	-	-	-	-
Impairment	(492)	(3,975)	(66)	(89)	(4,622)
Amortisation expense	(20)	(4,511)	(58)	(56)	(4,645)
Carrying amount 30 June 2007	1,473	10,567	355	255	12,650

Parent Entity 2007

	Easements \$'000	Software (acquired from external parties) \$'000	Software (internally developed) \$'000	Other \$'000	Total \$'000
Carrying amount 1 July 2006	1,975	5,177	44	83	7,279
Additions	10	13,674	435	315	14,434
Disposals	-	-	-	-	-
Impairment	(492)	(3,975)	(66)	(89)	(4,622)
Amortisation expense	(20)	(4,440)	(58)	(54)	(4,572)
Carrying amount 30 June 2007	1,473	10,436	355	255	12,519

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

Consolidated 2008

	Easements	Software (acquired from external parties)	Software (internally developed)	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2007	1,473	10,567	355	255	12,650
Additions	74	1,554	103	95	1,826
Disposals	(1)	(64)	(78)	(1)	(144)
Transfers between classes	-	34	(3)	73	104
Impairment	(265)	(1,192)	(10)	(43)	(1,510)
Amortisation expense	(4)	(5,209)	(152)	(79)	(5,444)
Carrying amount 30 June 2008	1,277	5,690	215	300	7,482

Parent Entity 2008

	Easements	Software (acquired from external parties)	Software (internally developed)	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2007	1,473	10,436	355	255	12,519
Additions	74	1,507	103	-	1,684
Disposals	(1)	(64)	(78)	(1)	(144)
Transfers between classes	-	34	(3)	73	104
Impairment	(265)	(1,192)	(10)	(43)	(1,510)
Amortisation expense	(4)	(5,128)	(153)	(79)	(5,364)
Carrying amount 30 June 2008	1,277	5,593	214	205	7,289

	Notes	Economic Entity		Parent Entity	
		2008	2007	2008	2007
Note 15. Trade and Other Payables		\$'000	\$'000	\$'000	\$'000
Current					
Trade creditors		19,229	31,679	21,259	31,173
Deposits received for services		813	831	813	831
Prepaid income		-	1,202	-	8
Accrued expenses		7,724	6,634	7,754	6,739
		27,766	40,346	29,826	38,751

Note 16. Current Tax Liabilities

Provision for Income Tax Payable

Opening Balance		6,841	6,391	6,303	5,908
Add under provision for income tax in prior year	5	120	530	140	530
Less amount paid relating to prior year		(6,961)	(6,920)	(6,439)	(6,437)
Add amount payable for current year	5	18,350	23,584	16,590	22,205
Less amount paid relating to current year		(16,468)	(16,743)	(15,550)	(15,903)
		1,882	6,841	1,044	6,303

Note 17. Borrowings

Current

Overdraft	1,100	-	1,100	-
Other loans	-	53,600	-	53,600
	1,100	53,600	1,100	53,600

The Parent Entity has an overdraft facility with NSW TCorp which has a limit of \$10m (2007: \$10m)

Non-Current

Other loans	413,497	278,370	418,497	283,370
	413,497	278,370	418,497	283,370

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

The Treasurer approved funding of up to \$465m with NSW TCorp for the 2007/08 year (2007: \$345m), of which \$413m was used at 30 June 2008 (\$332m at 30 June 2007).

Economic Entity		Parent Entity	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000

Note 18. Provisions

Current

Dividends	35,300	34,600	35,300	34,600
Restoration	102	185	102	185
Rectification	1,227	-	1,227	-
Employee benefits – short term*	7,275	7,375	5,796	5,767
Employee benefits – long term*	14,348	13,470	12,695	11,740
	58,252	55,630	55,120	52,292

Non-Current

Restoration	573	468	573	468
Employee benefits	9,850	6,391	9,585	5,819
	10,423	6,859	10,158	6,287

* Employee benefits expected to be settled after 12 months

17,205	16,613	15,451	14,787
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Movements in Restoration Provision 2008

Carrying amount 1 July 2007
Payments
Provision adjustment 2008
Restoration Balance June 2008

Economic Entity		Parent Entity	
Current	Non-Current	Current	Non-Current
185	468	185	468
-	-	-	-
(83)	105	(83)	105
102	573	102	573

Note 19. Deferred Tax Liabilities

Amounts Recognised In Profit Or Loss

Receivables	3,407	2,929	3,407	2,932
Tax bases without an asset carrying amount	(7)	(5)	(3)	(3)
Payables	(319)	(374)	(86)	(150)
Provisions	(10,012)	(7,964)	(8,993)	(6,998)
Inventories	736	601	598	601
Land held for sale	265	38	173	38
Other Assets	102	122	89	91
Super Prepayments	83	2,844	-	2,421
Property, plant and equipment	466	(6,130)	489	(6,089)
	(5,279)	(7,939)	(4,326)	(7,157)

Amounts recognised directly in equity

Revaluation of Investment	2	47	2	47
Revaluation of property, plant and equipment	276,668	253,681	276,668	253,681
	276,670	253,728	276,670	253,728

Total	271,391	245,789	272,344	246,571
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Movements:

Opening balance at beginning of year		245,789	346,147	246,571	347,409
Credited/(charged) to the Income Statement	5	2,717	4,263	3,075	3,797
Credited/(charged) to equity	21	22,981	(104,621)	22,981	(104,621)
Add under provision for deferred tax in prior year		(96)	-	(283)	(14)
Closing balance at end of year		271,391	245,789	272,344	246,571

Economic Entity		Parent Entity	
2008	2007	2008	2007
\$'000	\$'000	\$'000	\$'000

Note 20. Contributed Equity

Issued and paid up capital: 100,000,003 ordinary shares each fully paid

100,000	100,000	100,000	100,000
100,000	100,000	100,000	100,000

Hunter Water Corporation's two shareholders at 30 June 2008 were:

The Deputy Premier, Minister for Transport and Minister for Finance; and
The Treasurer, Minister for Infrastructure and Minister for the Hunter.

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

Note 21. Reserves And Retained Profits

A Reserves

Asset revaluation	645,282	592,033	645,282	592,033
	<u>645,282</u>	<u>592,033</u>	<u>645,282</u>	<u>592,033</u>

Movement in reserves

Asset Revaluation				
Balance at beginning of year	592,033	915,974	592,033	915,974
<i>Fixed asset revaluation increments from revaluations</i>				
Water	411,732	77,876	411,732	77,876
Sewer	41,451	29,816	41,451	29,816
Drainage	2,831	2,140	2,831	2,140
General support	1,419	9,674	1,419	9,674
Non commercial	-	169	-	169
Land	8,558	19,028	8,558	19,028
	<u>465,990</u>	<u>138,703</u>	<u>465,990</u>	<u>138,703</u>
<i>Fixed asset decrement from impairment reversal</i>				
Water	(187,262)	(213,867)	(187,262)	(213,867)
Sewer	(176,731)	(317,491)	(176,731)	(317,491)
Drainage	(12,043)	(22,803)	(12,043)	(22,803)
General support	(2,192)	(3,764)	(2,192)	(3,764)
Non commercial	(66)	(132)	(66)	(132)
Intangible assets	(1,510)	(4,621)	(1,510)	(4,621)
	<u>(379,804)</u>	<u>(562,678)</u>	<u>(379,804)</u>	<u>(562,678)</u>
Tax effect - deferred tax liability on revaluation reserve	(22,981)	104,621	(22,981)	104,621
Less: assets held for sale tax effect	(5)	38	(5)	38
<i>Revaluation decrement of revaluation of:</i>				
Investment held to maturity	(149)	(239)	(149)	(239)
Write-back of decommissioned assets	(9,790)	(4,178)	(9,790)	(4,178)
Transfer to retained profits with respect to decommissioned assets	-	(296)	-	(296)
<i>Available for sale reserve</i>				
Balance at beginning of year	89	-	89	-
Valuation gain recognised	(17)	127	(17)	127
Deferred tax arising on revaluation	5	(38)	5	(38)
	<u>645,282</u>	<u>592,033</u>	<u>645,282</u>	<u>592,033</u>

B Retained Profits

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Retained profits at the beginning of year	647,384	620,817	640,398	615,490
Net profit	34,944	60,871	36,035	59,212
Dividends provided for	(35,300)	(34,600)	(35,300)	(34,600)
Aggregate of amounts transferred to reserves	-	296	-	296
Retained profits at end of year	<u>647,028</u>	<u>647,384</u>	<u>641,133</u>	<u>640,398</u>

C Nature and purpose of reserves

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1.

Note 22. Cash Flow Statement

Reconciliation of profit after income tax to the net cash flows from operating activities

Profit from ordinary activities after related income tax	34,944	60,871	36,035	59,212
Depreciation and amortisation	30,586	37,277	30,055	36,816
Profit on sale of non-current assets	(286)	(554)	(302)	(526)
Capital asset (non-cash) contributions	(13,575)	(17,915)	(13,575)	(17,915)
Net exchange differences	15	11	-	-
Change in operating assets and liabilities				
(Increase)/decrease in trade debtors	(2,346)	(7,638)	(5,144)	(8,847)
(Increase)/decrease in inventories	11	(128)	11	(128)
(Increase)/decrease in deferred tax assets	(1,988)	1,641	(1,953)	1,628
(Increase)/decrease in other operating assets	9,354	(9,689)	8,029	(8,088)
(Increase)/decrease in work in progress	(120)	267	-	-
Increase/(decrease) in trade creditors	(997)	1,883	1,062	1,792
Increase/(decrease) in other operating liabilities	(5,327)	(3,556)	(4,207)	(3,574)
Increase/(decrease) in provision for income taxes payable	(4,959)	450	(5,259)	394
Increase/(decrease) in deferred income tax liabilities	4,608	2,622	4,745	2,157
(Decrease)/increase in other provisions	4,258	(5,741)	4,771	(5,594)
Net cash inflow from operating activities	54,178	59,801	54,268	57,327

Note 23. Contractual Commitments

(a) Capital Commitments

Capital expenditure contracted for at balance date but not recognised as liabilities:

Payable within one year	40,918	36,690	46,612	38,598
Payable later than one year but not later than five years	-	-	-	-
	40,918	36,690	46,612	38,598

(b) Other Expenditure Commitments

Other commitments contracted for at balance date but not recognised as liabilities:

Payable within one year	561	31,400	1,001	1,411
Payable later than one year but not later than five years	202	302	202	302
	763	31,702	1,203	1,713

All contractual commitments disclosed above are GST inclusive

Note 24. Lease Expenditure Commitments

Operating lease commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Within one year	2,195	2,016	1,306	1,121
Later than one year but not later than five years	1,561	1,808	1,231	1,089
Later than five years	2	15	2	15
	3,758	3,839	2,539	2,225
Representing:				
Cancellable operating leases	3,004	2,440	2,359	2,064
Non-cancellable operating leases	754	1,399	180	161
	3,758	3,839	2,539	2,225

The Economic Entity has a cancellable operating lease for fleet vehicles that commenced in June 2007. This

operating lease may be terminated by the Economic Entity or the Lessor at any time by giving one month's notice in writing.

There are three significant non-cancellable operating leases of the Economic Entity for the lease of a laboratory and general office space expiring within the next twelve months. Only the lease for the laboratory will be renewed. On renewal, the terms of this lease will be renegotiated. There is no option to sub-let under the current lease of the laboratory.

On 28 February 2008, the Controlled Entity Hunter Water Australia Pty Ltd signed a Deed of Agreement. This Deed relates to new Head Office premises currently under construction. This Deed provides that upon completion of the lessor's obligations, a lease agreement will be signed within seven days of completion. The commitments expected under this lease have not been included in amounts disclosed above. If signed, the lease will commit the Controlled Entity to a 10 year non-cancellable lease with two 5 year options to renew. The annual lease commitment will be \$759,000 plus outgoings and will be indexed by CPI. There is an option to sub-let subject to council planning approvals.

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

All lease expenditure commitments disclosed above are GST inclusive.

Note 25. Superannuation

(a) Superannuation Plan

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

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

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

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(b) Reconciliation of the present value of the defined benefit obligation				
Present value of partly funded defined benefit obligations at the beginning of the year	128,882	130,801	113,591	115,553
Current service cost	1,838	2,022	1,621	1,763
Interest cost	7,954	7,579	7,078	6,687
Contributions paid by fund participants	1,259	1,295	1,062	1,080
Actuarial (gains)/losses	(3,312)	(7,390)	(3,177)	(7,031)
Benefits paid	(9,253)	(5,425)	(7,059)	(4,461)
Present value of partly funded defined benefit obligations at the end of the year	127,368	128,882	113,116	113,591

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
(c) Reconciliation of the fair value of fund assets				
Fair value of Fund assets at the beginning of the year	133,087	118,637	116,471	103,849
Expected return on fund assets	10,112	8,935	8,923	7,806
Actuarial gains / (losses)	(19,233)	7,225	(17,474)	6,117
Employer contributions	2,556	2,420	2,077	2,080
Contributions paid by fund participants	1,259	1,295	1,062	1,080
Benefits paid	(9,253)	(5,425)	(7,059)	(4,461)
Fair value of Fund assets at the end of the year	118,528	133,087	104,000	116,471

(d) Reconciliation of the assets and liabilities recognised in the balance sheet

Present value of partly funded defined benefit obligations at end of year

Fair value of fund assets at end of year

Subtotal

Net Liability/(Asset) recognised in balance sheet at end of year

127,368	128,882	113,116	113,591
(118,528)	(133,087)	(104,000)	(116,471)
8,840	(4,205)	9,116	(2,880)
8,840	(4,205)	9,116	(2,880)

(e) Expense/(income) recognised in income statement

Current service cost

Interest cost

Expected return on fund assets (net of expenses)

Actuarial losses / (gains) recognised in year

Expense / (Income) recognised

1,838	2,022	1,621	1,763
7,953	7,579	7,077	6,687
(10,112)	(8,935)	(8,923)	(7,806)
15,921	(14,615)	14,298	(13,148)
15,600	(13,949)	14,073	(12,504)

(f) Valuation method and principal actuarial assumptions

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

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

	2008	2007
Salary increase rate (excluding promotional increases)	3.5%	4.0% pa to June 2008; 3.5% pa thereafter
Rate of CPI increase	2.5%	2.5% pa
Expected rate of return on assets backing current pension liabilities	8.3%	7.6%
Expected rate of return on assets backing other liabilities	7.3%	7.6%
Discount rate	6.6%	6.4% pa

(g) Fund Assets

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

	2008	2007
Australian equities	31.6%	33.6%
Overseas equities	25.4%	26.5%
Australian fixed interest securities	7.4%	6.8%
Overseas fixed interest securities	7.5%	6.4%
Property	11.0%	10.1%
Cash	6.1%	9.8%
Other	11.0%	6.8%

(h) 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.

(i) Actual return on Fund assets

\$'000

Actual return on fund assets – 2008

Actual return on fund assets – 2007 comparative

SASS	SANCS	SSS
(2,017)	(277)	(6,213)
4,226	595	11,978

(j) Expected contributions

\$'000

Expected employer contributions

SASS	SANCS	SSS
1,010	393	1,164

(k) Employer Contributions

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2006.

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

The recommended contribution rates for the Economic Entity are:

State Superannuation Scheme (Parent Entity) contributions)	0.93X	(multiple of member
State Superannuation Scheme (Controlled Entities) contributions)	1.60X	(multiple of member
State Authorities Superannuation Scheme contributions)	1.90X	(multiple of member
State Authorities Non-Contributory Superannuation Scheme	2.5%	(% of member salary)

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

Expected rate of return on fund assets backing current pension liabilities of 8.3% pa (2007: 7.7%pa),
Expected rate of return on fund assets backing other liabilities of 7.3% pa (2007: 7.0%pa),
Expected salary increase rate of 3.5% pa (2007: 4.0% pa),
Expected rate of CPI increase of 2.5% pa (2007: 2.5%pa).

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2008), and a deficit of \$2.070m was reported.

Economic Entity
\$'000

	2008			2007		
	SASS	SANCS	SSS	SASS	SANCS	SSS
Accrued benefits	34,572	6,244	79,782	35,730	6,319	78,419
Net market value of Fund assets	(28,473)	(3,809)	(86,246)	(32,900)	(4,741)	(95,445)
Net (surplus)/deficit	6,099	2,435	(6,464)	2,830	1,578	(17,026)

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

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

Note 26. Consultants

The total amount paid or payable to consultants engaged by the Parent Entity during the reporting period was \$12.847m (2006/07: \$9.997m).

Note 27. Contingent Liabilities

The Parent Entity has acquired several parcels of land associated with the proposed Tillegra Dam project. Whilst the acquisition of these properties has been completed, several properties are leased back to the vendors and there remain several landowners who are yet to either purchase an alternative property and/or relocate from their current property. The Parent Entity retains an obligation to reimburse various expenses associated with these acquisitions but cannot accurately quantify these expenses at the current time.

Capital gains tax would be payable if asset revaluation increments were realised at balance date. No provision has been made for this liability as disposal of this property is not anticipated.

No significant claims for damages are being negotiated (2006/07: nil). This does not include matters covered by insurance.

Note 28. Auditors' Remuneration

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>Amounts received or due and receivable by the auditors, from entities within the Economic Entity</i>				
Audit review of financial reports	112	172	91	142
	112	172	91	142

Note 29. Related Party Disclosures

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

A CONTROLLED ENTITIES

The Controlled Entity Hunter Water Australia Pty Limited is 100% owned by Hunter Water Corporation (2006/07: 100%). Hunter Water Australia Pty Limited acquired assets and liabilities on 2 March 1998 of the Engineering Consulting, Water Treatment Consulting, Survey & Laboratories Business Units formerly undertaken by Hunter Water Corporation for a consideration of \$1.5m. This consideration comprised 0.9M shares of \$1 each and a loan of \$0.6m, which has subsequently been repaid.

The Regional Land Management Corporation (RLMC) was established during 2002/03 under Section 20N of the *State Owned Corporations Act 1989* on the basis that the Government would reimburse Hunter Water for the net costs of RLMC's activities incurred by Hunter Water and/or RLMC. RLMC is 100% owned by Hunter Water Corporation (2006/07: 100%). From 1 July 2005, RLMC has been entitled to be fully reimbursed to an estimated \$77m (real \$2004) to cover RLMC's land remediation, strategic development and operational activities to 30 June 2008. A resolution was passed by the RLMC Board to cease the operations of RLMC, effective from the 31 January 2008 and to then be legally wound up following shareholder approval. This was in response to a Cabinet Minute announcing that the activities undertaken by RLMC would be transferred to a new entity called the Hunter Development Corporation 'HDC' (previously the Honeysuckle Development Corporation). The necessary shareholder approval was received and Hunter Water undertook the wind up and deregistration processes prior to 30 June 2008 as required.

The final claim for costs associated with RLMC wind up activities will be made to Treasury by Hunter Water Corporation directly after confirmation of final balances relating to employee superannuation.

Both subsidiaries are incorporated in Australia.

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

		Economic Entity		Parent Entity	
	Entity	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Transactions with Controlled Entities					
Sales					
Contracts – Fleet etc	HWA/RLMC	-	-	110	491
Consultancy Services	HWA	-	-	224	7
Total sales		-	-	334	498
Purchases - Consultancy services & contracts	HWA	-	-	15,160	14,691
Interest Paid	HWA	-	-	343	284
Interest Received	RLMC	-	-	339	182
Dividend Received	HWA	-	-	2,173	1,539
Other transaction with Key Management Personnel					
Purchases of environmental consultations	Umwelt	36	-	36	-
Outstanding balances with Controlled Entities					
Receivables (excluding GST)					
Sales and purchases	HWA/RLMC	-	-	13	99
Tax funding agreements	HWA	-	-	842	540
Inter-company Receivable	RLMC	-	-	-	23
Dividend receivable	HWA	-	-	2,854	2,173
Total receivables		-	-	3,709	2,835
Payables (excluding GST)					
Sales and purchases	HWA	-	-	2,635	2,785
Tax funding agreements	HWA	-	-	958	783
Inter-company loan	HWA	-	-	5,000	5,000
		-	-	30	26
Total payables		-	-	8,623	8,594

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

The intercompany loan payable to HWA has a term of 10 years, interest is payable at an interest rate equivalent to that paid by the NSW Treasury Corporation Hour-Glass Facility and is paid quarterly.

A director, Ms BL Crossley, is a Director of Umwelt, a local environmental consultancy firm. Umwelt has provided environmental consultancy services to Hunter Water Corporation on normal commercial terms and conditions.

C KEY MANAGEMENT PERSONNEL

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

Note 30. Segment Information

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

Note 31. Key Management Personnel Disclosures

A DIRECTORS AND ANY DIRECTOR RELATED ENTITIES

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

Mr	R	Robson	Chairman
Mr	K	Young	Managing Director
Mr	R	Knights	Retired 30 June 2008
Mr	D	Boyd	Retired 31 December 2007
Mr	W	Elliott	Retired 30 June 2008
Ms	B	Crossley	
Mr	R	Chappel	
Mr	G	Kennedy	
Mr	J	Eather	Appointed 1 January 2008

B OTHER KEY MANAGEMENT PERSONNEL

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

Name	Position	Employer
John O'Hearn	General Manager Strategy & Communications	Hunter Water Corporation
Sharon Smith	General Manager Finance & Corporate Services	Hunter Water Corporation
Stephen Phillips	General Manager Customer & Development Services	Hunter Water Corporation
Russell Pascoe	General Manager Assets Operations	Hunter Water Corporation
Chris Turnbull	General Manager Assets Development	Hunter Water Corporation
Brad Foot	General Manager (to 1 February 2008)	Regional Land Management Corporation Pty Ltd
Jim Keary	General Manager	Hunter Water Australia Pty Limited

C KEY MANAGEMENT PERSONNEL COMPENSATION

	Economic Entity		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Short term employee benefits	2,411	2,281	2,005	1,784
Long term employee benefits	56	74	45	56
Post employment benefits	395	423	293	299
	2,862	2,778	2,343	2,139

Note 32. Controlled Entities

PARENT ENTITY:
Hunter Water Corporation

CONTROLLED ENTITIES:	2008	Equity Holding 2007
Hunter Water Australia Pty Limited (incorporated in Australia)	100%	100%
Regional Land Management Corporation Pty Ltd (incorporated in Australia)	100%	100%

Note 33. Economic Dependency

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

Note 34. Events Occurring After Balance Date

With effect from 1 July 2008, water and sewer services in the Dungog Shire Council area will be provided by Hunter Water Corporation under a change of area of operations.

Details of the asset/liabilities acquired are as follows:

- All real property, including fixtures and fittings and all access rights used in connection with the water and sewerage business
- Other assets currently used in relation to the water and sewerage business
- Net cash in the reserve fund to be transferred to Hunter Water Corporation
- Employee liabilities of relevant employees that are transferred to Hunter Water Corporation

In addition, Hunter Water Corporation is obliged to use all reasonable endeavours to complete the Clarence Town Sewerage Scheme in the manner Hunter Water Corporation thinks fit, in its discretion.

As at the date of this financial report, Dungog Shire Council is still in the process of finalising their financial records and hence the full financial impact of the acquisition cannot be estimated at this point in time.

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

The Company's financial report for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Board on 25 September 2008.

Note 35. Financial Instruments

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

Treasury operations are not one of the core functions of the Economic Entity and due to the high level of expertise required to effectively manage financial liabilities, the Entity contracts the services of an external specialist liability adviser (currently NSW TCorp).

An analysis of the various risks is outlined below:

A MARKET RISK

(i) Interest Rate Risk

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

To assist in management of interest rate risk, the Economic Entity has established "neutral" benchmark portfolios for liability management and set pre-determined limits for variance in relation to the neutral benchmark. The neutral portfolio requires a benchmark debt duration of 4 years +/- 25% (a range of 3 to 5 years) with a maximum of 30% of the total debt portfolio maturing in any one year. This serves to restrict the Economic Entity's exposure to potential changes in the market value of the portfolio and movements in interest rates. As at 30 June 2008, the average duration of the Economic Entity's debt portfolio was 4.071 years. The debt portfolio is adjusted with respect to operating within the benchmark constraints, reported by TCorp on a monthly basis and monitored by management. The level of reinvestment of profits to reduce debt is subject to the performance of the corporation and determined by the Board on a year by year basis. The current Treasury dividend distribution policy allows for a dividend payment up to 70% of net operating profit after tax.

The weighted average interest rates are shown below:

Economic Entity

	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year	1-2 Years	Maturity 2-3 Years	Dates 3-4 Years	4-5 Years	Over 5 Years	Non Interest Bearing \$'000	Total \$'000
2008										
Financial assets										
Cash	6.8%	4,929	-	-	-	-	-	-	1,997	6,926
Receivables	N/A	-	-	-	-	-	-	-	36,233	36,233
Other financial assets	8.0%	-	10,002	-	-	-	-	-	-	10,002
		4,929	10,002	-	-	-	-	-	38,230	53,161
Financial liabilities										
Interest-bearing liabilities fixed	6.4%	-	-	75,211	80,837	75,340	-	182,109	-	413,497
Interest-bearing liabilities floating	7.4%	1,100	-	-	-	-	-	-	-	1,100
Payables	N/A	-	-	-	-	-	-	-	27,766	27,766
		1,100	-	75,211	80,837	75,340	-	182,109	27,766	442,363

THE COMPARATIVE INFORMATION WITH REGARD TO THE 2006/07 YEAR IS AS FOLLOWS:

	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year	1-2 Years	Maturity 2-3 Years	Dates 3-4 Years	4-5 Years	Over 5 Years	Non Interest Bearing \$'000	Total \$'000
2007										
Financial assets										
Cash	6.0%	10,004	-	-	-	-	-	-	3,153	13,157
Receivables	N/A	-	-	-	-	-	-	-	34,230	34,230
Other financial assets	8.0%	-	-	10,101	-	-	-	-	-	10,101
		10,004	-	10,101	-	-	-	-	37,383	57,488
Financial liabilities										
Interest-bearing liabilities fixed	6.1%	-	53,600	-	10,158	60,837	75,340	132,035	-	331,970
Interest-bearing liabilities floating	6.4%	-	-	-	-	-	-	-	-	-
Payables	N/A	-	-	-	-	-	-	-	40,346	40,346
		-	53,600	-	10,158	60,837	75,340	132,035	40,346	372,316

Parent Entity

	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year	1-2 Years	Maturity 2-3 Years	Dates 3-4 Years	4-5 Years	Over 5 Years	Non Interest Bearing \$'000	Total \$'000
2008										
Financial assets										
Cash	6.8%	-	-	-	-	-	-	-	1,412	1,412
Receivables	N/A	-	-	-	-	-	-	-	38,617	36,617
Other financial assets	8.0%	-	10,002	-	-	-	-	-	-	10,002
		-	10,002	-	-	-	-	-	40,029	50,031
Financial liabilities										
Interest-bearing liabilities fixed	6.4%	-	-	75,211	80,837	75,340	-	187,109	-	418,497
Interest-bearing liabilities floating	7.4%	1,100	-	-	-	-	-	-	-	1,100
Payables	N/A	-	-	-	-	-	-	-	29,826	29,826
		1,100	-	75,211	80,837	75,340	-	187,109	29,826	449,423

THE COMPARATIVE INFORMATION WITH REGARD TO THE 2006/07 YEAR IS AS FOLLOWS:

	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	Within 1 Year	1-2 Years	Maturity 2-3 Years	Dates 3-4 Years	4-5 Years	Over 5 Years	Non Interest Bearing \$'000	Total \$'000
2007										
Financial assets										
Cash	6.0%	6,000	-	-	-	-	-	-	3,153	7,478
Receivables	N/A	-	-	-	-	-	-	-	33,424	33,424
Other financial assets	8.0%	-	-	10,101	-	-	-	-	-	10,101
		6,000	-	10,101	-	-	-	-	34,902	51,003
Financial liabilities										
Interest-bearing liabilities fixed	6.1%	-	53,600	-	10,158	60,837	75,340	137,035	-	336,970
Interest-bearing liabilities floating	6.4%	-	-	-	-	-	-	-	-	-
Payables	N/A	-	-	-	-	-	-	-	38,751	38,751
		-	53,600	-	10,158	60,837	75,340	137,035	38,751	375,721

Sensitivity analysis for the Economic Entity and the Parent Entity's interest rate risk at reporting date is shown below:

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Cash & cash equivalents – floating	35	70	-	42
Interest-bearing liabilities – floating	(8)	-	(8)	-
	<u>27</u>	<u>70</u>	<u>(8)</u>	<u>42</u>

The sensitivity analysis is based on the effect on post-tax profit or loss of an increase in interest rates at the reporting date of 100 basis points assuming all other variables remain constant. Conversely, had interest rates decreased by 100 basis points, this would have had an equal but opposite effect on post-tax profit.

(ii) Foreign Exchange Risk

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

At reporting date, the Parent Entity had only one contract that included an imbedded derivative. This contract relates to equipment being supplied by a European manufacturer and required the Parent Entity to take out a Letter of Credit as part of the contract. Contracts such as this are not usually part of the Parent Entity's core operations. The letter of credit was issued on 18 February 2008 and was executed in late July. Details of the foreign exchange risk exposure as at 30 June 2008 are as follows:

Letter of credit value (euros)	510,711
AUD amount when LOC issued (rate=0.62)	826,527
AUD amount at 30 June 2008 (rate=0.61)*	<u>837,231</u>
Current risk exposure	10,704
Forecast final exposure (forecast rate=0.6074)	14,288

* Changes in the exchange rate are monitored weekly and reported to executive management on a monthly basis.

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

	2008		2007	
	USD	CAD	USD	CAD
	\$'000	\$'000	\$'000	\$'000
Trade receivables	-	52	-	-
Bank	-	-	5	-
	<u>-</u>	<u>52</u>	<u>5</u>	<u>-</u>

Sensitivity analysis for the Controlled Entity's foreign exchange risk exposure shows that a 10% strengthening of the Australian dollar against the above currencies at 30 June 2008 would have decreased post tax profit or loss by the amounts shown below (assuming all other variables remain constant). Alternatively, a 10% weakening of the Australian dollar against these currencies would have an equal but opposite effect.

	2008 \$'000	2007 \$'000
United States Dollar	-	(1)
Canadian Dollar	(5)	-
	<u>(5)</u>	<u>(1)</u>

B LIQUIDITY RISK

Effective liquidity risk management involves ensuring that the Economic Entity has sufficient funds and cash flows to meet its obligations and commitments at any point in time. The Economic Entity's liquidity is controlled through the preparation of detailed cash flows on both an Economic and Parent Entity basis that must incorporate future projections for a period of 30 years.

As part of its neutral benchmark debt portfolios, the Economic Entity has also established the specific target of when total debt exceeds \$50m, that no more than 30% of the total face value debt (based on the portfolio in the year of maturity) is to mature in any one financial year. When preparing its Statement of Corporate Intent, the Economic Entity must also submit to its Board for endorsement the proposed financial accommodation that will be required for the coming year (this is then required to be approved by the Treasurer of NSW).

In order to further manage liquidity risk, the Parent Entity has a \$10m overdraft facility with NSW TCorp which is used to meet short-term cash flow requirements as deemed by management. Any surplus funds are invested in an at call deposit ("11am") account, also held with NSW TCorp.

The Controlled Entity, Hunter Water Australia Pty Limited also has a bank overdraft facility of \$0.2m for short-term cash management purposes.

C CREDIT RISK

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

In respect of trade and other receivables, the Economic Entity monitors balances outstanding on an ongoing basis and has policies in place for the recovery and write off of amounts outstanding. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. All long term investments are held as government bonds with any of the appropriately rated (credit rating of "A+" or better) State governments, and any short-term investments are held in a NSW TCorp at call deposit account. The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity.

D FAIR VALUES

Financial assets and liabilities included in the Balance Sheet are carried at amounts that approximate net fair value except for shares in subsidiaries which are held at historic cost. The Economic Entity's investments available for sale are measured at fair value through market valuation and the Economic Entity's fixed interest-bearing bonds are classified as held to maturity and thus are measured at amortised cost using the effective interest rate method.

End of Audited Financial Statement

Directors Declaration

In accordance with a resolution of the Directors of the Parent Entity, Clause 11 of the *Public Finance and Audit Regulation 2005*, and pursuant to Section 41C(1B) and 41C(1C) of the *Public Finance and Audit Act 1983*, in the opinion of the Directors:

- 1) The accompanying consolidated financial statements (pages 9 to 39) exhibit a true and fair view of the financial position of Hunter Water Corporation and its Controlled Entities as at 30 June 2008, and transactions for the year then ended.
- 2) The accompanying consolidated financial statements have been prepared in accordance with the *Public Finance and Audit Act 1983*, the *State Owned Corporation's Act 1989*, *Public Finance and Audit Regulation 2005*, applicable Accounting Standards and other mandatory professional reporting requirements and Treasurer's directions.
- 3) We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.

On behalf of the Directors



R Robson
Chairman



K Young
Managing Director

Dated: 25 September 2008
Newcastle

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FINANCIAL REPORT
HUNTER WATER AUSTRALIA

FINANCIAL REPORT

HUNTER WATER AUSTRALIA

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COMPANY PARTICULARS

DIRECTORS

Mr R Robson
Chairman

Mr K Young

Mr RI Knights
Retired 30 June 2008

Mr RA Chappel

COMPANY SECRETARY

Mr P Dennis

REGISTERED OFFICE

The registered office and principal place
of business of the company is:
Hunter Water Australia Pty Ltd
ABN: 19 080 869 905
8-10 Kings Road
Broadmeadow
NSW 2292

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

Directors' Report

The Directors submit the following report made in accordance with a resolution of the Directors of Hunter Water Australia Pty Limited for the year ended 30 June 2008.

Directors

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

Mr	R	Robson	Chairman
Mr	KJ	Young	
Mr	RI	Knights	
Mr	RA	Chappel	

Information on Directors

R Robson

OAM, FAIM, FAICD, JP

Mr Robson was appointed as Chairman of the Board on 22 January 1998. Mr Robson is Chairman of Hunter Water Corporation and the Regional Land Management Corporation Pty Ltd (the Corporation's subsidiary Company – currently in the process of being wound up). Mr Robson is also a Director of the Lower Hunter Development Corporation, a Director of Robson Health Care Pty Ltd, Chairman of the Newcastle Knights-Wests Hospitality Group Business Development Committee, Chairman of Banlaw Pipeline Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

K J Young

B Eng, MBA, FIE Aust, CPENG, GAICD

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

R I Knights

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

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

Mr Knights' term on the Board of Hunter Water Corporation (Controlling Entity) expired on 30 June 2008. Consequently, Mr Knights did not seek reappointment and has retired as a Director of Hunter Water Corporation and Hunter Water Australia as at 30 June 2008.

R A Chappel

BE (Civil), Dip T & R P, Hon FIE Aust, FTSE

Mr Chappel was appointed as a Director on 26 July 2007 and is also a Director of Hunter Water Corporation. He is a former Director of Connell Wagner, a large consulting engineering practice, and a past chairman of the Australasian Tunnelling Society. He has experience in directing and managing large technical projects including water and wastewater projects.

Meetings of Directors**Board Meetings**

	Number of meetings attended	Number of meetings held during the time the Director held office
R Robson	12	12
R Knights	11	12
K Young	10	12
R Chappel	11	12

Principal Activities

The principal activities of the Company in 2007/08 were the provision of specialist support and operations services in the fields of water, wastewater, stormwater, environmental and strategic services.

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

Review of Operations

The operating profit after tax, for the financial year ended to 30 June 2008, was \$3,263,568 compared with an operating profit after tax of \$4,279,554 for the previous year.

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

Dividends Paid

During the year, a dividend was paid to the Majority Shareholder of \$2,173,477 that was declared at 30 June 2007.

A dividend of \$2,854,416 has been declared for the year ending 30 June 2008. This will be paid to the Majority Shareholder during 2008-09.

Subsequent Events

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

Directors Indemnification

The Company has an agreement to indemnify the Directors and Secretary of the Company. This insurance premium to cover the indemnity is paid for by the Parent Company. The Company pays a Management Fee to the Parent Company to cover this expense. This relates to:

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

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

Change in State Of Affairs

Other than matters reported in the Directors' Report, in the opinion of the Directors there were no significant changes in the state of affairs of the Company during the year ended 30 June 2008.

True and Fair View

The financial statements and notes give a true and fair view of the financial position as at 30 June 2008 and the performance for the financial year ended 30 June 2008.

Future Developments

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

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration is included on page 56.

Directors' Benefits

During or since the financial year no Director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the accounts, by reason of a contract entered into by the Company with:

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

Code of Conduct

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

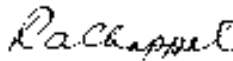
Environmental Regulations

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

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



Mr. K. Young
Director



Mr. R. Chappel
Director

Dated: 25 September 2008
Newcastle

Independent Audit Report



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT Hunter Water Australia Pty Limited

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

I have audited the accompanying financial report of Hunter Water Australia Pty Limited (the Company), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Auditor's Opinion

In my opinion the financial report:

- is in accordance with the *Corporations Act 2001*, including:
 - giving a true and fair view of the Company's financial position as at 30 June 2008 and its performance for the year ended on that date; and
 - complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

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

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the PF&A and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal 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 report.

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 Company,
- that it has carried out its activities effectively, efficiently and economically, or
- 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, *Corporations Act 2001* 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, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Hunter Water Australia Pty Limited on 22 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.



M T Spriggins CA
Director, Financial Audit Services

7 October 2008
SYDNEY

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 \$	30 June 2007 \$
Revenue			
Services	2	25,862,112	23,546,229
Other income	2	672,323	527,064
Gain on Defined Benefits Superannuation		-	1,677,979
Total Revenue		26,534,436	25,751,272
 Expenses	3	(20,705,165)	(19,612,972)
Loss on Defined Benefits Superannuation	3	(1,132,981)	-
Profit Before Income Tax		4,696,290	6,138,300
 Income tax expense	4	(1,432,722)	(1,858,746)
Profit For The Year		3,263,568	4,279,554
 Attributable to:			
Members of the parent entity		3,263,568	4,279,554
Minority interest		-	-
		3,263,568	4,279,554

The Income Statement should be read in conjunction with the accompanying notes on pages 62 to 84.

BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2008 \$	2007 \$
CURRENT ASSETS			
Cash & cash equivalents	6	5,512,316	4,447,352
Trade and other receivables	7	3,178,947	2,929,134
Other	8	2,016,629	1,889,381
TOTAL CURRENT ASSETS		10,707,892	9,265,867
NON-CURRENT ASSETS			
Plant & equipment	9	1,462,275	979,020
Intangible assets	10	97,382	130,879
Capital Work in Progress	18	94,675	0
Investments	11	5,000,000	5,000,000
Overfunded Defined Benefit Super	12	276,428	1,409,409
Deferred tax assets	13	957,675	609,173
TOTAL NON-CURRENT ASSETS		7,888,435	8,128,483
TOTAL ASSETS		18,596,327	17,394,350
CURRENT LIABILITIES			
Trade and other payables	14	1,691,599	2,233,378
Current tax liabilities	15	842,141	366,302
Provisions	16	5,986,778	5,115,428
TOTAL CURRENT LIABILITIES		8,520,518	7,715,108
NON-CURRENT LIABILITIES			
Provisions	16	264,513	277,098
TOTAL NON-CURRENT LIABILITIES		264,513	277,098
TOTAL LIABILITIES		8,785,031	7,992,206
NET ASSETS		9,811,296	9,402,144
EQUITY			
Contributed equity	17	900,010	900,010
Retained profits	-	8,911,286	8,502,134
TOTAL EQUITY		9,811,296	9,402,144

The Balance Sheet should be read in conjunction with the accompanying notes on pages 62 to 84.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
Contributed Equity	17	900,010	900,010
Retained Profits		8,502,134	6,396,057
Total equity at beginning of year		9,402,144	7,296,067
Net Income recognised directly in equity for the year			
Dividends provided for	5	(2,854,416)	(2,173,477)
Profit for the year		3,263,568	4,279,554
Contributed Equity		900,010	900,010
Retained Profits		8,911,286	8,502,134
TOTAL EQUITY AT END OF FINANCIAL YEAR		9,811,296	9,402,144
Attributable to:			
Members of the parent entity		9,811,296	9,402,144
Minority interest		-	-
		9,811,296	9,402,144

The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 62 to 84.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		28,002,716	25,381,158
Payments to suppliers and employees (inclusive of GST)		(23,106,457)	(20,519,649)
		<u>4,896,259</u>	<u>4,861,509</u>
Interest received		743,912	410,538
Interest paid		-	(51)
Income taxes paid		(1,305,384)	(1,323,665)
NET CASH FLOW FROM OPERATING ACTIVITIES	19	<u>4,334,787</u>	<u>3,948,331</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(1,092,160)	(595,778)
Proceeds from sales of property, plant and equipment		4,281	42,378
Loan to Parent Entity		-	(1,500,000)
NET CASH FLOW FROM INVESTING ACTIVITIES		<u>(1,087,879)</u>	<u>(2,053,400)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	5	(2,173,477)	(1,539,089)
NET CASH FLOW FROM FINANCING ACTIVITIES		<u>(2,173,477)</u>	<u>(1,539,089)</u>
Net increase / (decrease) in cash held		1,073,431	355,842
Cash at beginning of financial period		4,447,352	4,100,755
Effects of exchange rate changes on cash		(8,466)	(9,245)
CASH AT THE END OF THE FINANCIAL YEAR	6	<u>5,512,317</u>	<u>4,447,352</u>

The Cash Flow Statement should be read in conjunction with the accompanying notes on pages 62 to 84.

Note 1. Summary of Significant Accounting Policies

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

The Company's financial report for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Board on 25 September 2008.

A. Basis Of Preparation

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

The financial statements also incorporate financial reporting requirements specified in the *Public Finance and Audit Regulation 2005* and the relevant Treasurer's Directions.

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

Compliance with IFRSs

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

Historical cost convention

The financial statements have been prepared on an accruals basis using the historical cost convention.

Comparatives

Where the presentation or reclassification of items in the financial report is amended, comparable amounts are reclassified unless it is impracticable.

B. Revenue Recognition

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

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

Investment income represents earnings on surplus cash invested in the Company's bank accounts, NSW TCorp deposits or in the Parent Entity.

C. Income Tax

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation legislation

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

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

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

D. Cash And Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

E. Trade Receivables

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

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

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

F. Work In Progress

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

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

Project revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

G. Plant and Equipment

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

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

The carrying amount of plant and equipment is reviewed annually by Management to ensure it is not in excess of the recoverable amount from those assets (refer to Note 1 section (J) Impairment of assets below).

Depreciation

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

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

Class of Asset	Useful Life
Computers	4 years
Support Assets	3 to 10 years

H. Intangible Assets

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

Software assets are classified as intangible assets and are amortised over three years. Other intangible assets consist of access fees for high speed internet services and are amortised over two years.

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

I. Investments

Investments in marketable securities with a maturity period of greater than 3 months are classified as investments. Those with a maturity period of greater than 12 months are classified as non-current.

Investments are initially recognised at cost and then subsequently are classified as available for sale and as such are recognised at fair value (with the estimate of fair value provided by an external expert). For the entities long-term investment, any gains or losses arising from its measurement to fair value are recognised as a component of equity (through the investment revaluation reserve).

J. Impairment Of Assets

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

In accordance with the requirements of AASB136 and NSW Treasury Circular TPP07-01, an assessment has been made of the value in use, which is the expected net cash flows to be received over the remaining life of the existing asset base, to determine the extent of any difference in the economic value and the carrying value of the assets.

Key assumptions of the asset impairment test are a discount rate of 12%, inflation of 3% and remaining asset life of an average of 5 years. These assumptions are consistent with modelling for prior year.

K. Leases

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

L. Trade And Other Payables

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

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

Trade Accounts payable are normally settled within 30 days.

M. Employee Benefits

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

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

(ii) Long service leave

The liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, trends of employee departures and periods of service. Expected future payments are discounted using the 10 year Commonwealth Government bond rate.

(iii) Superannuation

Employees of the Company are members of either defined benefit superannuation funds or defined contribution superannuation funds. The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of the defined benefit plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any past service cost. The assessment of these liabilities and assets is undertaken by the funds' administrator, Pillar Administration.

N. Dividends

Provision is made for any dividend declared by the Directors of the Company on or before the end of the financial year but not distributed at balance date.

O. Goods And Services Tax

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

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

Cash flows are included in the Cash Flow Statement on a gross basis.

P. Foreign Currency Transactions And Balances

Foreign currency transactions are translated into Australian currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

Q. Capital Risk Management

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

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

The Company's strategy, which was unchanged from 2007, was to maintain a sufficient level of cash and investments to meet current and longer-term operating needs of the company.

R. Accounting Standards and Australian Accounting Interpretations ISSUED BUT NOT YET OPERATIVE

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below:

- (i) **AASB-I 10 *Interim Financial Reporting and Impairment***
AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2007. Application of this interpretation will have no impact on the Company's financial statements.
- (ii) **AASB 101 *Presentation of Financial Statements***
This standard is applicable to reporting periods beginning on or after 1 January 2008. The initial application of this revised standard will not impact on the financial results of the Company or the presentational content of the financial report.
- (iii) **AASB 123 *Borrowing Costs***
This standard is applicable to reporting periods beginning on or after 1 July 2009. The application of this standard will not impact on the Company's financial results.
- (iv) **AASB *Operating Segments***
This standard is applicable for periods beginning on or after 1 January 2009. The application of this standard will impact on disclosure requirements only of the financial report.

Note 2. Revenue

	2008 \$	2007 \$
SERVICES		
Sale of services	25,862,112	23,546,229
	<u>25,862,112</u>	<u>23,546,229</u>
SUPERANNUATION		
Gain on Defined Benefits Superannuation	-	1,677,979
	<u>-</u>	<u>1,677,979</u>
OTHER INCOME		
Interest from controlling entity	343,092	283,560
Interest from financial institutions	326,114	215,187
Net Gain from the sale of assets	-	27,672
Other	3,117	645
	<u>672,323</u>	<u>527,064</u>
TOTAL INCOME	<u>26,534,436</u>	<u>25,751,272</u>

Note 3. Profit Before Income Tax

	2008 \$	2007 \$
Profit before tax includes the following net gains and expenses:		
A. EXPENSES		
Employee related expenses (see note B. below)	11,579,185	10,623,035
Project and contract outlays	5,791,034	5,731,477
Motor vehicles (excluding minimum lease payments)	384,759	780,659
Minimum lease payments	998,476	601,819
Information technology and communications	448,344	457,747
Foreign currency loss/(gain)	15,384	10,899
Loss on disposal of assets	11,708	-
Bad debts - trade receivables	-	-
Interest expense	-	51
Other	955,124	935,738
	<u>20,184,013</u>	<u>19,141,425</u>
DEPRECIATION AND AMORTISATION		
Amortisation - Intangibles	80,583	73,018
Depreciation - Property, Plant & Equipment	451,157	387,941
	<u>531,740</u>	<u>460,959</u>
OTHER CHARGES AGAINST ASSETS		
Doubtful debt provision - trade receivables	(10,588)	10,588
	<u>(10,588)</u>	<u>10,588</u>
OTHER EMPLOYEE RELATED EXPENSES		
Loss on Defined Benefits Superannuation	1,132,981	-
TOTAL EXPENSES	<u>21,838,146</u>	<u>19,612,972</u>

B. EMPLOYEE RELATED EXPENSES

Salaries	8,152,271	8,698,409
Employee benefits	1,206,266	844,627
Superannuation relating to Defined Benefit Schemes	1,504,022	420,369
Superannuation relating to Defined Contribution Plans	716,625	659,630
	<u>11,579,185</u>	<u>10,623,035</u>

Note 4. Income Tax

	2008	2007
	\$	\$
A. INCOME TAX EXPENSE		
Current tax	1,760,142	1,206,302
Deferred tax	(348,501)	638,796
Under/(over) provided in prior years	21,081	13,648
	<u>1,432,722</u>	<u>1,858,746</u>

B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

Profit before income tax expense	4,696,289	6,138,300
Tax at the Australian rate of 30%	1,408,887	1,841,490
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Tax consolidation benefit	-	-
Non-deductible depreciation and amortisation	-	-
Assessable externally funded assets (post July 2001)	-	-
Non-assessable contributions to capital works	-	-
Sundry items	2,754	3,608
	<u>1,411,641</u>	<u>1,845,098</u>
Under (over) provision in prior years	21,081	13,648
	<u>1,432,722</u>	<u>1,858,746</u>

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

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

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entity will reimburse Hunter Water Corporation for any current income tax payable by Hunter Water Corporation arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related receivable by Hunter Water Corporation (see Note 24). In the opinion of the Directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entity in case of a default by Hunter Water Corporation.

Note 5. Dividends Paid or Provided For

	2008	2007
	\$	\$
Opening balance	2,173,477	1,539,089
Add dividend declared	2,854,416	2,173,477
Less dividend paid	2,173,477	1,539,089
	<u>2,854,416</u>	<u>2,173,477</u>
 Dividend per share	 \$3.17	 \$2.41

Under the national tax equivalent regime, the Hunter Water Australia Pty Limited is not required to maintain a dividend franking account.

Note 6. Cash And Cash Equivalents

	2008	2007
	\$	\$
Cash at bank and on hand	583,548	436,645
Foreign currency account	-	6,317
Deposits at call	4,928,767	4,004,390
	<u>5,512,316</u>	<u>4,447,352</u>

Deposits at call are bearing an interest rate of 7.20% at 30 June 2008 (2007: between 5.70% and 6.20%)

BANK OVERDRAFT FACILITY

The Company has a bank overdraft facility available to the extent of \$200,000. As at 30 June 2008 the whole amount of the overdraft was unused.

Note 7. Trade and Other Receivables

	2008	2007
	\$	\$
CURRENT		
Trade debtors	3,177,220	2,921,653
Provision for doubtful debts	-	(10,588)
Other current receivables	1,727	18,069
	<u>3,178,947</u>	<u>2,929,134</u>

Note 8. Other Assets

	2008	2007
	\$	\$
CURRENT		
Prepayments	222,377	252,818
Work in Progress	734,237	578,267
Security Deposit	77,966	12,917
Accrued Income	951,917	940,542
Accrued Interest	30,132	104,837
	<u>2,016,629</u>	<u>1,889,381</u>

Note 9. Plant and Equipment

Fixed assets comprise the following

	2008	2007
	\$	\$
GENERAL SUPPORT ASSETS		
Computers - Cost	897,494	895,415
Computers - Accumulated depreciation	(440,633)	(681,410)
	<u>456,861</u>	<u>214,005</u>
Support facilities - Cost	2,498,661	2,237,317
Support Facilities - Accumulated depreciation	(1,493,247)	(1,472,301)
	<u>1,005,414</u>	<u>765,017</u>
	<u>1,462,275</u>	<u>979,021</u>

RECONCILIATIONS

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

	2008	2007
	\$	\$
RECONCILIATION - GENERAL SUPPORT ASSETS		
Carrying amount – Opening Balance	979,021	839,474
Additions	950,400	542,185
Disposals	(15,989)	(14,706)
Depreciation expense	(451,157)	(387,932)
Carrying amount - Closing Balance	<u>1,462,275</u>	<u>979,021</u>

Note 10. Intangible Assets

Intangible assets comprise the following at cost

	2008	2007
	\$	\$
INTANGIBLE ASSETS		
Software	444,465	425,217
Other	4,300	4,300
Accumulated amortisation	(351,383)	(298,637)
	<u>97,382</u>	<u>130,879</u>

RECONCILIATIONS

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

	2008	2007
	\$	\$
RECONCILIATION - SOFTWARE		
Carrying amount – Opening Balance	130,521	147,807
Additions	47,086	53,593
Disposals	-	-
Amortisation expense	(80,225)	(70,879)
Carrying amount - Closing Balance	<u>97,382</u>	<u>130,521</u>

RECONCILIATION - OTHER

Carrying amount – Opening Balance	358	-
Additions	-	2,508
Disposals	-	-
Amortisation expense	(358)	(2,150)
Carrying amount - Closing Balance	-	358

Note 11. Investments

	2008	2007
	\$	\$
Loan with Parent Entity	5,000,000	5,000,000
	5,000,000	5,000,000

Note 12. Other Non-Current Assets

	2008	2007
	\$	\$
Provision for overfunded defined benefit superannuation	276,428	1,409,409
	276,428	1,409,409

Note 13. Deferred Tax Assets

	2008	2007
	\$	\$
The balance comprises temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT & LOSS		
Doubtful debts	(3,176)	3,176
Work in Progress	(220,271)	(173,480)
Workers Compensation prepayment	(13,371)	(31,290)
Employee benefits	936,133	542,892
Other operating expenditure payable	232,912	223,604
Depreciation	25,232	42,339
Unrealised tax foreign currency loss		1,500
Formation costs to claim	216	432
	957,675	609,173
MOVEMENTS:		
Opening balance at 1 July	609,173	1,261,616
Credited/(charged) to the Income Statement	348,502	(652,443)
Closing balance at 30 June	957,675	609,173

Note 14. Trade and Other Payables

	2008	2007
	\$	\$
Trade creditors	1,285,065	1,906,652
Other creditors	406,534	326,726
	1,691,599	2,233,378

Note 15. Current Tax Liabilities

	2008	2007
PROVISION FOR INCOME TAX PAYABLE	\$	\$
Opening balance	366,302	483,664
Add under provision for income tax in prior year	21,081	-
Less amount paid relating to prior year	(387,384)	(483,664)
Add amount payable for current year	1,760,142	1,206,302
Less amount paid relating to current year	(918,000)	(840,000)
	<u>842,141</u>	<u>366,302</u>

Note 16. Provisions

	2008	2007
CURRENT	\$	\$
Employee benefits – short term	1,478,672	1,512,471
Employee benefits – long term	1,653,690	1,429,480
Dividend provided	2,854,416	2,173,477
	<u>5,986,778</u>	<u>5,115,428</u>
NON-CURRENT		
Employee benefits	<u>264,513</u>	<u>277,098</u>
	<u>264,513</u>	<u>277,098</u>

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

Note 17. Contributed Equity

	2008	2007
	\$	\$
Issued and paid up capital 900,010 ordinary shares each fully paid	900,010	900,010

FULLY PAID ORDINARY SHARES

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. The shares have no par value.

Note 18. Capital Work In Progress

	2008	2007
	\$	\$
CAPITAL WORK IN PROGRESS		
Capital work in progress	94,675	
Accumulated amortisation	-	
	<u>94,675</u>	<u>-</u>

	2008	2007
	\$	\$
RECONCILIATION - CAPITAL WORK IN PROGRESS		
Carrying amount – Opening Balance	-	
Additions	94,675	
Disposals	-	
Amortisation expense	-	
Carrying amount - Closing Balance	<u>94,675</u>	<u>-</u>

Note 19. Cash Flow Statement

Reconciliation of profit after income tax to the net cash flows from operating activities

	2008	2007
	\$	\$
Profit after income tax	3,263,568	4,279,554
Depreciation and amortisation	531,740	460,959
(Profit)/loss on sale of non-current assets	11,708	(27,672)
Net exchange differences	15,384	10,899
CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase)/decrease in trade debtors	(256,730)	(319,190)
(Increase)/decrease in work in progress	(155,970)	322,016
(Increase)/decrease in tax related receivable	(348,502)	652,443
(Increase)/decrease in other operating assets	28,722	(585,963)
Increase/(decrease) in trade creditors	(541,779)	957,735
Increase/(decrease) in other operating liabilities	-	-
Increase/(decrease) in inter-company tax payable	475,839	(117,362)
(Decrease)/increase in other provisions	1,310,807	(1,685,088)
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>4,334,787</u>	<u>3,948,331</u>

Note 20. Commitments

LEASE COMMITMENTS

Commitments in relation to leases contracted for the reporting date but not recognised as liabilities, payable:

	2008	2007
	\$	\$
Within one year	808,086	813,928
Later than one year but not later than five years	300,351	653,521
Later than five years	-	-
	<u>1,108,437</u>	<u>1,467,449</u>

Representing:

	2008	2007
	\$	\$
Cancellable operating leases	587,123	375,140
Non-cancellable operating leases	521,314	1,092,309
	<u>1,108,437</u>	<u>1,467,449</u>

There are three significant non-cancellable operating leases of the Company for the lease of a laboratory and general office space expiring within the next twelve months. Only the lease for the laboratory will be renewed. On renewal, the terms of this lease will be renegotiated. There is no option to sub-let under the current lease of the laboratory.

On 28 February 2008, Hunter Water Australia signed a Deed of Agreement to Lease. This Deed relates to new Head Office premises currently under construction. This Deed provides that upon completion of the lessor's obligations, a lease agreement will be signed within seven days of completion. The commitments expected under this lease have not been included in amounts disclosed above. If signed, the lease will commit Hunter Water Australia to a 10 year non-cancellable lease with two 5 year options to renew. The annual lease commitment will be \$759,000 plus outgoings and will be indexed by CPI. There is an option to sub-let subject to council planning approvals.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	2008	2007
	\$	\$
Within one year	521,315	584,493
Later than one year but not later than five years	-	507,816
	<u>521,315</u>	<u>1,092,309</u>

CONTRACTURAL COMMITMENTS

A contract was awarded in May 2008 for the supply of workstation and loose furniture for Hunter Water Australia's new premises at Steel River. This contract amounts to \$679,748. This contract will be novated to the Interior Fitout Head Contractor and is expected to be awarded in September 2008.

Note 21. Superannuation

A. SUPERANNUATION PLAN

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

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

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

The State Authorities Superannuation Scheme closed on 18 December 1992. All the Schemes are closed to new members

Superannuation benefits for new entrants are now provided through First State Super (FSS), which is an accumulation type scheme. The Company has made full provision for these commitments.

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

B. Superannuation Position

Following is the 30 June 2008 superannuation position:

Member Numbers	SSS	SASS	SANCS	2008	2007
Contributors	12	13	25	25	28
Deferred benefits	2	-	-	2	2
Pensioners	5	-	-	5	4
Pensions fully commuted	2	-	-	2	2

Superannuation Position	SSS	SASS	SANCS	2008	2007
	\$	\$	\$	\$	\$
Accrued liability	10,437,738	3,034,706	779,585	14,252,029	13,930,749
Estimated reserve account balance	(10,900,142)	(2,889,123)	(739,193)	(14,528,458)	(15,340,159)
	(462,404)	145,583	40,392	(276,429)	(1,409,410)
Future service liability (Note1)	(388,931)	(557,209)	(313,419)	(1,259,559)	(1,604,735)
Surplus in excess of recovery available from schemes	-	-	-	-	-
Net (asset) liability to be recognised in balance sheet	(462,404)	145,583	40,392	(276,429)	(1,409,410)

C. Reconciliation

Reconciliation of the present value of the defined benefit obligation

	SSS \$	SASS \$	SANCS \$	2008 \$	2007 \$
Present value of partly funded defined benefit obligations at beginning of the year	9,814,463	3,341,414	774,872	13,930,749	13,961,639
Current service cost	70,662	104,435	42,147	217,244	212,796
Interest cost	620,201	208,718	47,154	876,073	815,678
Contributions by fund participants	134,846	61,855	-	196,701	186,257
Actuarial (gains)/losses	164,276	(291,302)	(8,961)	(135,987)	(291,218)
Benefits paid	(366,710)	(390,413)	(75,628)	(832,751)	(954,402)
Past service cost				-	-
Curtailments				-	-
Settlements				-	-
Business combinations				-	-
Exchange rate changes				-	-
Present value of partly funded defined benefit obligations at end of the year	10,437,738	3,034,707	779,584	14,252,029	13,930,750

Reconciliation of the fair value of fund assets

	SSS \$	SASS \$	SANCS \$	2008 \$	2007 \$
Fair value of fund assets at beginning of the year	11,124,421	3,400,900	814,838	15,340,159	13,693,070
Expected return on fund assets	866,028	259,247	63,656	1,188,931	1,043,959
Actuarial gains/(losses)	(1,055,883)	(586,004)	(116,899)	(1,758,786)	1,031,364
Employer contributions	197,440	143,539	53,226	394,205	339,911
Contributions by fund participants	134,846	61,855	-	196,701	186,257
Benefits paid	(366,710)	(390,413)	(75,628)	(832,751)	(954,402)
Settlements				-	-
Business combinations				-	-
Exchange rate changes				-	-
Fair value of fund assets at end of the year	10,900,142	2,889,124	739,193	14,528,459	15,340,159

Reconciliation of the assets and liabilities recognised in the balance sheet

	SSS	SASS	SANCS	2008	2007
	\$	\$	\$	\$	\$
Present value of partly funded defined benefit obligations at end of year	10,437,738	3,034,707	779,584	14,252,029	13,930,750
Fair value of fund assets at end of the year	(10,900,142)	(2,889,124)	(739,193)	(14,528,459)	(15,340,159)
Subtotal	(462,404)	145,583	40,391	(276,430)	(1,409,409)
Unrecognised past service cost	-	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-	-
Net Liability/(Asset) recognised in balance sheet at end of year	(462,404)	145,583	40,391	(276,430)	(1,409,409)

D. Expense Recognised in the Income Statement

	SSS	SASS	SANCS	2008	2007
	\$	\$	\$	\$	\$
Current service cost	70,662	104,435	42,147	217,244	212,796
Interest cost	620,201	208,718	47,154	876,073	815,678
Expected return on fund assets (net of expenses)	(866,028)	(259,247)	(63,656)	(1,188,931)	(1,043,959)
Net actuarial losses (gains) recognised in year	1,220,159	294,702	107,938	1,622,799	(1,322,582)
Past service cost				-	-
Movement in adjustment for limitation on net asset				-	-
Curtailment or settlement (gain)/loss				-	-
Expense/(income) recognised	1,044,994	348,608	133,583	1,527,185	(1,338,067)

Actuarial gains and losses are recognised immediately in profit and loss in the year in which they occur.

E. Fund Assets

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

	30-Jun-08	30-Jun-07
Australian equities	31.6%	33.6%
Overseas equities	25.4%	26.5%
Australian fixed interest securities	7.4%	6.8%
Overseas fixed interest securities	7.5%	6.4%
Property	11.0%	10.1%
Cash	6.1%	9.8%
Other	11.0%	6.8%

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

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

F. Actual Return On Plan Assets

	SSS	SASS	SANCS	2008	2007
	\$	\$	\$	\$	\$
Actual return on fund assets	(755,972)	(218,720)	(53,243)	(1,027,935)	1,949,847

G. Principal Actuarial Assumptions

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

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

	2008	2007
Salary Increase Rate	3.5% pa	3.5% pa
Rate of CPI Increase	2.5% pa	2.5% pa
Expected rate of return on assets backing current pension liabilities	8.3%	7.6%
Expected rate of return on assets backing other liabilities	7.3%	7.6%
Discount Rate	6.55% pa	6.4% pa

H. Employer Contributions

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2006.

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

The recommended contribution rates for 2008 and 2007 for the Company are:

State Superannuation Scheme 1.60X (multiple of member contributions)

State Authorities Superannuation Scheme 1.90X (multiple of member contributions)

State Authorities Non-Contributory Superannuation Scheme 2.5% (% of member salary)

2008: The economic assumptions used by the actuary to make the funding recommendation were an investment return on fund assets of 7.7% pa, a salary increase rate of 4.0% pa, and an inflation rate of 2.5% pa.

2007: The economic assumptions used by the actuary to make the funding recommendation were an investment return on fund assets of 7.7% pa, a salary increase rate of 4.0% pa, and an inflation rate of 2.5% pa.

The following is a summary of the 30 June 2008 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans*:

Surplus/Deficit	SSS	SASS	SANCS	2008	2007
	\$	\$	\$	\$	\$
Accrued benefits	9,726,116	3,034,441	783,915	13,544,472	13,028,673
Net market value of fund assets	(10,900,142)	(2,889,123)	(739,193)	(14,528,458)	(15,340,159)
Net (surplus)/deficit	(1,174,026)	145,318	44,722	(983,986)	(2,311,486)

I. 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,

J. Historic Summary

	SSS \$	SASS \$	SANCS \$	2008 \$	2007 \$
Present value of defined benefit obligation	10,437,738	3,034,706	779,585	14,252,029	13,930,749
Fair value of fund assets	(10,900,142)	(2,889,123)	(739,193)	(14,528,458)	(15,340,159)
(Surplus)/Deficit in Fund	(462,404)	145,583	40,392	(276,429)	(1,409,410)
Experience adjustments - Fund liabilities	164,276	(291,302)	(8,961)	(135,987)	(291,218)
Experience adjustments - Fund assets	1,055,883	586,004	116,899	1,758,786	(1,031,364)
Expected Contributions					
Expected employer contributions	215,754	117,525	49,138	382,417	364,071

Note 22. Contingent Liabilities and Assets

Liabilities

No significant claims for damages are being negotiated. This does not include matters covered by insurance. No significant claims for damages were being negotiated as at 30 June 2008.

Assets

Hunter Water Australia has a contingent asset in the form of a Redundancy Guarantee from the Controlling Entity. The Redundancy Guarantee relates to current Hunter Water Australia employees who were former employees of the controlling entity upon Hunter Water Australia's formation in 1998.

The Redundancy Guarantee provides that if Hunter Water Australia were to pay current employees who were former employees of the Controlling Entity redundancy, then the Controlling entity would pay Hunter Water Australia the difference between the severance rate which would be paid at the Controlling Entities scale and the severance rate Hunter Water Australia would be required to pay in accordance with current statutory legislation.

The current Redundancy Guarantee from the Controlling Entity will expire on 30 June 2010, unless there is a change in ownership prior to this date. In the case of change of ownership, the Redundancy Guarantee would expire when Hunter Water Corporation was no longer the Controlling Entity.

The contingent asset for Redundancy Guarantee has not been valued as there is no current expectation that the guarantee will be called upon.

Note 23. Auditors' Remuneration

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

	2008 \$	2007 \$
Audit review of financial reports (exclusive of GST)	14,720	21,000
	<u>14,720</u>	<u>21,000</u>

Note 24. Related Party Disclosures

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

A. Controlling Entity

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

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

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

An additional loan of \$1,500,000 was made to the parent entity during 2005/2006, bringing the total on loan to the parent entity to \$5,000,000. A formal loan agreement has been entered into under normal terms and conditions. Interest is payable quarterly at market rates.

	2008	2007
	\$	\$
TRANSACTIONS WITH CONTROLLING ENTITY		
SALES		
Contracts & Consultancy Services	15,160,452	14,691,110
PURCHASES		
Contracts	226,243	413,747
Consultancy Services	29,203	6,709
Total purchases	255,446	420,456
INTEREST RECEIVED	343,092	283,560
DIVIDENDS PAID	2,173,477	1,539,089
	2008	2007
	\$	\$
OUTSTANDING BALANCES AT YEAR END		
RECEIVABLES		
Sales and purchases	2,635,512	2,784,775
Tax funding agreements	957,675	609,173
Inter-company loan	5,000,000	5,000,000
Total receivables	8,593,187	8,393,948
PAYABLES		
Sales and purchases	13,676	98,515
Tax funding agreements	842,141	366,302
Dividend payable	2,854,416	2,173,477
Total payables	3,710,233	2,638,294

B. Related Entity/Party

Director Mr RI Knights and Chairman Mr R Robson, were also a Director and Chairman respectively of Regional Land Management Corporation Pty Ltd (RLMC). Hunter Water Australia Pty Limited provided consulting services to Regional Land Management Corporation Pty Ltd during the year. These services were based on normal commercial terms and conditions no more favourable than those available to other parties. The aggregate value of these services in the year was \$7,157 (2007: \$17,097).

TRANSACTIONS WITH RELATED ENTITIES	Entity	2008	2007
SALES		\$	\$
Contracts & Consultancy Services	RLMC	7,157	17,097
		<u>7,157</u>	<u>17,097</u>
OUTSTANDING BALANCE AT YEAR END	Entity		
RECEIVABLES			
Sales and purchases	RLMC	-	6,403
Total receivables		<u>-</u>	<u>6,403</u>

Note 25. Key Management Personnel Disclosures

A. Directors And Any Director Related Entities

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

Mr R Robson
Mr K Young
Mr RI Knights – retired 30 June 2008
Mr RA Chappel

All Directors of Hunter Water Australia Pty Limited were also Directors of the parent entity, Hunter Water Corporation during the year.

B. Other Key Management Personnel

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

NAME	POSITION
Mr J Keary	General Manager
Mr P Dennis	Chief Operating Officer & Company Secretary
Mr J Gleeson	Manager Engineering
Ms A Swan	Manager Laboratories
Dr D Nicholas	Manager Materials Engineering (retired 23/8/07)
Mr P Bartlett	Manager Asset Mapping
Mrs M Griffin	Chief Financial Officer

C. Key Management Personnel Compensation

	2008	2007
	\$	\$
Short term employee benefits	1,237,685	1,122,912
Long term employee benefits	33,952	36,136
Post employment benefits	180,831	182,742
	<u>1,452,468</u>	<u>1,341,790</u>

Note 26. Management Consultants Fees

	2008	2007
	\$	\$
Management consultants paid or payable	178,392	64,896

The increase in management consultants is due to engagement of advisors for the procurement of new office facilities.

NOTE 27. SEGMENT INFORMATION

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

NOTE 28. ECONOMIC DEPENDENCY

Hunter Water Australia Pty Limited operated independently of the parent entity. All transactions were on normal commercial terms and conditions. A significant portion of sales are derived from the parent entity, Hunter Water Corporation.

Note 29. Events Occurring After Balance Date

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

Note 30. Financial Risk Management

A. Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual, incorporated legal entity or government entity. Approximately 58 percent of the Company's revenue is attributable to sales transactions with the controlling entity. Geographically there is no concentration of credit risk.

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

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

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

INVESTMENTS

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

EXPOSURE TO CREDIT RISK

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

	2008	2007
	\$	\$
Cash and cash equivalents	5,512,316	4,447,352
Trade Receivables	3,177,220	2,929,134
Other - Current	2,016,629	1,889,381
Investments - Non-current	5,000,000	5,000,000
	<u>15,706,165</u>	<u>14,265,867</u>

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

	2008	2007
	\$	\$
Domestic	3,125,624	2,921,653
United States	-	-
Canada	51,596	-
	<u>3,177,220</u>	<u>2,921,653</u>

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

	2008	2007
	\$	\$
Controlling entity	1,947,146	2,028,656
Other Government entity	767,101	518,886
Incorporated entity (Proprietary or Public Company)	410,015	343,899
International entity	51,596	-
Unincorporated entity or sole trader	1,362	30,211
	<u>3,177,220</u>	<u>2,921,653</u>

IMPAIRMENT LOSSES

The aging of trade receivables at the reporting date was:

	2008		2007	
	Gross	Impairment	Gross	Impairment
	\$	\$	\$	\$
Not past due	2,821,657	-	2,403,740	-
Past due 2 to 6 months	357,802	-	502,815	-
Past due 6 to 12 months	(2,239)	-	12,282	10,588
Past due more than one year	-	-	2,816	-
	<u>3,177,220</u>	<u>-</u>	<u>2,921,653</u>	<u>10,588</u>

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

	2008	2007
	\$	\$
Opening Balance	10,588	-
Impairment loss recognised	(10,588)	10,588
Closing Balance	<u>-</u>	<u>10,588</u>

The impairment gain recognised of \$10,588 as the reversal of the impairment from the prior financial year. All trade receivables at 30 June 2008 are expected to be collected.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly.

B. LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains a \$200,000 bank overdraft that is unsecured. Interest would be at the rate of 11.52% per annum for an overdraft up to \$200,000 and then 16.5% for an overdraft above that. (2007: 9.85% and 14.95% respectively).

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

	carrying amount	contractual cash outflows	3 months or less	4 months or more
2008	\$	\$	\$	\$
Trade and other payables	1,691,599	1,691,599	1,691,599	-
	1,691,599	1,691,599	1,691,599	-
2007	\$	\$	\$	\$
Trade and other payables	2,233,378	2,233,378	2,233,378	-
	2,233,378	2,233,378	2,233,378	-

C. Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

CURRENCY RISK

The Company provides consultancy services to customers based in the United States and Canada.

Currency risk arises from future commercial transactions and recognised assets denominated in a currency that is not the Company's functional currency.

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

The Company's exposure to currency risk at the reporting date was as follows:

	2008		2007	
	\$	\$	\$	\$
	USD	CAD	USD	CAD
Trade Receivables	-	51,596	-	-
Bank	-	-	5,350	-
	-	51,596	5,350	-

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

Currency Risk Sensitivity Analysis

A 10 percent strengthening of the Australia dollar against the following currencies at 30 June 2008 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

	2008		2007
	Profit or	Equity	Profit
	Loss		or (Loss)
	\$	\$	\$
United States Dollar	-	-	(702)
Canadian Dollar	(4,690)	(4,690)	-
	<u>(4,690)</u>	<u>(4,690)</u>	<u>(702)</u>
			<u>(702)</u>

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

The Company is not exposed to any significant interest rate risk as the company currently hold only interest bearing financial assets. These financial assets held are all variable rate instruments.

The Company has an undrawn overdraft facility approved up to a limit of \$200,000. Interest would be at the rate of 11.52% per annum for an overdraft up to \$200,000 and then 16.5% for an overdraft above \$200,000. (2007: 9.85% and 14.95% respectively).

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

	2008	2007
	\$	\$
<i>Variable rate instruments</i>		
Financial assets	10,508,399	9,447,352
Financial liabilities	-	-
	<u>10,508,399</u>	<u>9,447,352</u>

Interest Rate Sensitivity Analysis For Variable Rate Instruments

An increase of 100 basis points in interest rates at the reporting date would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

	Profit or (Loss) 1% increase	Equity 1% increase
	\$	\$
2008		
Variable rate interest rates	105,084	105,084
	<u>105,084</u>	<u>105,084</u>
	Profit or (Loss) 1% increase	Equity 1% decrease
	\$	\$
2007		
Variable rate interest rates	94,474	94,474
	<u>94,474</u>	<u>94,474</u>

A decrease of 100 basis points in interest rates at the reporting date would have had the equal but opposite effect on equity and profit or loss. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

D. FAIR VALUES

The financial assets and liabilities in the Balance Sheet are carried at amounts assumed to approximate their net fair values.

End of Audited Financial Statements

Directors' Declaration

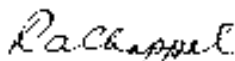
In accordance with a resolution of the Directors, Clause 11 of the *Public Finance and Audit Regulation 2005*, and pursuant to Section 41C(1B) and 41C(1C) of the *Public Finance and Audit Act 1983*, in the opinion of the Directors:

1. The accompanying financial statements and notes:
 - i. Comply with the *Public Finance and Audit Act 1983*, Accounting Standards, the *Corporations Act 2001* and *Treasurer's Directions*; and
 - ii. Exhibit a true and fair view of the financial position of Hunter Water Australia Pty Limited as at 30 June 2008 and transactions for the year then ended.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.

On behalf of the Directors



Mr K Young
Director



Mr R Chappel
Director

Dated: 25 September 2008
Newcastle



FINANCIAL REPORT
REGIONAL LAND MANAGEMENT
CORPORATION

FINANCIAL REPORT REGIONAL LAND MANAGEMENT CORPORATION

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COMPANY PARTICULARS

DIRECTORS

Mr R Robson
Chairman
Resigned 27 August 2008

Cr J Tate
Resigned 27 August 2008

Mr D Simmons
Resigned 27 August 2008

Mr R Knights
Resigned 27 August 2008

Mr D Evans
Resigned 27 August 2008

COMPANY SECRETARY

Mrs S Smith

REGISTERED OFFICE

The registered office and principal place of business of the company is:
C/- Hunter Water Corporation
36 Honeysuckle Drive
Newcastle NSW 2300

AUDITORS

Audit Office of New South Wales

BANKERS

Commonwealth Bank of Australia

Directors' Report

The Directors submit the following report made in accordance with a resolution of the Directors of the Regional Land Management Corporation Pty Ltd for the year ended 30 June 2008.

Directors

The names of Directors in office at any time during or since the end of the financial year and up to the date of this report are:

Mr R Robson	Chairman	Resigned 27 August 2008
Cr J Tate		Resigned 27 August 2008
Mr D Simmons		Resigned 27 August 2008
Mr R Knights		Resigned 27 August 2008
Mr D Evans		Resigned 27 August 2008

Information on Directors

R Robson

OAM, FAIM, FAICD, JP

Mr Robson was appointed Chairman of the Regional Land Management Corporation Pty Ltd on 5 March 2003. Mr Robson is Chairman of Hunter Water Corporation and Chairman of Hunter Water Australia Pty Limited. He is also a Director of Hunter Development Corporation Pty Ltd, a Director of Robson Health Care Pty Ltd, Chairman of the Newcastle Knights-Wests Hospitality Group Business Development Committee and Chairman of Banlaw Pipeline Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

Attended 8 of a maximum of 9 Board Meetings.

J Tate

Councillor Tate was appointed as Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003. Councillor Tate has been a Councillor of Newcastle City Council since September 1980 and Lord Mayor since September 1999. Councillor Tate is Chair of the Hunter Economic Development Corporation and a Director of the Hunter Development Corporation, Hunter Councils and the Hunter Region Tourism Organisation. Councillor Tate was also previously a Director of the Westpac Rescue Helicopter Service and Honeysuckle Development Corporation.

Attended 9 of a maximum of 9 Board Meetings.

D Simmons

OAM, BA, M.ED (HONS), FAICD

Mr Simmons was appointed as a Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003. From 1983 to 1996, Mr Simmons represented the Federal Electorate of Calare in the House of Representatives and held a number of executive positions in the government. Mr Simmons is a former Chief Executive of the Hunter Business Chamber, served as Chairman of the Hunter Medical Research Institute Foundation, 2002-03, and was a Board Member of Tourism New South Wales from 1997-2003. In April 2005 Mr Simmons was appointed a Director of the National Heart Foundation (NSW Division), and recently appointed as president in April 2006.

Attended 8 of a maximum of 9 Board Meetings.

R I Knights

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

Mr Knights was appointed as a Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003. Mr Knights retired as a Director of Hunter Water Corporation and Hunter Water Australia Pty Limited on 30 June 2008. Mr Knights was also Chairman of the Broke Fordwich Private Irrigation District until he retired as Chairman and a member in November 2003. Mr Knights was previously Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

Attended 7 of a maximum of 9 Board Meetings.

D Evans

B.EC (HONS), FAICD

Mr Evans was appointed as Director of the Regional Land Management Corporation Pty Ltd effective 31 October 2006. Mr Evans is also a Director of Country Energy. Mr Evans was Managing Director of Sydney Water Corporation (2004-2006), Managing Director of Hunter Water Corporation (1993-2004), Chief Executive Officer of Regional Land Management Corporation (2003-2006) and Chairman of the Board of the Hunter Area Health Services (1997-2003).

Attended 8 of a maximum of 9 Board Meetings.

Principal Activities

In accordance with the Regional Land Management Corporation Pty Ltd's *Implementation Agreement and Variation Agreement* with the State, the principal activities of the company were to assume interim management of a number of properties in the Lower Hunter Region, and will undertake all tasks incidental thereto. During the course of the financial period such tasks may include:

- Facilitating responsible private sector development of its sites to bring jobs, investment and economic prosperity to the people of NSW and the Hunter;
- Managing the day to day business on the sites, including renting buildings and parts of the sites;
- Remediating some of the sites so that they are ready for industrial development.

As foreshadowed in the prior year report, as a result of a Ministerial policy decision, the operating activities of the company were transferred to a new NSW government body, Hunter Development Corporation, effective 31 January 2008.

The company was formed on 5 March 2003 to undertake the above activities after the State issued a direction to Hunter Water Corporation under section 20N of the *State Owned Corporations Act 1989* (NSW) to form a special purpose subsidiary company.

Results and Dividends

The net operating profit of the company for the period ended 30 June 2008 amounted to \$NIL, due to the funding arrangements set out in the Implementation Agreement.

No dividends were declared or paid by the company during the financial period.

Review of Operations

The results of activities and levels of expenditure have been satisfactory and within the Directors' expectations.

As a result of a Ministerial policy decision, the operating activities of the company have been transferred to the Hunter Development Corporation effective 31 January 2008.

Subsequent Events

Regional Land Management Corporation Pty Ltd is currently in the process of being deregistered. The form to deregister the company was lodged on 25 June 2008. The Australian Securities & Investments Commission (ASIC) has approved the application for voluntary deregistration and the deregistration was finalised by ASIC on 27 August 2008.

Directors Indemnification

The State has an agreement with the Regional Land Management Corporation Pty Ltd by way of an *Indemnity Deed Poll* to indemnify the Directors and officers of the company.

The indemnity relates to:

- any civil liability to a third party (other than Regional Land Management Corporation Pty Ltd or a related entity) unless the liability arises out of conduct involving lack of good faith,
- any costs or expenses of defending proceedings in which judgment is given in favour of the officer.

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

Change in State of Affairs

Other than matters reported in the Directors' Report, in the opinion of the Directors' there were no significant changes in the state of affairs of the company up until 31 January 2008 when the activities of the company ceased.

In June 2005 a Ministerial direction was received extending the operating term to 30 June 2008, however as set out earlier, the company's operating activities ceased on 31 January 2008.

True and Fair View

In the opinion of the Directors' the financial statements present a true and fair view of the operations of the company during the year ended 30 June 2008.

Future Developments

Following the cessation of activities, the company undertook proceedings to be wound up and to seek deregistration prior to 30 June 2008.

Directors' Benefits

During or since the financial period no Director has received or become entitled to receive a benefit, other than a remuneration benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown below, by reason of a contract entered into by the company with:

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

	30 June 2008	30 June 2007
	\$	\$
REMUNERATION BENEFITS OF DIRECTORS		
DIRECTORS' REMUNERATION		
Amounts received or due and receivable by all Directors of the company.	89,925	98,857

The number of Directors of the company whose income from the company falls within the following bands:

	No.	No.
\$10,000 - \$19,999	4	2
\$20,000 - \$29,999	1	2
\$30,000 - \$39,999	-	1

Environmental Regulations

The Waste Emplacement Facility on Kooragang Island previously managed by the company, although not presently an active landfill site, remains subject to a licence issued under the *Protection of the Environment Operations Act 1997*. During the financial period the company complied with the material requirements of this licence and associated legislation. There were some minor technical non-compliances associated with reporting requirements which had no environmental impact.

The Closure Area of the former steelworks site at Mayfield was managed by Regional Land Management Corporation Pty Ltd on behalf of the State Government, who is the land owner. Environmental liability and funding relating to all remediation activities undertaken by the company resides with the State Government. This site was declared a Remediation Site under the *Contaminated Lands Management Act 1997* in June 2001 by the Department of Environment and Climate Change (DECC). The company and the DECC executed a Voluntary Remediation Agreement under the *Contaminated Lands Management Act 1997* in September 2005.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 \$	30 June 2007 \$
Revenue			
Revenue from operations	2	21,787,265	25,756,314
Expenditure			
Expenditure relating to contracts and consulting		(19,027,173)	(23,302,733)
Legal fees		(74,027)	(172,939)
Property security costs		(177,150)	(283,969)
Employee benefits		(1,826,898)	(1,472,245)
Borrowing costs	3	(339,335)	(181,518)
Other		(342,682)	(342,910)
Total Operating Expenditure		(21,787,265)	(25,756,314)
Profit Before Income Tax Expense		-	-
Income tax expense		-	-
Profit For The Year		-	-
Profit Attributable To:			
- Members of the parent entity		-	-
- Minority interest		-	-
		-	-

The Income Statement should be read in conjunction with the accompanying notes on pages 96 to 105.

BALANCE SHEET AS AT 30 JUNE 2008

	Note	30 June 2008 \$	30 June 2007 \$
Current Assets			
Cash and cash equivalents	4	-	1,231,948
Trade and other receivables	5	100	2,712,635
Other	6	-	37,335
Total Current Assets		100	3,981,918
Non-Current Assets			
Other	7	-	192,159
Total Non-Current Assets		-	192,159
Total Assets		100	4,174,077
Current Liabilities			
Trade and other payables	8	-	2,265,391
Borrowings	9	-	23,244
Provisions	10	-	396,845
Other	11	-	1,193,966
Total Current Liabilities		-	3,879,446
Non-Current Liabilities			
Provisions	10	-	294,531
Total Non-Current Liabilities		-	294,531
Total Liabilities		-	4,173,977
Net Assets		100	100
Equity			
Contributed equity	12	100	100
Retained profits	13	-	-
Total Equity		100	100

The Balance Sheet should be read in conjunction with the accompanying notes on pages 96 to 105.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 \$	30 June 2007 \$
Total equity at beginning of the year		100	100
Net income recognised directly in Equity for the year	13	-	-
Return of equity		-	-
Total Equity at end of financial year		<u>100</u>	<u>100</u>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 96 to 105.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	30 June 2008 \$	30 June 2007 \$
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		7,939,010	10,464,730
Payments to suppliers and employees (inclusive of goods and services tax)		(27,340,336)	(27,633,516)
Receipts from NSW Treasury		20,619,887	19,109,926
Payments to NSW Treasury		(2,248,803)	(1,109,847)
Proceeds from land transaction on behalf of State Property Authority ('SPA')		2,135,823	2,082,667
Remitting of gross proceeds from land transaction to SPA		(2,135,823)	(2,200,000)
Interest received		161,031	125,575
Interest paid		(339,493)	(184,633)
Insurance recoveries		-	-
Net Cash Flows from Operating Activities	14	(1,208,704)	654,902
Cash Flows from Investing Activities		-	-
Net Cash Flows from Investing Activities		-	-
Cash Flows from Financing Activities			
Proceeds from borrowings		11,926,767	15,526,723
Repayment of borrowings		(11,950,011)	(16,011,416)
Net Cash Flows from Financing Activities		(23,244)	(484,693)
Net Increase/(Decrease) in Cash Held		(1,231,948)	170,209
Cash at Beginning of Financial Year		1,231,948	1,061,739
Cash at End of Financial Year	4	-	1,231,948

The Cash Flow Statement should be read in conjunction with the accompanying notes on pages 96 to 105.

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where the presentation or reclassification of items in the financial report is amended, comparable amounts are reclassified unless it is impracticable.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRSs), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Public Finance & Audit Act 1983*.

The financial statements also incorporate financial reporting requirements specified in the *Public Finance and Audit Regulation 2005* and the relevant Treasurer's Directions.

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

The company's financial report for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Board.

Historical cost convention

The financial statements have been prepared on an accruals basis using the historical cost convention.

b) Revenue recognition

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

(i) Rents and leases

Rent is received for Government owned properties managed by Regional Land Management Corporation Pty Ltd in accordance with Regional Land Management Corporation Pty Ltd's *Implementation Agreement* and *Variation Agreement* with the State. Rental revenue is recognised in accordance with the lease agreements in place, which is generally on a straight line basis over the lease term.

(ii) Treasury funding

Revenue from Treasury funding is recognised once expenditure that the funding relates to is incurred.

(iii) Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

c) Income tax

Regional Land Management Corporation Pty Ltd is exempt from the National Taxation Equivalent Regime (NTER), NSW Tax Equivalent Regime (TER) and Income Tax Assessment Act. The exemption is based on the non-commercial nature of the company and that, given the current activities of the company, competitive neutrality issues are unlikely to arise. However should the activities or format of the company materially change, this exemption will be reviewed.

d) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

e) Trade and other receivables

Trade receivables are recognised at fair value less provision for doubtful debts. Rental debtors are generally due for settlement within 30 days. NSW Treasury reimbursements are generally settled on a quarterly basis.

Ability to collect receivables is reviewed on an ongoing basis and debts that are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the entity will not be able to collect all amounts due.

f) Leases

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

g) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

h) Borrowings

Regional Land Management Corporation Pty Ltd borrowed funds from the parent entity, Hunter Water Corporation, in the form of an inter-entity loan.

Interest expense is accrued on a compounding basis at the contracted rate.

i) Employee benefits

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

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

(ii) Long service leave

The liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, trends of employee departures and periods of service. Expected future payments are discounted using the 10 year Commonwealth Government bond rate.

(iii) Superannuation

Employees of the company are members of either defined benefit superannuation funds or defined contribution superannuation funds. The defined benefit superannuation funds provide defined lump sum benefits based on years of service and final average salary.

A liability or asset in respect of the defined benefit plans is recognised in the balance sheet and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any past service cost. The assessment of these liabilities and assets is undertaken by the funds' administrator, Pillar Administration.

j) Goods and services tax

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

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

Cash flows are included in the Cash Flow Statement on a gross basis.

k) Accounting standards and Australian accounting interpretations issued but not yet operative

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below:

- (i) AASB 101 *Presentation of Financial Statements*
This standard is applicable to reporting periods beginning on or after 1 January 2008. There is no impact on the company for initial application of this revised standard due to its deregistration.
- (ii) AASB 123 *Borrowing Costs*
This standard is applicable to reporting periods beginning on or after 1 July 2009. There is no impact on the company for initial application of this revised standard due to its deregistration.
- (iii) AASB 208-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
This standard is applicable to reporting periods beginning on or after 1 January 2009. There is no impact on the company for initial application of this revised standard due to its deregistration.
- (iv) AASB-I 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
AASB-I 14 is applicable to reporting periods beginning on or after 1 January 2008. It is not expected that the application of this standard will impact on either the financial results of the Economic Entity or the presentational content of the financial report.

30 June 2008	30 June 2007
\$	\$

2 Revenue

Treasury funding	16,325,987	17,530,896
Rental income	1,745,880	2,680,923
Access fee licence revenue	3,454,758	5,125,246
Interest received	161,266	125,576
Other revenues	99,374	293,673
Total Revenue	21,787,265	25,756,314

3 Profit from Continuing Operations

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

Borrowing costs:

- Interest and finance charges paid/payable	339,335	181,518
---	---------	---------

Rental expense relating to operating leases:

- Minimum lease payments	35,491	47,180
--------------------------	--------	--------

Superannuation expense/(benefit):

- Defined benefit	(15,328)	(13,827)
- Defined contribution	32,684	33,794

4 Cash and Cash Equivalents

Cash at bank	-	1,178,507
Cash on hand	-	104
Deposits at call	-	53,337
	-	1,231,948

5 Trade and Other Receivables

CURRENT

NSW Treasury reimbursements	-	2,129,574
Rent	-	59,392
Accrued income	-	160,910
Other	100	7,007
GST receivable	-	355,752
	100	2,712,635

	30 June 2008 \$	30 June 2007 \$
6 Other Assets		
CURRENT		
Prepayments	-	37,335
7 Other Assets		
NON-CURRENT		
Over funded superannuation plans	-	192,159
8 Trade and other Payables		
Creditors and accrued expenditure	-	2,265,391
9 Borrowings		
Unsecured loans payable to Parent Entity - Hunter Water Corporation	-	23,244
Financing Arrangements		
The company had a loan facility with Hunter Water Corporation which provided funding on a short-term basis to a total of \$25,000,000 and was subject to a commercial rate of interest. At balance date \$25,000,000 (2007: \$24,976,756) was unused.		
10 Provisions		
CURRENT		
Employee benefits – short term	-	96,213
Employee benefits – long term	-	300,632
	-	396,845
NON-CURRENT		
Employee benefits	-	294,531
11 Other Liabilities		
Income received in advance	-	1,193,966
12 Contributed Equity		
ISSUED AND PAID UP SHARE CAPITAL		
(2007: 100) fully paid ordinary shares at \$1	100	100
13 Retained Profits		
Retained profits at the beginning of year	-	-
Net profit attributable to members of the company	-	-
Retained profits at end of year	-	-

	30 June 2008 \$	30 June 2007 \$
14 Cash Flow Statement		
Reconciliation of Profit After Income Tax to the Net Cash from Operating Activities		
Profit from ordinary activities after related income tax	-	-
Changes In Assets And Liabilities		
- (Increase)/decrease in receivables	2,712,635	380,672
- (Increase)/decrease in prepayments	229,494	(3,324)
- (Decrease)/increase in payables	(2,265,491)	234,058
- (Decrease)/increase in provisions	(691,376)	(63,298)
- (Decrease)/increase in other liabilities	(1,193,966)	106,794
NET CASH FLOW FROM OPERATING ACTIVITIES	(1,208,704)	654,902

15 Contractual Commitments

Consultancy Commitments

Consultancy commitments contracted for at balance date but not recognised as liabilities:

Payable within one year	-	27,333,929
Payable later than one year or later but no later than five years	-	-
	<u>-</u>	<u>27,333,929</u>

16 Superannuation

(a) Superannuation Plan

Regional Land Management Corporation Pty Ltd has no outstanding superannuation liabilities. The following note is for 2007 comparison purposes only.

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

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

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

	2007 \$
(b) Reconciliation of the present value of the defined benefit obligation	
Present value of partly funded defined benefit obligations at the beginning of the year	1,286,433
Current service cost	46,210
Interest cost	76,195
Contributions paid by fund participants	28,676
Actuarial (gains)/losses	(67,698)
Benefits paid	<u>(10,082)</u>
Present value of partly funded defined benefit obligations at the end of the year	<u>1,359,734</u>
(c) Reconciliation of the fair value of fund assets	
Fair value of Fund assets at the beginning of the year	1,094,723
Expected return on fund assets	85,656
Actuarial (gains)/losses	76,383
Employer contributions	-
Contributions paid by fund participants	28,676
Benefits paid	<u>(10,082)</u>
Fair value of Fund assets at the end of the year	<u>1,275,356</u>
(d) Reconciliation of the assets and liabilities recognised in the balance sheet	
Present value of partly funded defined benefit obligations at end of year	1,359,733
Fair value of fund assets at end of year	<u>(1,275,356)</u>
Subtotal	84,378
Unrecognised past service cost	-
Unrecognised gain/(loss)	<u>-</u>
Net Liability/(Asset) recognised in balance sheet at end of year	<u>84,378</u>
(e) Expense/(income) recognised in income statement	
Current service cost	46,210
Interest cost	76,195
Expected return on Fund assets (net of expenses)	(85,656)
Actuarial losses/(gains) recognised in year	(144,081)
Past service cost	<u>-</u>
Expense/(income) recognised	<u>(107,332)</u>

(f) Valuation method and principal actuarial assumptions

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

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

	30-Jun-07
Salary increase rate (excluding promotional increases)	4.0% pa to June 2008; 3.5% pa thereafter
Rate of CPI increase	2.5% pa
Expected rate of return on assets backing current pension liabilities	7.6%
Expected rate of return on assets backing other liabilities	7.6%
Discount rate	6.4% pa

(g) Fund Assets

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

	30-Jun-07
Australian equities	33.6%
Overseas equities	26.5%
Australian fixed interest securities	6.8%
Overseas fixed interest securities	6.4%
Property	10.1%
Cash	9.8%
Other	6.8%

(h) 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.

(i) Actual return on Fund assets

	SASS	SANCS	SSS
Actual return on fund assets – 2007 comparative	94,955	15,941	48,289

(j) Expected contributions

Expected employer contributions	18,574	7,020	30,240
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(k) Employer Contributions

Employer contributions to the defined benefit section of the plan are based on the recommendations of the plan's actuary. The last triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefit schemes was undertaken in 2006.

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

The recommended contribution rates for the company are:

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

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

Expected rate of return on fund assets backing current pension liabilities of 7.7% pa,
Expected rate of return on fund assets backing current pension liabilities of 7.0% pa,
Expected salary increase rate of 4.0% pa,
Expected rate of CPI increase of 2.5% pa.

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the plan's net financial position is determined as the difference between the present value of the accrued benefits and the market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2008), and a deficit of \$Nil was reported.

	2007		
	SASS	SANCS	SSS
Accrued benefits	585,880	111,978	661,876
Net market value of Fund assets	(761,535)	(128,482)	(385,339)
Net (surplus)/deficit	(175,655)	(16,504)	276,537

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.

17 Contingent Liabilities

	2008	2007
	\$	\$
Contingent liabilities	<u>-</u>	<u>-</u>

No significant claims for damages are being negotiated. As at the date of signing this report the directors are not aware of any significant contingent liabilities in existence.

18 Auditors' Remuneration

	30 June	30 June
	2008	2007
	\$	\$
Amounts received or due & receivable by the auditors for audit and review of the financial report	<u>-</u>	<u>11,200</u>

Note: no allowance has been made for the 2008 audit fees of \$11,200, as this amount will be paid by Hunter Water Corporation on behalf of Regional Land Management Corporation Pty Ltd. Hunter Water Corporation will in due course submit a claim for reimbursement of this amount from NSW Treasury.

19 Related Parties Disclosures

(A) Directors and Any Director Related Entities

The Directors of Regional Land Management Corporation Pty Ltd during the financial period were:

Mr R Robson
Cr J Tate
Mr D Simmons
Mr R Knights
Mr D Evans

Mr R Robson is the Chairman of the parent entity Hunter Water Corporation and related entity Hunter Water Australia Pty Limited. Mr R Knights resigned as a Director of Hunter Water Corporation and Hunter Water Australia Pty Limited on 30 June 2008.

(B) Controlling Entity

The controlling entity Hunter Water Corporation owns 100% of Regional Land Management Corporation Pty Ltd.

(C) Transactions Between Related Parties

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

20 Segment Information

The company operated predominantly in one business and geographical segment being the management of Government owned land in the Lower Hunter Region of Australia.

The company had management responsibility for five (5) parcels of Government owned land:

- former BHP steelworks site at Mayfield site (150 hectares)
- former BHP waste site at Kooragang Island (239 hectares)
- former BHP land in West Wallsend area (1545 hectares)
- land adjacent to Hunter River at Tomago (545 hectares)
- land on Kooragang Island (860 hectares)

These Government owned lands are owned and controlled by the State Property Authority.

21 Economic Dependency

Regional Land Management Corporation Pty Ltd is entitled under section 20N of the *State Owned Corporations Act 1989* (NSW) to be reimbursed, from money advanced by the Treasurer, or appropriated by Parliament for the following:

- amounts equal to the net cost of performing any such activities relating to the interim management of Government owned land in the Lower Hunter Region (including the cost of capital); or
- the net cost of complying with a direction to cease to perform or not to perform such activities.

From 1 July 2005 Regional Land Management Corporation Pty Ltd is entitled under section 20N of the *State Owned Corporations Act 1989* (NSW) to be fully reimbursed to an estimated \$77 million (in 2004). This funding will cover the company's remediation, development and operational activities from 1 July 2005 to 30 June 2008.

Regional Land Management Corporation Pty Ltd operated independently from the parent entity. All transactions were on normal commercial terms and conditions.

22 Events Occurring After Balance Date

The company applied to ASIC to be wound up and was deregistered on 27 August 2008.

23 Financial Instruments

(A) Interest Rate Risk

The company's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

2008	Weighted Average Effective Interest Rates	Floating Interest Rate \$	Due 1 Year or less \$	Over 1 Year to 5 Years \$	Non- Interest Bearing \$	TOTAL \$
Financial Assets						
Current						
Cash		-	-	-	-	-
Receivables		-	-	-	100	100
TOTAL		-	-	-	100	100
Financial Liabilities						
Current						
Payables		-	-	-	-	-
Interest-bearing liabilities		-	-	-	-	-
TOTAL		-	-	-	-	-

2007	Weighted Average Effective Interest Rates	Floating Interest Rate \$	Due 1 Year or less \$	Over 1 Year to 5 Years \$	Non- Interest Bearing \$	TOTAL \$
Financial Assets						
Current						
Cash	5.53%	1,231,844	-	-	104	1,231,948
Receivables		-	-	-	2,712,635	2,712,635
TOTAL		1,231,844	-	-	2,712,739	3,944,583
Financial Liabilities						
Current						
Payables		-	-	-	2,265,391	2,265,391
Interest-bearing liabilities	8.34%	23,244	-	-	-	23,244
TOTAL		23,244	-	-	2,265,391	2,288,635

23 Financial Instruments (continued)

(B) Credit Risk Exposures

The credit risk on financial assets of the company, which have been recognised on the Balance Sheet, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

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

(C) Liquidity Risk

The company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by maintaining adequate reserves and a line of credit with its parent entity, Hunter Water Corporation.

(D) Net Fair Values

Financial assets and liabilities included in the Balance Sheet are carried at amounts that approximate net fair value.

End of Audited Financial Statements



STATISTICAL
INFORMATION

STATISTICAL INFORMATION

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Board of Directors

Hunter Water Corporation's Board of Directors is comprised of eight members (including the Chief Executive Officer) appointed by the voting shareholders (the NSW Deputy Premier and the NSW Treasurer). Hunter Water's constitution requires that, on an annual basis, two of the Directors (with the exception of the Chief Executive Officer) shall retire from office and be eligible for reappointment..

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

Current Committees & Memberships

Committee & Membership	Corporate Support & Contact	Meeting Frequency	Major Areas Coverage
Remuneration R Robson (Chairman) R Knights	K Young	Twice yearly and as required	To provide overall guidance and endorsement of methods of appointment of senior managers, including their remuneration.
Environment and Community B Crossley (Chairman) W Elliott K Young A Chappel G Kennedy	S Phillips	Four meetings per year	To ensure the Corporation continues to maintain a pro-active and strategic approach in relation to relevant environmental initiatives / issues.
Audit and Compliance J Eather (Chairman) R Robson B Crossley W Elliott	A Fullick	Four meetings per year	To assist the Board in ensuring Hunter Water Corporation meets its financial, compliance and regulatory requirements across (but not limited to) the areas of financial, safety, environmental and engineering.
Capital Works R Knights (Chairman) J Eather G Kennedy K Young A Chappel	C Turnbull	Three meetings per year	To provide a strategic overview of the longer term Capital Program of the Corporation, up to 20 years out. To review progress of all major capital works projects and oversee post completion reviews.
Corporate Governance R Robson (Chairman) R Knights B Crossley K Young	J O'Hearn	Twice yearly and as required	To overview Board strategic direction and business performance
Major Customers K Young (Chairman) R Robson B Crossley R Knights	J O'Hearn	As required	To provide strategic oversight for the management of projects in respect of both new and existing major customers and its implications for other similar proposals.
Tillegra Dam A Chappel (Chairman) R Robson R Knights B Crossley K Young	R Pascoe	As required	To overview strategic aspects of the project, including: project scope; budget/cost; estimates; risk assessment; quality; procurement; community consultation; recreational use; environmental and other approvals.
Out-of-Session R Robson (Chairman) R Knights K Young	J O'Hearn	As required	A new committee established in 2007/08 , to exercise the powers and authority of the Board, in awarding of contracts in order to fulfil timing requirements

Attendance of Directors at Hunter Water Corporation Committee Meetings

	COMMITTEE AND MEMBERSHIPS											
	Remuneration		Environment		Capital Works		Customers		Tillegra		Out-of-Session	
	A	B	A	B	A	B	A	B	A	B	A	B
R Robson	2	2	*	*	*	*	2	2	2	3	2	2
R Knights	2	2	*	*	3	3	2	2	3	3	2	2
W Elliott	*	*	3	4	*	*	*	*	*	*	*	*
K Young	*	*	4	4	3	3	2	2	2	3	2	2
B Crossley	*	*	4	4	*	*	2	2	3	3	*	*
A Chappel	*	*	4	4	3	3	*	*	3	3	*	*
D Boyd	*	*	*	*	2	2	*	*	*	*	*	*
G Kennedy	*	*	3	4	2	3	*	*	*	*	*	*
J Eather	*	*	*	*	1	1	*	*	*	*	*	*

A = Number of meetings attended.

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

* = Not a member of the relevant committee.

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

Executive Positions at 30 June 2008 (paid at equivalent of SES Level 1 or above)

Position	2005-06	2006-07	2007-08
Managing Director	1	1	1
Senior executives	5	5	5
Number of roles filled by women	2	1	1

All executive staff are employed under personal contract. They are not members of the NSW Executive Service (SES) nor are their conditions of employment aligned with the SES.

Performance Statement

Performance Statement	
Name	Kevin Young
Position	Managing Director
Appointed	19 July 2004
Remuneration Package	\$347,246.00
Performance Pay	\$52,416

Achieved overall strong performance including continued focus on OHS, financial and culture change initiatives. Has provided strong corporate leadership across key projects such as water resource planning, continuous improvement activities and new market initiatives. Has continued to drive good customer and operational results including strategic partnerships.

The Corporation's Customer Base

Customer	Number of properties	Income Raised 2007-08 \$M Actual
Residential	170,161	100.83
Multi-Residential	35,230*	9.17
Commercial	8,750	17.12
Industrial	896	8.52
Bulk Supply	3	3.75
Other	5,557**	13.78
TOTAL	220,597	153.17

Note: Customers classifications have been revised since 2005/06

* Includes total number of individual flats

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

Rainfall Received (Millimetres) - 12 Months ending 19 April 2008

Year	Newcastle	Grahamstown	Chichester
2000-01	704	820	1,298
2001-02	1,351	1,201	1,171
2002-03	788	837	1,032
2003-04	999	819	1,244
2004-05	910	1242	1,299
2005-06	695	835	1,016
2006-07	1,081	1,011	1,128
2007-08	1,567	1,585	1,656
Long Term Average	1,124	1,041	1,268
Years of Record	143	41	82

Water Supplied (Megalitres) - 12 Months ending 19 April 2008

Source	2006	2007	2008
Chichester	29,366 *	27,838 *	26,602**^
Tomago	9,056	7,913	0
Grahamstown	31,487	35,873	37,709
Total Major Sources	69,909	61,624	64,311
Anna Bay	2,128	2,308	2,295
Lemon Tree Passage	793	826	730
TOTAL	72,830 *	74,757 *	67,336**^

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

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

^ Includes losses from Dungog Water Treatment Plant

Water Consumption (Megalitres) - 12 Months ending April 19 2008

	2006 ML	2006 %	2007 ML	2007 (%)	2008 ML	2008 (%)
Domestic	40,553	55.7	39,238	52.5	36,428	54.2
Non-Domestic	20,135	27.6	21,428	28.7	20,188	30.0
Bulk Supply	2,955	4.1	4,157	5.6	1,235	1.8
Other	649	0.9	599	0.8	678	1.0
Total Consumption	64,292	88.3	65,423	87.5	58,529	87.0
Gross Non-Revenue Generating	8,537	11.7	9,334	12.5	8,715	13.0
Estimated Losses	3,169	4.4	3,686	4.9	3,453	5.1
Unidentified Real Loss	5,368	7.3	5,648	7.6	5,262	7.8
TOTAL SUPPLY	72,829	100.0	74,757	100.0	67,244	100.0

Water System Incidents

Incident / Solution	2004-05	2005-06	2006-07	2007-08
Poor pressure	115	185	127	87
Pump problem	1	2	2	1
Seepage	230	143	244	260
Main flush	1,245	1,330	831	638
Main repair	1,891	2,030	1,733	1,422
Hydrant defect	1,038	1,156	826	811
Valve defect	382	377	283	244
Repair pathcock / maincock	2,852	2,941	2,909	2,845
Meter defect	193	237	221	280
Service defect repaired by Hunter Water's Operations staff	1,585	1,658	1,470	1406
Service defect repaired by Private Plumber	520	553	560	551
Complaint unconfirmed	339	318	300	262
Other	1,925	2,209	1,907	1,493
Tap rewashers	87	89	103	89
Trunkmain repairs	3,808	3,936	3,242	2,927
TOTAL	16,211	17,164	14,758	13,136

Water Transport System Reliability

	2004-05	2005-06	2006-07	2007-08
Main breaks per 100kms main - trunkmains included in length of mains	42.2*	44.6*	37.4*	30.3*
Discoloured water complaints per 1000 properties connected (tenancy)	5.1	4.6	3.4	2.2

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

Water Supply Continuity 2007-2008: Properties Affected by Water Supply Interruption

Total Interruption	Planned	Unplanned	Combined	** Total %
<=1 hour (<=60min)	3,366	12,404	15,770	7.15
>1 and <=5 hours (>60 & <=300min)	6,897	35,563	42,460	19.25
>5 and <=12 hours (>300 & <=720min)	623	1,494	2,117	0.96
>12 and <=24 hours (>720 & <=1440min)	0	197	197	0.09
>24 hours (>1440min)	0	15	15	0.01
No Interruption			176,180	72.55

Note: The method of calculation has changed from previous years. This figure is now in line with NWI and IPART guidelines where each interruption is reported separately according to the time band and job status. In previous years the results reported were based on cumulative effect of plan and unplanned interruptions experienced by customers during the year.

****Note:** Combined % of total properties - the total number of water connections (tenancy) is 220,597.

Wastewater System Incidents

Incident / Solution	2004-05	2005-06	2006-07	2007-08
Chokage cleared - main	2,927	2,529	2,806	2,200
Chokage cleared - branch	2,744	2,672	2,603	2,155
Private plumbers job *	503	548	610	547
House drains cleared	3	4	4	2
Storm surcharge	313	96	897	394
Gravity sewer break	46	23	29	43
Rising main break	37	40	29	42
Pump Station malfunction	2	7	22	13
Vacuum Sewer Jobs	162	160	145	78
Pump Effluent Line	3	4	5	8
No work required	193	169	218	163
Complaint unconfirmed	192	211	178	163
Charge job **	2	1	1	0
Other	1,055	1,093	1,524	1,182
TOTAL	8,182	7,557	9,071	6,990

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

** **Note:** completed by Corporation & customer billed.

Wastewater Transport System Reliability

	Number of Main Surcharges	Length of Sewermain Kilometres	Ratio of Main Surcharges per 100km of Main
Northern	578	1,170	49.4
Central	996	1,644	60.6
Southern	961	1,742	55.2
TOTAL	2,535	4,556	55.6

	Number of Branch/Shaft Surcharges	No of Wastewater Properties	Ratio of Discharges per 1000 Properties
Northern	509	66,033	7.7
Central	1,166	68,649	17
Southern	867	73,980	11.7
TOTAL	2,542	208,662	12.2

General Statistics

Water	2005-06	2006-07	2007-08
Population in area [1]	517,403	517,273	522,415
Population supplied with water [1]	505,719	505,712	510,703
Properties where water is available [2]	220,690	224,442	228,312
Properties connected to water (metered) [2]	213,913	216,189	220,597
Capacity of major sources (ML)	288,000	288,000	288,000
Total supply from sources (ML) [3]	72,830	74,757	67,244
Average day net supply (ML) [3]	199.5	204.8	183.7
Maximum day net supply (ML) [3]	304.8	322.9	279.3
Maximum week net supply (ML/day) [3]	286.9	296.0	237.5
Minimum day net supply (ML) [3]	144.7	145.9	113.0
Average consumption per residential tenement (kl/annum)	204.8	194.6	177.4
5 year rolling average consumption [4]	208.0	205.1	196.2
Watermains laid during year (km)	79.1	56.8	82.7
Watermains abandoned during year (km)	20.5	32.2	25.3
Watermain length revisions during the year (km)	10.1	65.4	(2.6)
Total watermains in service (km)	4,547.7	4,637.7	4,692.5
Length of watermain per connected property (m)	21.3	21.5	21.2
Water supplied free of charge: charitable, public & miscellaneous purposes (kl)	383,712	444,828	398,089
Water supplied free of charge: dollar value	\$494,988	\$604,966	\$564,825

Wastewater	2005-06	2006-07	2007-08
Population supplied with water & sewer [1]	486,526	486,310	491,136
Properties where sewer is available [2]	210,610	214,430	217,065
Properties connected to sewer [2]	202,103	205,034	208,662
Sewer mains laid during the year (km)	70.7	57.4	39.7
Sewer mains abandoned during the year (km)	6.7	10.9	7.7
Sewer main length revisions during the year (km)	0.3	(0.4)	.2
Total sewer mains in service (km)	4,477.3	4,523.4	4,555.6
Length of sewer main per liable property (m)	22.2	22.0	21.8

Drainage	2005-06	2006-07	2007-08
Properties liable [2]	64,525	65,958	66,476

Dissection Of Population - June 2008 [1]

Region	Population in Area	Served Water	Served Sewer
Newcastle	150,523	150,523	149,845
Lake Macquarie	192,204	188,686	183,667
Maitland	64,421	62,578	60,976
Cessnock	49,238	43,004	39,349
Port Stephens	66,029	62,193	57,205
SUB TOTAL	522,415	506,985	491,042
Dungog (Bulk and from CTGM)	-	3,465	-
Singleton (Part Branxton)	-	168	94
Great Lakes (East Karuah/Alicetown)	-	85	-
TOTAL	517,403	510,703	491,136

	2005-06	2006-07	2007-08
Ratio of properties connected to water & sewer, and water only [5]	96.6%	96.6%	96.9%

Financial	2005-06 \$M	2006-07 \$M	2007-08 \$M
Total Core Revenue	153.121	166.43	171.23
Capital Indebtedness - external	235.02	331.97	414.60

Staffing	2005-06	2006-07	2007-08
Salaried	274	279	295
Wages	112	108	108
Engineers	51	52	50
TOTAL	437	439	453

[1] Population figures for 2007/08 have been adjusted using data from the 2006 Census. Population prior to this used data from the 2001 Census.

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

[3] Supply & consumption figures are based on Water Year, i.e. 12 months ending 19 April.

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

[5] Includes 5 main local Government areas only

Employee Safety Performance

	2004-05	2005-06	2006-07	2007-08	Change %
Lost time frequency rates	6.84	0.00	2.56	2.47	-3.5%
Total hours lost	2,402	2,458	1,464	2,204	+51%
Lost time injuries	5	0	2	2	0%
Minor injuries	93	91	106	68	-36%
Property damage	27	10	20	10	-50%
Prosecutions	1	0	0	0	0%

Workforce Profile

	2005	2006	2007	2008
Males	303	307	318	311
Females	134	130	123	131
TOTAL	437	437	441	442
Permanent	358	358	360	354
Temporary	26	26	31	35
Part-time	53	53	50	53
TOTAL	437	437	441	442
Redundancies	3	5	3	7
Recruitment	34	42	54	55
Unplanned absences (%)	2.93	2.29	2.71	1.90

	Benchmark or Target	% of Total Staff ²				
		2004	2005	2006	2007	2008
Women	50%	34%	33%	30%	28%	30%
Aboriginal people and Torres Strait Islanders	2%	1.1%	1.1%	0.9%	0.9%	0.7%
People whose first language was not English	20%	5%	5%	5%	5%	5%
People with a disability	12%	7%	6%	5%	4.8%	4.8%
People with a disability requiring work-related adjustment	7%	1.1%	0.8%	0.7%	0.5%	0.5%

Trends in the Representation of EEO Groups¹

Notes:

1. Staff numbers are as at 30 June 2008
2. Excludes casual staff

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

Trends in the Distribution of EEO Groups¹

	Benchmark or Target	Distribution Index ³				
		2004	2005	2006	2007	2008
Women	100	85	86	87	89	90
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A	N/A
People with a disability	100	100	102	103	104	104
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	N/A	N/A

Notes:

1. Staff numbers are as at 30 June
2. Excludes casual staff
3. A Distribution index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution index is automatically calculated by the software provided by ODEOPE.
N/A displayed where there are less than 20 staff in a particular EEO group.

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

Freedom of Information Requests

One application was received during this financial year - few FOI applications have ever been received by the Corporation.

FOI Requests	Personal	Other	Total	Personal	Other	Total
	(Previous year)	(Previous Year)	(Previous Year)	(Current year)	(Current Year)	(Current Year)
New	-	4	4	-	1	1
Brought forward (incomplete)	-	1	1	-	-	-
Total to process	-	5	5	-	1	1
Complete	-	5	5	-	1	1
TOTAL PROCESSED	-	5	5	-	1	1
Unfinished (Carried Forward)	-	1	1	-	-	-

Result of FOI Request	Personal (Previous year)	Other (Previous Year)	Total (Previous Year)	Personal (Current year)	Other (Current Year)	Total (Current Year)
Granted in Full	-	2	2	-	-	-
Granted in Part	-	1	1	-	-	1
Deferred	-	2	2	-	-	-
Withdrawn	-	-	-	-	-	-
COMPLETED	-	5	5	-	-	1

Number of requests requiring formal consultations	Issued	Total
TOTAL (Previous & Current Years)	-	-

Grounds on which internal review requested (Previous & Current Years)	Personal Upheld	Other Varied	Upheld	Varied
TOTAL	-	-	-	-

Basis for Disallowing or Restricting Access	Personal (Previous year)	Other (Previous year)	Personal (Current Year)	Other (Current Year)
S.19 application incomplete, wrongly directed	-	-	-	-
S.22 deposit not paid	-	-	-	-
S.25 (1)(a1) unreasonable diversion of resources	-	-	-	-
S.25 (1)(a) exempt	-	1	-	1
S.25 (1)(b)(b1)(c)(d) otherwise available	-	-	-	-
S.28 (1)(b) documents not held	-	-	-	-
S.24 (2) deemed refused over 21 days	-	-	-	-
S.31 (4) releases to medical practitioner	-	-	-	-
TOTAL	-	1	-	1

Costs & Fees of Requests Processed
(including all processed and withdrawn FOI requests)

	Assessed Costs (Previous Year)	FOI Fees Received (Previous Year)	Assessed Costs (Current Year)	FOI Fees Received (Current Year)
All requests	\$120	\$120	\$480	\$480
Total	\$120	\$120	\$480	\$480

Type of discount allowed on fees charged	Personal (Previous Year)	Other (Previous year)	Personal (Current Year)	Other (Current Year)
Public interest	-	-	-	-
Financial hardship – Pensioner/Child	-	-	-	-
Financial hardship – Non-profit Organisation	-	-	-	-
TOTAL	-	-	-	-

Days to Process	Personal (Previous Year)	Other (Previous year)	Personal (Current Year)	Other (Current Year)
Elapsed time	-	-	-	-
0-21 days	-	1	-	-
22-35 days	-	2	-	1
Over 35 days	-	-	-	-
TOTAL	-	3	-	1

	Personal	Other	Personal	Other
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Processing hours	(Previous Year) (Previous year)		(Current Year) (Current Year)	
0-10 hours	-	2	-	-
11-20 hours	-	-	-	1
21-40 hours	-	1	-	-
Over 40 hours	-	-	-	-
TOTAL	-	3	-	1

Social Responsibility Statement

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

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

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

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

Hunter Water Corporation embraces social responsibility in all its operations. Major activities addressing social responsibility in 2007-08 included:

- Providing for the community’s well being through standards of service that meet or exceed operating licence requirements for drinking water quality, water supply continuity, water pressure at the customers’ properties and reliable transport of sewage. Hunter Water lodged a project application and preliminary environmental assessment with the Department of Planning for the construction of Tillegra Dam near Dungog. The dam will provide drought security and help secure the water supply future of the lower Hunter community in the light of projected population growth. More information can be found in the Operational Excellence and Environment sections of the main report.
- Planning for a range of water supply and demand management measures through the release of the Draft H₂50 Plan in April 2008. Planning continued for a number of residential recycled water supply projects at Chisholm, Gillieston Heights and Cooranbong and a major industrial recycling scheme on Kooragang Island.
- Responsible dealings with customers. We have in place a customer contract that clearly outlines the Corporation’s obligations to customers. There are also internal complaint handling mechanisms in place and a capacity for external, independent dispute resolution through the Electricity and Water Ombudsman of NSW (EWON). Provision is also made for payment assistance through a Code of Debt and Disconnection and further assistance is available through a scheme administered for the Corporation by local welfare agencies. Various mechanisms are available to facilitate dealings with the Corporation by people of non-English speaking background. Details of these relationships with customers are covered in the Customers sections of the main report.
- Several avenues for community consultation. These include a formal Community Consultative Forum constituted in line with the requirements of s5.4 of the Corporation’s operating licence, “open” sessions of the monthly meeting of the Board of Directors covering key performance measures and matters of broad community interest, community consultation on proposed works activities and participation at major community events. A special Community Reference Group for the Tillegra Dam proposal met regularly to advise on issues of community interest in relation to the dam proposal. Regular community newsletters are issued about the dam proposal in both hard copy and electronic form and published in local newspapers. A drop-in centre near the proposed dam site provides a local venue for face-to-face consultation with the affected community. A new internet website was launched in August 2007 with a number of new interactive information and learning features. These topics are outlined more fully in the Customers and Environment sections of the main report.
- Negotiations were completed with Dungog Shire Council for the transfer of the Council’s water and sewer businesses to Hunter Water from 1 July 2008. This transfer will provide residents of the shire with generally lower water and sewer charges and defined standards of service in line with Hunter Water’s operating licence. It will also enable Hunter Water to deliver a new sewer scheme to the township of Clarence Town at affordable prices.
- Continuation of a focussed program of community partnerships and sponsorships that contribute to sustainability and environmental awareness. This included sponsoring the Chair Environmental Engineering at Newcastle University and an applied research program at the University. Details of sponsorships are available in the main report section titled Customers.
- Further progress on provision of sewerage services to smaller communities in the Hunter region under the Government’s Priority Sewer Program and planning for delivery of sewer services to Clarence Town. Other major construction work was undertaken to upgrade the sewer networks to better handle increased volumes in wet weather. Details of progress in 2007-08 can be found in the Operational Excellence section of the main report.
- A wide range of programs to protect the health and safety of our staff, to improve staff communications and provide them with training, personal development and new skills. These are covered in the Performance Culture section of the main report.
- A range of other supporting services to our customers. These include water-use efficiency programs such as refit kits for households and access to rainwater tank rebates. Details can be found in the main report.

Other community, environmental and social initiatives that together make up the Corporation's triple bottom line approach to sustainable operations are outlined in the main report.

At no time were these activities incompatible with the Corporation's strategic objectives set out in its Strategic Business Plan for the period from 2007 to 2012 and attached to the Statement of Corporate Intent for 2007-08. None of these activities is considered to be incompatible with the Corporation's objectives.

Statement of Corporate Intent

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

The SCI performance targets for the 2007/08 financial year and the actual results are as follows:

	2007-08 SCI Target \$M	2007-08 Actual \$M
Operating Profit before Income Tax Expense	70.3	56.0
Income Tax Expense	18.3	21.1
Net Debt	449.6	400.7

Operating profit was lower than target primarily as a result of unfavourable superannuation fund performance while the lower level of net debt is a result of delays in the timing of capital expenditure.

Research & Development

During 2007-08 the Corporation undertook research & development on four projects covering water & corrosion subjects. This research was conducted both internally and in collaboration with other organisations such as the University of Newcastle and Hunter-Central Rivers Catchment Management Authority.

	\$
1 Identifying and quantifying the water quality risk from different sources of tastes and odours in source waters	11,000
2 Ozone enhanced particle removal in water treatment	44,000
3 A Bayesian hierarchical approach for simulating multi-time scale hydrological variability for water resource planning	11,000
4 Williams River best management practice farm demonstration site	44,000

Consultants from 1 July 2007 to 30 June 2008

Consultants Over \$30,000

Consultant	Project	Cost
Environmental		
Connell Wagner Pty Ltd	Tillegra Danm - Environmental Assessment	\$1,025,248
NSW Department of Commerce	Thornton North Recycled Water Reservoir & Associated Infrastructure - Feasibility Study	\$88,600
Hunter Water Australia	Kooragang Recycled Water Project - Industrial Reuse Options Development Study	\$34,009
Hunter Water Australia	Kooragang Recycled Water Project Concept Design	\$224,290
Energetics Pty Ltd	Greenhouse Gas Abatement Strategy	\$46,300
Engineering		
Hunter Water Australia	Balickera Pump Station Pre-Treatment & Modifications	\$676,556
Hunter Water Australia	Miscellaneous Consultancy work	\$199,864
Hunter Water Australia	Technical Advice & Support	\$163,021
Hunter Water Australia	Wallsend Water Pump Station Upgrade - Concept Design	\$160,209

Hunter Water Australia	Chichester Dam Landslip	\$139,783
Hunter Water Australia	Boulder Bay WWTW - Stage 2 Upgrade Design & Ref	\$138,052
Hunter Water Australia	Dungog PAC/KMn04 Dosing Plant Design	\$132,366
Hunter Water Australia	Refurbishment of Anna Bay Aerator	\$129,421
Hunter Water Australia	Tillegra Dam-Management of peer review process	\$128,560
Hunter Water Australia	Killingworth No 1 & VGS Upgrade - Concept Detail Design	\$123,289
Hunter Water Australia	Morpeth WWTW Stage 2 - Concept Detail Design	\$122,408
Hunter Water Australia	Dora Creek Stage 1 & 2 Wastewater Transportation Upgrade - Concept Detail Design	\$111,540
Hunter Water Australia	Burwood Beach WWTW screenings handling & Odour Control Upgrade - Concept Detail Design	\$104,112
Hunter Water Australia	Grahamstown WTP Satge 2 - Coagulation Upgrade	\$93,426
Hunter Water Australia	Tillegra Dam - Dam Break Analysis - Investigation	\$91,412
Hunter Water Australia	Morpeth WWTW Upgrade Detail Design Concept Design Work - Includes Recycled Water Plant for Berry Park Development	\$77,571
Hunter Water Australia	Design of Thornton North Dual Reticulation Scheme	\$71,745
Hunter Water Australia	Dungog Water Treatment Plant - Chlorination Equipment Upgrade	\$55,290
Hunter Water Australia	Morpeth Wastewater Transport Servicing Strategy	\$51,076
Hunter Water Australia	Karuah WWTW - Capacity Review	\$50,373
Hunter Water Australia	DN375 & DN600 Trunk Mains Wangi to Morisset - Condition Assessment	\$49,800
Hunter Water Australia	Tillegra Dam-Chichester to Tillegra transfer options study	\$48,355
Hunter Water Australia	Schroder & Grahamstown WTP Condition Based Assessment	\$45,200
Hunter Water Australia	Dudley 2 & 4 Emergency Storage Upgrades - Detail Design	\$42,270
Hunter Water Australia	Design Services for Construction of Kooragang Watermain	\$42,079
Hunter Water Australia	Emergency Generator at Cessnock 1 WWPS - Design & Tender Documentation	\$40,428
Hunter Water Australia	Tillegra Dam - Assistance with EOI & Peer Reviewing Process Planning	\$37,125
Hunter Water Australia	Morpeth WWTW Upgrade Detail Design Concept Design Work - Includes Recycled Water Plant for Berry Park Development	\$33,230
Hunter Water Australia	Farley Wastewater Transport System Servicing Strategy	\$30,134
NSW Department of Commerce	Tillegra Dam Investigation & Design	\$1,796,115
NSW Department of Commerce	Tomaree Water System Stage 1 Upgrade Reservoir	\$43,150
NSW Department of Commerce	Cameron Park Reservoir - Concept Design & Tender Documentation	\$41,971
Connell Wagner Pty Ltd	Newcastle Wet Weather Pump Station - Concept Design	\$195,250
Connell Wagner Pty Ltd	Cockle Creek Watermain Aerial Crossing	\$138,948
Connell Wagner Pty Ltd	Dudley/Charlestown Wastewater Upgrades Stage 1 - Concept Detail design & Tender Documentation	\$83,039
Connell Wagner Pty Ltd	Millfield & Ellalong Sewerage Scheme - Design	\$68,638
Connell Wagner Pty Ltd	Branxton WWT Stage 2 Upgrades - Options Design Report	\$64,334
Connell Wagner Pty Ltd	Branxton No 2 & Redhead WWPS Upgrade - Concept Detail Design	\$63,869
Worley Parsons Services Pty Ltd	Raymond Terrace WWTW Stage 2/3 Upgrade - Detail Design & Contract Documentation	\$410,020
Worley Parsons Services Pty Ltd	Wyong Trunk Watermain Stage 4 - Concept Design	\$244,810
Worley Parsons Services Pty Ltd	Cessnock Wastewater Transportation System Upgrade - Concept Detail Design & Tender Documentation	\$128,640
Worley Parsons Services Pty Ltd	Raymond Terrace No's 2, 3, 4 & 7 and Medowie No 11 WWPS - Concept & Detail Design	\$121,131
Worley Parsons Services Pty Ltd	Maitland /North Rothbury Stage 2 Water Supply System Augmentation - Concept Detail Design & Tender Documentation	\$103,431
Worley Parsons Services Pty Ltd	Upgrade Management Plans for Wastewater System of Inland Water Catchments	\$97,843
Worley Parsons Services Pty Ltd	Lower Hunter Upgrade Management Plan	\$80,122
Worley Parsons Services Pty Ltd	Port Stephens Catchment WW Transportation Systems - Upgrade Management Plan	\$61,058
Worley Parsons Services Pty Ltd	Raymond Terrace No 4 WWPS Rising Main Replacement Review, Concept & Detail Design	\$44,992
Worley Parsons Services Pty Ltd	Toronto Wastewater Transportation Stage 1 Upgrade Options Assessment	\$44,390
GHD Pty Ltd	CTGM Replacement between Tarro & Shortland - Route Selection Concept Design & Tender Documentation	\$504,070
GHD Pty Ltd	Cardiff 1 WWPS Upgrade - Options Report	\$212,459
GHD Pty Ltd	Dora Creek WWTW Effluent Main from Eraring Power Station to Carey Bay	\$181,165
GHD Pty Ltd	Tomago Trunkmain Upgrade over Ash Island - Concept Design & EIA	\$63,745
GHD Pty Ltd	Tillegra Dam Masterplan	\$57,867

GHD Pty Ltd	Water Network Asset Revaluation	\$41,963
GHD Pty Ltd	Deslination Site Selection Study	\$39,760
Opus International Consultants	Design of Roads around Tillegra Dam	\$895,301
Sinclair Knight Merz	Paxton WWTW Upgrade - Concept Detail Design	\$360,095
Sinclair Knight Merz	Paxton WWTW Upgrade - Concept Design & Ref	\$102,812
Sinclair Knight Merz	Windale 2 WWPS Upgrade	\$81,143
Sinclair Knight Merz	Kurri Kurri Wastewater Transportation System Stage 1 Upgrade - Engagement 1 Options Report	\$69,420
Sinclair Knight Merz	Tanilba Bay WWTW Infiltration Ponds Ground Water Modelling Study	\$40,400
Sinclair Knight Merz	Windale Wastewater Transport System Stage 1 Upgrade	\$34,261
CH2M Hill Australia Pty Ltd	Burwood Beach WWTW - Concept Design & EIA - Stage 11 Upgrade	\$242,563
CH2M Hill Australia Pty Ltd	Branxton WWTW Stage 3 Concept /EIA	\$208,584
CH2M Hill Australia Pty Ltd	Toronto WWTW Capacity Review & Upgrade Strategy	\$69,942
CH2M Hill Australia Pty Ltd	Edgeworth WWTW Aeration System Upgrade - Detail Design	\$68,987
Parsons Brinckerhoff	Upgrade Management Plan for Transportation Systems of Upper Hunter River Catchment	\$169,333
Parsons Brinckerhoff	Dora Creek WWTW Upgrade - Concept, EIA & Detail Design	\$109,737
Parsons Brinckerhoff	Edgeworth WWTW Inlet Upgrade - Concept, EIA & Detail Design	\$37,704
Peterkin Consulting	Independent Facilitator for Tillegra Dam Project	\$211,408
ERM Australia Pty Ltd	Tillegra Dam EIA Stage 2 Contemporary Cultural Heritage Assessment	\$111,156
Optimatics Pty Ltd	Genetic Algorithm Optimisation Tool for Pressure Reduction Part 1A	\$67,784
ENSR Australia Pty Ltd	Section 87 Site Investigation at Thornton	\$58,171
Total Consultants over \$30,000 78		\$12,478,715

Consultants Less Than \$30,000

Category	Number	Cost
Finance & Accounting/Tax	0	\$0
Information Technology	0	\$0
Environmental	1	\$8,100
Organisational Review	0	\$0
Training	0	\$0
Engineering	53	\$360,307
Total Consultants less than \$30,000	54	\$368,407

Major Acquisitions over \$0.5 Million

Hunter Water is required by its Operating Licence to report on major acquisitions over \$0.5M dollars:

Replacement of Assets (various watermains, sewer mains etc)	\$19.57M
Tillegra Dam	\$16.58M
Belmont WWTW Upgrade – Stage 3	\$13.53M
Morpeth WW System Upgrade – Stage 1	\$8.48M
Balickera Upgrades	\$7.42M
ICT Projects (software/hardware, CIS, etc)	\$3.66M
Edgeworth WWTW – Construction	\$1.52M
Priority Sewer Program	\$1.02M
Tourle Street Bridge relocation	\$0.99M
TOTAL COST	\$72.77M

Donations & Sponsorships

To Non-Government Community Organisations

Non Government Organisations	Descriptions	Amount \$
APS Conference & Tours Newcastle	Aust Plants Society Conference & Tours	4,000
1st Warners Bay Scout Group	1st Warners Bay Scout Group	2,000
Bank Hotel Cricket Club	Sponsorship - Bank Hotel Cricket Club	700
Cooks Hill Surf Lifesaving Club Bars2bar	Cooks Hill Surf Lifesaving Club Bars2bar	10,000
Dungog A & H Association Inc	Sponsorship 2007 Dungog Show	2,000
Dungog High School	Sponsorship - Dungog High School	200
Dungog Pedalfest	Westpac Rescue Helicopter Service	4,000
Engineers Australia	Engineers Australia	3,000
Forum Sports & Aquatic Centre	Newcastle University Sport	9,000
H Events	Sparke Helmore NBN 08 Triathlon	1,955
Holy Family Primary School	Holy Family Primary	4,500
Leukaemia Foundation	Purchase Worlds Great Shave	2,727
Hunter Central Rivers CMA	Hunter Central Rivers CMA	2,000
Hunter Central Rivers CMA	Hunter Central Rivers CMA	2,000
Hunter Central Rivers CMA	Hunter Central Rivers CMA	21,000
Hunter Central Rivers CMA	Cottage Creek Pollution Control	15,000
Hunter Surf Lifesaving Inc.	Hunter Surf Life Saving Inc	25,000
Housing Industry Association Ltd	Housing Industry Association	2,750
St Mary's High School		1,800
Surfest Ltd	Surfest Limited	11,364
The Wetlands Centre	Hunter Wetlands Centre Australia	2,500
Wateraid Australia	Membership of Wateraid for the	5,000
Westpac Rescue Helicopter	Westpac Rescue Helicopter	9,781
Wetlands Enviro Education Centre	Wetlands Environment Education Centre	3,000
Jennifer Musicka	Jennifer Musicka	1,955
Hunter Region Botanic Gardens	Hunter Region Botanic Gardens	2,000
Trees In Newcastle	Sponsorship Biodiversity In Schools	4,000
University Of Newcastle	Purchase University Of Newcastle	1,364
University Of Newcastle	Purchase University Of Newcastle	455
University Of Newcastle	2007 A Bayesian Hierrarchical Approach	10,000
University Of Newcastle	UNISS Sponsor Donation As Per Invoice	73,144
Screen Artists Pty Ltd	Sponsorship - Dungog Film Festival 2008	3,000
The Wetlands Centre	Hunter Wetlands Centre Australia	15,000
Tocal Field Days Inc	Tocal Field Days Association	10,000
Williams River Care Assoc. Inc	Sponsorship of Canoe Race on Williams River	1,500
Hunter Region Landcare Network	Hunter Region Landcare Network	15,000
Hunter Valley Research Foundation	Hvrf - Major Sponsor Level 2007-08	9,000
Newcastle/Hunter Dragon Boat Club Inc	HWC Entry Fee-Dragon Boat Regatta	500
Newcastle Maritime Museum	Newcastle Maritime Museum Society Inc	45,000
		337,193

To Government Organisations

Government Organisations	Description	Amount \$
Department Of Environment & Climate Change NSW	Sponsorships Silver Partner Globe	5,000
Department Of Environment & Climate Change NSW	Sponsorships Silver Partner Globe	7,500
Irrawang Public School	Purchase of Water Tank & Fittings	1,113
Lake Macquarie City Council	HWC's Contribution for Stage 3 (07/08)	14,000
Lake Macquarie City Council	Lake Macquarie Council	3,500
Lake Macquarie City Council	Sponsorship-School Environment Awards	500
Lake Macquarie City Council	Lake Macquarie City Council	4,940
Lake Macquarie City Council	Contribution to 2007-08 Stormwater	6,000
Lake Macquarie Landcare, Inc.	HWC Bronze Sponsorship 2007/08	1,000
Lake Macquarie Landcare, Inc.	Lake Macquarie Landcare Inc	7,500
Maitland City Council	Maitland City Council	5,000
Nulkaba Public School	Rain Retain Recycle Project 1/7-30/6/08	2,000
Octapod Association	Sponsorship-Stomp Festival Ethnic Community	1,500
Port Stephens Council	Sponsorship-School Environment Education Program	500
Port Stephens Council	Sponsorship of Green Access Poster 08	500
Warada Landcare Group	Warada Aboriginal Landcare	2,000
Wioa Ltd	Wioa Nsw Conference - 2008 Sponsorship	5,000
		67,553

Overseas Trips - Commenced During 2007/08

Hunter Water Corporation

Name	Destination	Departure Date	Duration	Reason
Julie Thomas	New Zealand	19/08/07	3 Days	Metro Water Partnering Arrangement
Andrew Amos	New Zealand	17/11/07	5 Days	Metro Water Employee Exchange
Kevin Young	New Zealand	19/08/08	3 Days	Metro Water Partnering Arrangement
Kevin Young	Israel	26/10/07	9 Days	Israel Water Trade Mission
Kevin Young	USA	8/06/08	12 Days	Seattle Public Utilities Partnering arrangement
Steve Hopton	USA	5/04/07	9 Months	Seattle Public Utilities - Consulting
Peter Buckland	USA	19/10/07	14 Days	Calgary – HWA Consulting
Bruce Cole	New Zealand	10/06/08	3 Days	Consulting
Ron Robson	Israel	26/10/07	9 Days	Israel Water Trade Mission

Hunter Water Australia

Name	Destination	Departure Date	Duration	Reason
Jim Keary	Canada	11/07/2007	11 Days	Calgary, Sacramento & NEXGEN – Consulting
Jim Keary	Canada	13/10/2007	22 Days	Calgary – Consulting
Jim Keary	Canada	10/02/2008	21 Days	Calgary – Consulting
Jim Keary	India	18/06/2008	8 Days	Coramandel Group meetings
Jim Keary	Singapore	24/06/2008	4 Days	International Water Week Conference
Jeff Gleeson	Singapore	26/05/2008	5 Days	DNV Consulting
Mark Dawson	India	18/06/2008	8 Days	Coramandel Group meetings
Mark Dawson	Singapore	24/06/2008	4 Days	International Water Week Conference
Matthew Dafter	Canada	14/07/2007	6 Days	Calgary – Consulting
Peter Dennis	New Zealand	13/09/2007	3 Days	Auckland WaterCare – Consulting

Consultative Forum

Cr Wendy Harrison	Lake Macquarie City Council
Cr Jeffrey Maybury	Cessnock City Council
Cr John Nell	Port Stephens Council
Cr Arch Humphery	Maitland City Council
Cr Marilyn Eade	Newcastle City Council
Cr Glenn Wall	Dungog Shire Council
Mr P Murphy	Hunter Business Chamber
Ms Carolyn Gillard	Environmental Education
Mr Kevin McDonald	Hunter Region Botanic Gardens
Ms I Berthold	Hunter-Rivers Catchment Management Authority and Waterwatch
Mr Alex Burns	Northern Settlement Services
Mr Bob Hopkins	Newcastle Combined Pensioners Area Council
Mr James Hopson	Williams River Water Users Association
Mr Rick Banyard	Property Owners Association
Prof George Kuczera	University of Newcastle

Account Payment Performance

Aged analysis at the end of each quarter

Quarter	Current (i.e. within due date) \$	Less than 30 days overdue \$	Between 30 and 60 days overdue \$	Between 60 and 90 days overdue \$	More than 90 days overdue \$
September	\$84,051,726	\$5,586,936	\$639,069	\$117,938	\$61,730
December	\$50,069,552	\$7,632,855	\$488,088	\$334,167	\$230,795
March	\$50,416,279	\$14,317,758	\$575,620	\$73,839	\$72,647
June	\$51,584,239	\$3,564,671	\$504,731	\$353,645	\$177,752

Accounts paid on time within each quarter

Quarter	Total Accounts Paid on Time			Total Amount Paid \$
	Target %	Actual %	\$	
September	95%	92%	\$84,051,726	\$90,457,399
December	95%	85%	\$50,069,552	\$58,755,457
March	95%	80%	\$50,416,279	\$65,456,143
June	95%	92%	\$51,584,239	\$56,185,038

The majority of invoices which were not paid promptly were those which were under dispute or waiting until full finalisation or satisfaction of the related work, steps are also being carried out to automate the authorisation processes.

No interest was paid due to late payments.

Credit Card Certification

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

Consumer Response

Hunter Water was able to demonstrate its commitment to continuous improvement during the year by achieving a significant reduction in customer complaints.

The Case Investigation team undertook an analysis project focussing on the cause factors or trigger points for complaints being initiated. Two main areas for improvement were identified:

- Priority was required to fast track upgrade work in identified problem areas for sewer and water systems.
- Improvement was required in Hunter Water's internal communication to adopt a one team approach which delivers seamless service to our customers.

As a result of these issues being identified, improvement was achieved in both areas which delivered the following results:

- 31% reduction in the volume of complaints
- Results on complaint handled improved with the following results:
 - 100% meaningful response in under 5 days, 99.7% in under 2 days
 - Best ever result in complaints resolved in under 10 days

Land Disposal

Hunter Water Corporation did not dispose of any property during the 2007/2008 financial year.

Heritage Management

Below is a current list of Hunter Water Corporation's Heritage Assets:

1. Munni House;
2. Minmi Reservoir;
3. Lambton Reservoir & Pumping Station;
4. Irrawang Pottery site;
5. Dudley Reservoir;
6. Tarro Pumping Station;
7. Minmi Wastewater Treatment Works;
8. West Wallsend Valve House and Underground Reservoir; and
9. The Obelisk.

The first item on the list, Munni House, will be assessed as to its heritage significance as part of the Development Application process for the proposed Tillega Dam.

Each of these assets is considered to be in good condition given the various environments in which they are located.

Legal Change

The Water Industry Competition Act 2006 and the Regulations supporting its implementation (the Water Industry Competition (General) Regulation 2008 and the Water Industry Competition (Access to Infrastructure Services) Regulation 2007) commenced on 8 August 2008. The objectives of the Act and supporting Regulations are to encourage competition in the water industry and to foster innovative recycling projects and dynamic efficiency in the provision of water and wastewater services.

There has been no significant judicial decisions affecting Hunter Water or its customers.

Cost of Producing Annual Report

Cost of Producing This Report	
Printing 200 copies	\$8,992
Photographic services	\$5,820
Editorial services	\$6,503
TOTAL COST	\$21,315

HUNTER WATER CORPORATION ORGANISATIONAL STRUCTURE

HUNTER WATER AUSTRALIA PTY LTD

SUBSIDIARY COMPANY OF HWC designs and operates water and wastewater treatment plants and provides laboratory, survey, mapping, irrigation, engineering and environmental services



MANAGING DIRECTOR
JIM KEARY

HUNTER WATER CORPORATION (HWC)

STATE OWNED CORPORATION provides water storage, treatment and delivery, and wastewater collection and treatment for people, businesses and industry in the Lower Hunter



MANAGING DIRECTOR
KEVIN YOUNG
B Eng MBA FIE Aust
CPENG GAICD

REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

SUBSIDIARY COMPANY OF HWC rehabilitates, develops and bring to market more than 3,500 hectares of former BHP and other state owned lands across the Lower Hunter



MANAGING DIRECTOR
BRAD FOOT

CUSTOMERS AND COMMERCIAL DEVELOPMENT

customer services
business support
development services
product development



STEPHEN PHILLIPS
ADipEng GradDipMgmt
MBA, MComLaw, MAICD

STRATEGY AND COMMUNICATION

corporate planning
government regulation
communications
compliance & review



JOHN O'HEARN
B Comm FCPA

ASSETS DEVELOPMENT

network planning
pre-construction mgt
construction mgt
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FINANCE AND CORPORATE SERVICES

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information technology
human resources
corporate services



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ENVIRONMENT PERFORMANCE
INDICATOR REPORT

ENVIRONMENT PERFORMANCE INDICATOR REPORT

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Executive Summary

Hunter Water's operations are regulated by the NSW Government through a number of regulatory instruments including an Operating Licence. The licence specifies customer service standards, including drinking water quality and environmental requirements.

Section 7 of the Operating Licence relates to environmental management within Hunter Water. The licence requires the development and implementation of a five year Environmental Management Plan (EMP) and the development of a set of Environmental Performance Indicators that are reported each year. Between them the Environmental Management Plan and Environmental Performance Indicators form the basis for Hunter Water's public commitment and reporting in relation to environmental management and sustainability.

Hunter Water reports against 27 indicator categories with 74 individual performance measures. The performance indicators were developed as part of the 2008-2013 EMP. The 2007/08 Environmental Performance Indicators Report is the first report for the current set of indicators. Where data is available Hunter Water has provided a comparison with previous year's performance.

Environmental performance for 2007/08 has been generally strong.

Business Area	2007/08 Performance
Catchment Management	On track to met EMP commitments.
Water supply	Minor breaches in water management licence. Water demand generally down due to a wet year and mild summer.
Water supply	Minor breaches in water management licence. Water demand generally down due to a wet year and mild summer.
Water conservation	Performance good with good progress on water efficiency programs and development of the H250 Plan which outlines how Hunter Water will maintain the forecast water supply and demand balance over the next 50 years.
Water recycling	Performance was consistent with previous years. Plans are underway for several major water recycling projects.
Wastewater, trade waste, residuals	Performance in relation to trade waste, biosolids reuse and beachwatch has been excellent. Improvements are required in relation to odour management and compliance with DECC wastewater system licences.
Corporate responsibilities	One infringement notice was received in relation to a sewer overflow incident. Electricity consumption and greenhouse emissions were lower than normal due to reduced water demand during the reporting period Met targets for environmental training. Measures taken to 'green' Hunter Water's vehicle fleet.
Customers & community	Strong performance in all indicators.
Financial Indicators	Consistent performance with previous years.

1 Catchment Management

Protection of our water sources is paramount and a cornerstone of the water management approach adopted by Hunter Water. We strive to ensure appropriate protection for the source catchments and their environments. This not only benefits the broader community but also ensures that good quality and cost-effective water remains available for treatment and distribution, protecting community health, providing an asset to business and industry, reducing treatment costs and thereby minimising water prices for Hunter Water's customers.

Several of the catchments (Tomaree peninsula, Chichester Wilderness and Tomago sandbeds) for Hunter Water's bulk water sources have been well protected over many years, in the interests of maintaining good raw water quality. Consequently they were attractive to the National Parks and Wildlife Service as additions to the National Parks portfolio.

It is recognised that catchment protection activities require the active participation of a number of government agencies and private landholders. Hunter Water continues to work with these key stakeholders to ensure that vital activities such as weed management, feral animal control, bushfire management, land rehabilitation, control of illegal dumping and unauthorised access are undertaken within the drinking water catchments.

1.1 Key Performance Indicator

1.1.1 Tree planting

Total number of trees planted: 2964

Table 1.1 Trees planted

	2007/08	Total (since 2007/08)
Number of Trees planted	2964	2964

Target – Between 2007/08 and 2017/18 Hunter Water has a target to plant 1.5 million trees within catchment areas and other locations within the organisation's operational area.

Further information on catchment management can be found in the 2007-2008 Catchment Management Report.

1.2 Status on Environmental Management Plan Commitments

Deliverable	Status
Finalise Project Report for Greswick Angus Demonstration Farm	Complete
Land Management Implementation Plan outlining activities allowed within drinking water catchments	On track for completion by the end of 2008
Plan of Management agreements with DECC regarding responsibilities within Tomago, Tomaree and Stockton Groundwater Reserves	On track. A memorandum of understanding (MOU) between HWC and DECC is currently being prepared. More detailed Plan of Management will be prepared over the next two years.
Liaison with Councils and Department of Water & Energy (DWE) to ensure developments are consistent with Hunter Water (Special Areas) Regulations	Work is currently underway on the review of the Hunter Water (Special Area) Regulations and this will involve extensive liaison with DWE, Port Stephens Council, Dungog Council, Department of Planning and other stakeholders.
Continued close liaison with agencies responsible for catchment protection and incident response planning.	Liaison continued with DWE, Councils, Catchment management Authority, DECC, Crown Lands

2 Water Supply

Hunter Water is permitted to extract water from the environment under Water Management and Access licences issued by the Department of Water & Energy (DWE). The licences have detailed monitoring and reporting requirements and also include a requirement to undertake a number of supplementary environmental studies which are designed to develop a better understanding of the long term sustainability of Hunter Water's extraction activities.

In November 2006 the NSW Government announced a \$342M package of works to secure the water future of the lower Hunter and Central Coast regions for at least the next 60 years. Environmental impacts associated with the development of a new dam at Tillegra and other water source upgrades will be appropriately mitigated to ensure long term sustainability of the catchment and the region's water resources.

2.1 Key Performance Indicators

2.1.1 Water Management Licence Compliance

Total number and nature of any non-compliance under licences issued by DWE for water management.

Eight non-compliances were recorded over the period. All breaches would be described as minor in nature.

Non compliance included:

- July 2007 – a malfunction of the Seaham Weir resulted in gate 1 staying closed when there were high river flows. The gate was opened in manual mode as soon as it was practicable.
- July – September 2007 – dissolved oxygen levels in Chichester Dam fell below licence requirements of 80% saturation for 5 sampling events.
- October 2007 – the environmental flow from Chichester Dam dropped to 12.7ML/day over one day where the licence requirement is for the flow to remain above 14ML/day.
- December 2007 – the temperature difference between the surface and bottom of Chichester Dam exceeded 3°C on one sampling event. The temperature difference was 3.9 °C where the licence requirement is for a maximum difference of 3 °C.

Environmental flows released from Chichester Dam (ML)

	2006/07	2007/08
Environmental Flows (ML)	5,110	121,373

The large increase in environmental flows from 2006/07 to 2007/08 is a direct result of the large amount of runoff and stream flow that has occurred from the Chichester and Wangat Rivers which flow into Chichester Dam.

Note: When combined inflows from Chichester and Wangat Rivers are equivalent to, or greater than, 14ML/day, HWC shall maintain a minimum flow release of 14ML/day from Chichester Dam. Alternatively when the combined inflows are less than 14 ML/day, HWC shall maintain an equivalent daily flow release from Chichester Dam. These environmental flows are important to protect the ecological processes in the Williams River. With the exception of one minor breach (see above) Hunter Water complied with this requirement.

2.1.2 Sources of Water

This indicator shows where Hunter Water sources its water that is supplied to its customers.

Table 2.1 Volume of Water Sourced

	2007/08
Surface water (ML)	66,521
Ground water (ML)	2,973
Recycling (ML)	2,174
TOTAL	71,668

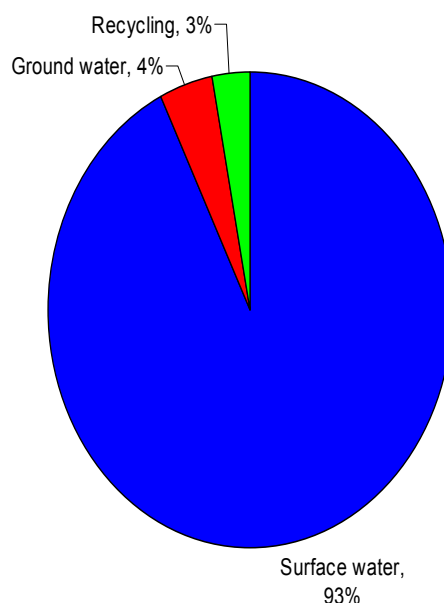


Figure 2.1 Breakdown of water sourced

2.1.3 Water Supplied From Water Storages

This indicator shows the total amount of water sourced and breaks down how much water was sourced from each of Hunter Water's storages.

Table 2.2 Sources

	ML	%
Chichester Dam	25,292	36.4%
Grahamstown Dam	41,229	59.3%
Tomago Aquifer	739	1.1%
Anna Bay Aquifer	2,234	3.2%
TOTAL	69,494	

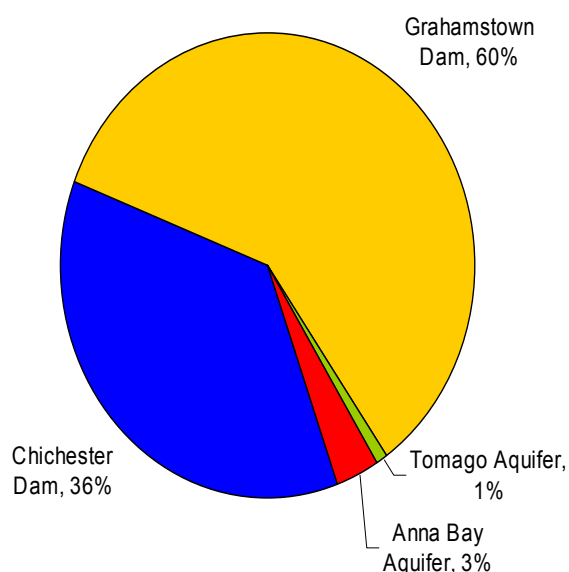
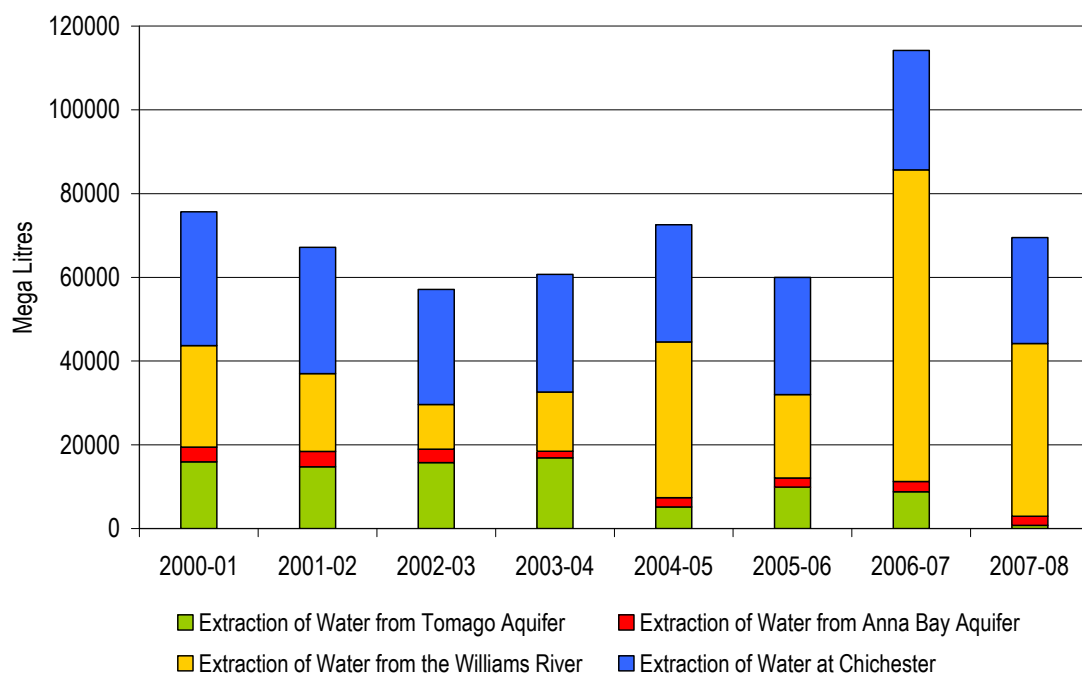


Figure 2.2 Supply Sources

Figure 2.3 Extraction of Water Source 2000/01 -2007/08



Water extracted from Tomago aquifer was significantly lower than recent years. Good rainfall allowed the majority of water supply to come from the two key surface water storages. The overall amount of water extracted by HWC was significantly less than the amount in 2006/07. Again this was mainly attributable to good rainfalls and consistently good levels in the water storages throughout the year.

2.1.4 Demand

These indicators measure water consumption by different customers. This is a critical part of Hunter Water's demand management strategy which is targeted at sustaining low water consumption.

Table 2.3 Total Urban Water Supplied

	2006/07	2007/08
Total urban water supplied* (ML)	70,599	66,009

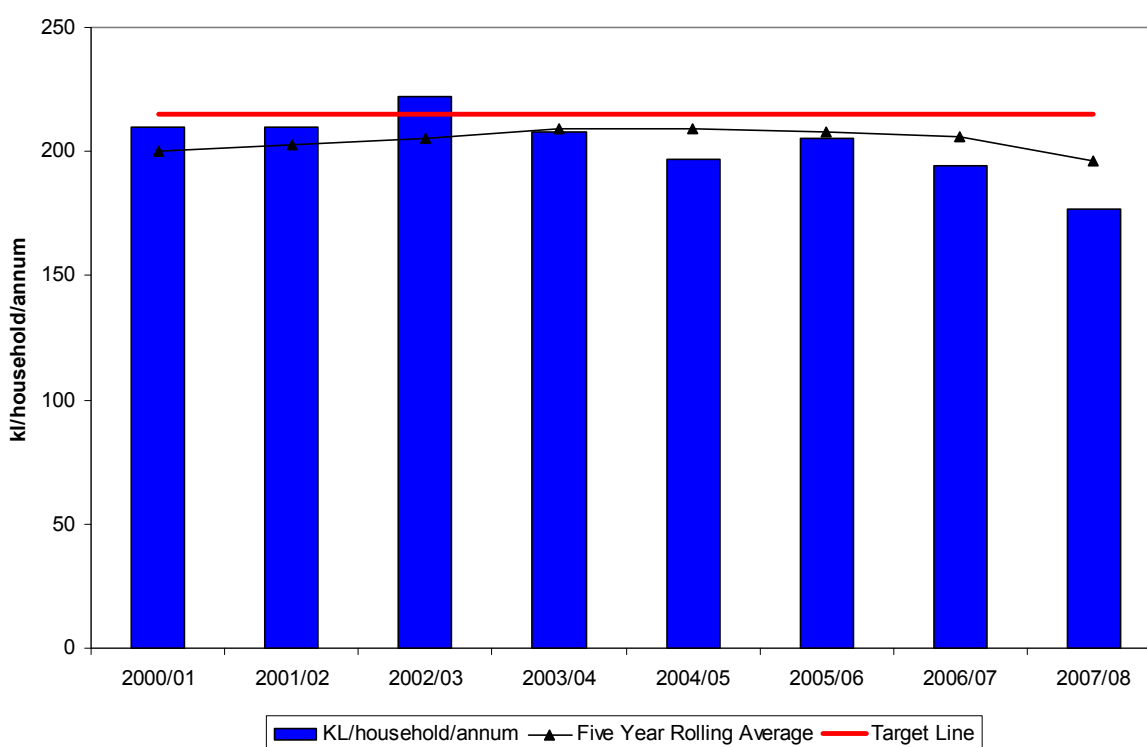
* Excludes bulk water supplies to Dungog and Central Coast which was 4201 ML in 2006/07 and 1235 ML in 2007/08.

Water consumption in 2007/08 was considerably lower than 2006/07 due to above average rainfall and a particularly mild summer.

Table 2.4 Residential Water Use

	2006/07	2007/08
kilolitres/property/annum	194	177
kilolitres/property/annum (Five year rolling average)	206	196
kilolitres/capita	76	72

Target: Hunter Water has a target to ensure that the 5 year rolling average for annual residential water consumption is equal to or less than 215 KL. This target has been achieved in 2007/08.

Figure 2.4 Residential Water Use Graph for the Past 8 Years**Table 2.5 Consumption by Sector**

	2006/07	2007/08
Residential properties (ML)	39,200	36,428
Industrial, municipal & commercial properties (ML)*	8,288	9,940
(Industrial – 893 ML, Commercial – 6229 ML, Municipal – 2818 ML)*		
Large customers (ML)**	15,092	10,478

*(excluding large customers)

** Definition of large customer has changed to make it consistent with national benchmarking.

In 2006/07 it was the 40 largest uses. It has now been defined as customers that exceed 50 ML consumption and included 34 customers in 2007/08.

2.2 Status on Environmental Management Plan Commitments

Deliverable	Status
Comply with the requirements of the water management licence, water access licence and associated approvals	Refer to 2.1.1 – 2.1.4
Preparation of a Sustainable Groundwater Extraction Strategy	Yes final draft sent to DWE for comment
Ensure environmental flows in accordance with licence requirements	Refer to 2.1.1 – 2.1.4
Environmental planning approvals issued for Tillegra Dam & Balickera Pump Station Upgrade	Tillegra Dam Environmental Assessment is expected to be ready for public exhibition in late 2008. The environmental assessment for Balickera Pump Station Upgrade has been approved and works are underway
Construction and Operational Environmental Plans for Tillegra Dam	Not required till 2010
Revise Integrated Water Resource Plan (H250 Plan)	Yes – A draft plan has been publicly exhibited and final plan due September 2008
Seek approvals to access groundwater supplies at North Stockton should water storages drop below critical trigger levels	Current water storages are sufficiently high to delay investigations
Investigate water recycling and capture options by 2009	Not required till 2009

3 Water Conservation

Starting in the 1980's, Hunter Water led the water industry in Australia with water conservation through user pays pricing, causing a sustained reduction in residential per capita demand of around 30%. At the same time, the organisation also introduced an active leak reduction program and extensive SCADA monitoring of its complete water system network.

Through the 1980's and 1990's the organisation's conservation efforts (pricing, leakage reduction, recycling etc) were viewed as individual discreet initiatives. In 2002 Hunter Water developed a comprehensive Integrated Water Resource Plan (IWRP) in consultation with the community. The Integrated Water Resource Plan is a blueprint for managing both water demand and supply, to achieve an optimal mix of the available demand and supply options, and was developed to meet the current circumstances that are driving water use and water supply in the lower Hunter.

Whilst the previous plan was considered a success, there have been a number of material changes which necessitated a major revision of the plan including a consideration of potential to expand our water use efficiency programs, leakage detection, pressure management and water recycling. These changes have now been picked up and incorporated into the new IWRP known as the H₂50 Plan.

3.1 Key Performance Indicator

3.1.2 Water Loss

It is important to include this as an indicator as it measures water that can be lost due to leaks, fire fighting and flushing etc.

Table 3.1 Losses

	2006/07	2007/08
Infrastructure leakage index	1.31	1.23
Water Losses (litres/connection/day)	108.7	100.7
Water Losses (kL/km water main/day)	5.3	4.9
Real Losses (litres/connection/day)	85	80
Real Losses (kL/km watermain/day)	4.2	3.9

The International Water Association Infrastructure Leakage Index (ILI) for 2007/08 was 1.23. (1-1.5 is categorised as excellent whilst 1.5-3.5 is categorised good/fair). This index is adapted by the broader water industry as a more legitimate measure of water loss performance than a percent of total consumption.

3.1.3 Water Restrictions

Number of Days and Level of Water Restrictions Imposed

This indicator measures the impact on the community relating to drought management.

There were no water restrictions imposed on Hunter Water customers during the 2007/08 reporting period.

Table 3.2 Water Conservation

	2006/07	2007/08
Total volume of drinking water saved through water use efficiency (ML)	3,719	4,433

This figure has increased since 2006/07 largely due to increased recycled water use and a big jump in the number of homes across the Lower Hunter that have been retrofitted with water efficient shower heads.

3.2 Status on Environmental Management Plan Commitments

Deliverable	Status
Promote and implement water use efficiency programs to the community to keep the 5 year rolling average for annual residential water consumption equal to or less than 215kL	Yes. Annual residential water consumption was less than 215kL
Leak detection of at least 4000km of watermains over next 5 years	On track – HWC has undertaken 501km of leak detection during the 2007/08 reporting period.

4 Water Recycling

Hunter Water is committed to encouraging water recycling where environmentally, socially and economically beneficial. Hunter Water has a long history of developing recycled water schemes such as the provision of recycled water to the Eraring power station.

In 2006 Hunter Water commissioned preparation of a Recycled Water Strategy to identify and evaluate recycled water opportunities in the lower Hunter. The Strategy identified the Kooragang Recycled Water Scheme and dual reticulation for greenfield developments as the highest priority recycled water opportunities. Hunter Water has committed to supply the Thornton North, Cooranbong North and Gilleston Heights development areas with recycled water for non-potable uses such as garden watering, toilet flushing and laundry.

4.1 Key performance Indicator

4.1.1 Recycled Water

This indicator is a key component of Hunter Water's demand management strategy as it measures the amount of effluent provided as a replacement for potable water.

Figure 4.1 Volume of Recycled Water Beneficially Reused

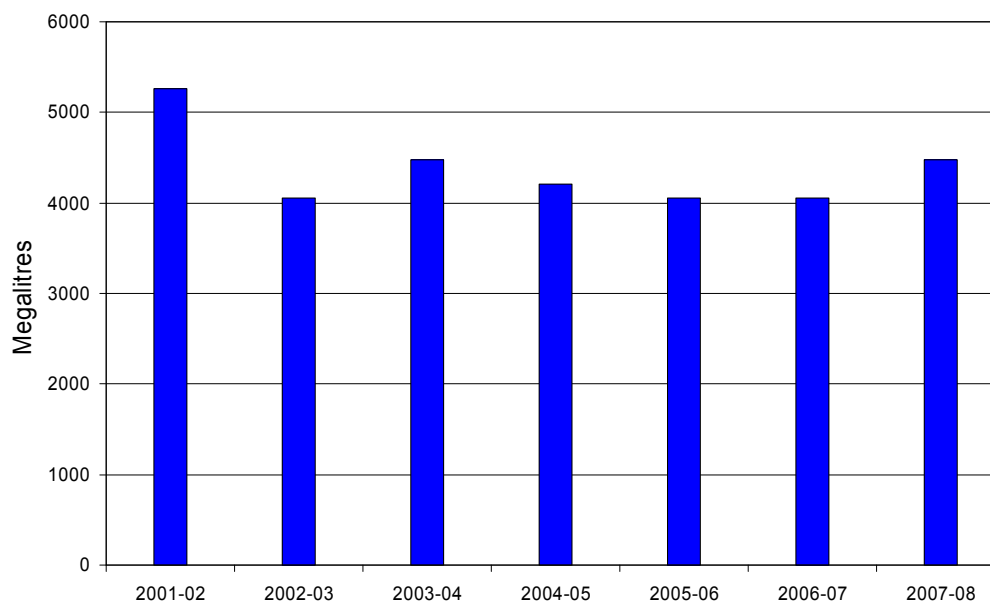


Table 4.1 Recycled Water

	2006/07	2007/08
Recycled water supplied for industrial/commercial use ML	1865	1984
Recycled water supplied for direct use in irrigation (ML)	565	289
Recycled water supplied for other uses (ML)	1630	2198
Potable water substituted by recycled water (ML)	2055	2174
Percent of recycled water substituting potable water use %	2.7	4
Total volume of recycled water supplied (ML)	4060	4471
Percent of effluent recycled (%)	8.3	7.6

4.2 Status on Environmental Management Plan Commitments

Deliverable	Status
Design of Kooragang Island Recycled water plant by 2009	On track for obtaining planning approval by the end of 2009.
Commissioning of the Thornton North Dual reticulation scheme by end of 2009	The scheme will proceed. The timing of the commissioning may be pushed back.
Increase recycled water usage to 8000ML by 2013	On track to meet this target
Education of the community for new recycled water initiatives	Yes. Education material and communication messages are currently being developed for new recycling initiatives such as dual reticulation.

5 Wastewater, Trade Waste, Residuals

The Department of Environment and Climate Change (DECC) issues licences for Hunter Water's wastewater pipe network and treatment systems. The removal of septic overflows and treated effluent from Lake Macquarie and Port Stephens and the upgrade of major coastal disposal facilities has improved the quality of the region's beaches and health of these waterways.

Beachwatch water quality monitoring results consistently reveal excellent results for the Hunter's beaches. Over the past 15 years the Hunter Sewerage Project and the Priority Sewerage Program have provided services to over 22,000 unsewered properties in outlying areas and an additional \$100M spent upgrading or rehabilitating the existing wastewater pipe network. The next ten years will see further major upgrades to both inland and coastal wastewater treatment plants to service growth and system improvements to reduce the potential for sewer overflows via an investment of some \$650 million for wastewater treatment and transport.

5.1 Key Performance Indicator

5.1.1 Trade Waste

This indicator provides a measure of the number of trade waste inspections that were carried out during the year. These inspections ensure contaminants from industry and business are not getting into Hunter Water's sewerage system.

Table 5.1 Trade Waste Inspections

	2006/07	2007/08
Trade waste inspections	555	552

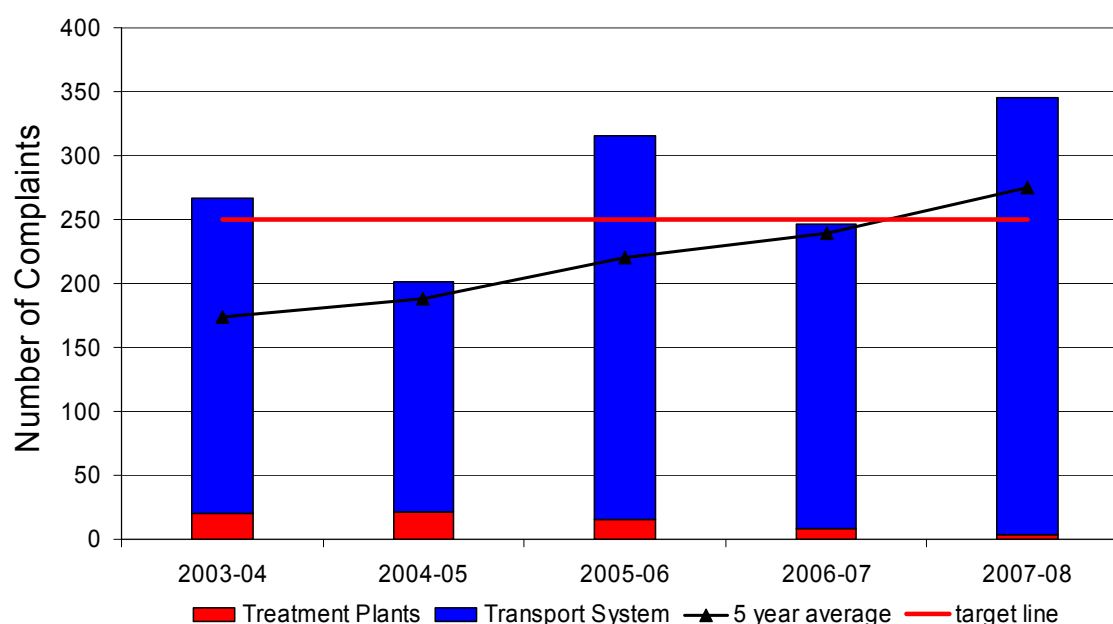
5.1.2 Wastewater System

This indicator outlines the performance of Hunter Water's sewerage system which is monitored in the licence and helps highlight areas with problems that need augmenting. It is an indicator of the impact on both the environment and customers. It also measures the impact of odours from Hunter Water's sewerage system on the local community.

Table 5.2 Sewer Transport System Statistics

	2006/07	2007/08
Sewermain breaks and chokes per 1000 properties	13.6	11.0
Sewermain breaks and chokes per 100km of sewermain	63.3	50.2
Number of odour complaints	246	362
Number of odour complaints (averaged over 5 years)	249	281
Number of odour complaints per 1000 properties	1.7	1.4
Sewerage service complaints per 1,000 properties	28.7	22.6
Sewer overflows to environment per 100km of sewermain	53.3	42.7

Figure 5.1 Odour Complaints



The 5 year average for odour complaints has been trending upwards for several years. Several targeted programs have been initiated to manage odour from known trouble spots.

5.1.3 Sewage Treatment and Compliance

This indicator is used to report on the potential impact of WWTW by level of treatment (primary, secondary, tertiary) with tertiary being the highest level of treatment. Details of plant capacity and treatment levels are outlined in Table 5.3 below. This section also reports any non compliance relating to environmental impacts under DECC sewage treatment system licence.

Table 5.3 Plant Capacities

Plant Name	Treatment Level*	Capacity in EP
Belmont	Secondary	**85,000
Boulder Bay	Tertiary	45,000
Branxton	Tertiary	4,200
Burwood Beach	Secondary	220,000
Cessnock	Tertiary	32,000
Dora Creek	Tertiary	16,000
Edgeworth	Tertiary	70,000
Farley	Tertiary	50,000
Karuah	Tertiary	2,500
Kearsley	Secondary	2,000
Kurri Kurri	Tertiary	21,500
Morpeth	Tertiary	60,000
Paxton	Tertiary	1,000
Raymond Terrace	Tertiary	24,500
Shortland	Tertiary	40,000
Tanilba Bay	Tertiary	10,000
Toronto	Tertiary	42,000

* Level of Treatment based on Water Services Association of Australia definition

** Belmont will be upgraded to 115,000EP by the end of September 2008

Percent of sewage treated to a primary level 98.4%
Percent of sewage treated to a secondary level 91.2%
Percent of sewage treated to a tertiary level 34.1%

Whilst Hunter Water has no primary level treatment plants 98.4% of sewage was treated to a minimum of primary level. The remaining 1.6% would have been a result of treatment plant bypasses which can occur in extremely wet weather and are compliant with the DECC Licence conditions.

5.1.4 Compliance with DECC wastewater treatment plant conditions

Total number (and nature) of non compliances relating to environmental impacts under DECC sewage treatment system licences

Hunter Water has 17 treatment plants with 14 separate system licences (several licences include more than one treatment plant). Out of the 14 Annual Returns submitted to DECC in 2007-08, 7 were in full compliance with the conditions specified in the relevant licences. Technical non-compliances were reported for 7 of the annual licence returns mostly relating to missed samples and weather conditions during the storm in June 2007. Also a number of missed samples were due to some treatment plants not discharging during summer, e.g. Branxton and Paxton. Burwood beach, Shortland and Dora Creek did not comply with their concentration limits. Many of the non-compliances were directly or indirectly related to the storm in June 2007. Of the 12 DECC Licences carrying load limits, 9 licences were complied with for the 2007-2008 period.

Farley, Branxton and Burwood Beach WWTW's currently have capacity constraints which mean that these plants cannot reliably meet the concentration and/or load limits on their respective licences. Hunter Water is well advanced in planning for the upgrade of these plants to ensure Licence compliance.

Percent of sewage volume treated that was compliant 97.9%

Number of sewage treatment plants compliant at all times: 7

Seven out of seventeen sewage treatment plants were compliant at all times during the reporting period.

Compliance with DECC licences (yes/no): No

During 2007/08, the environmental protection licences contained a total of 1759 conditions, of which HWC complied with 1692 (96%).

Table 5.4 Compliance with DECC Wastewater Treatment Plant Conditions

Year	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Compliance (%)	97.9	99.1	98.1	98.1	96.5	96.0

5.1.5 Recreational Water Quality

This indicator is important as it is an indirect measure of Hunter Water's coastal wastewater treatment performance.

Percentage of samples complied with the recreational water quality guidelines as reported by DECC's beachwatch program *100%*

Newcastle beaches have returned consistently high levels of compliance in recent years.

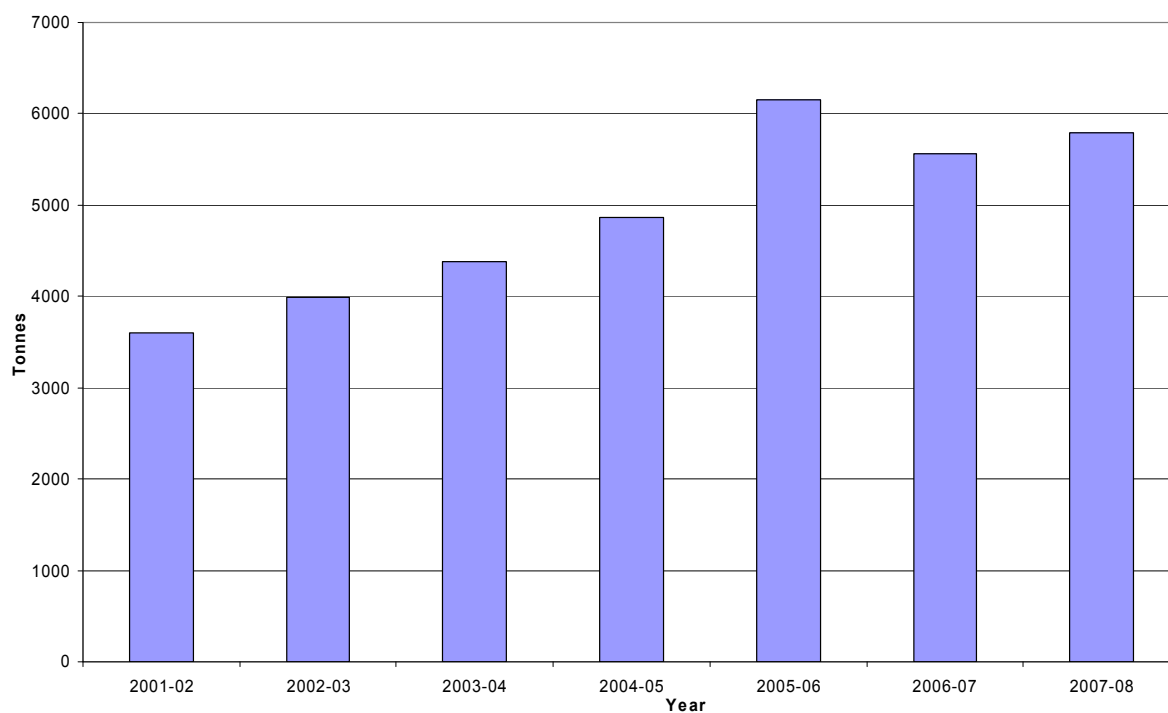
5.1.6 Biosolids

This indicator is important as it measures the amount of biosolids that are beneficially re-used for agriculture, landscaping etc from HWC's WWTW.

Table 5.5 Biosolids

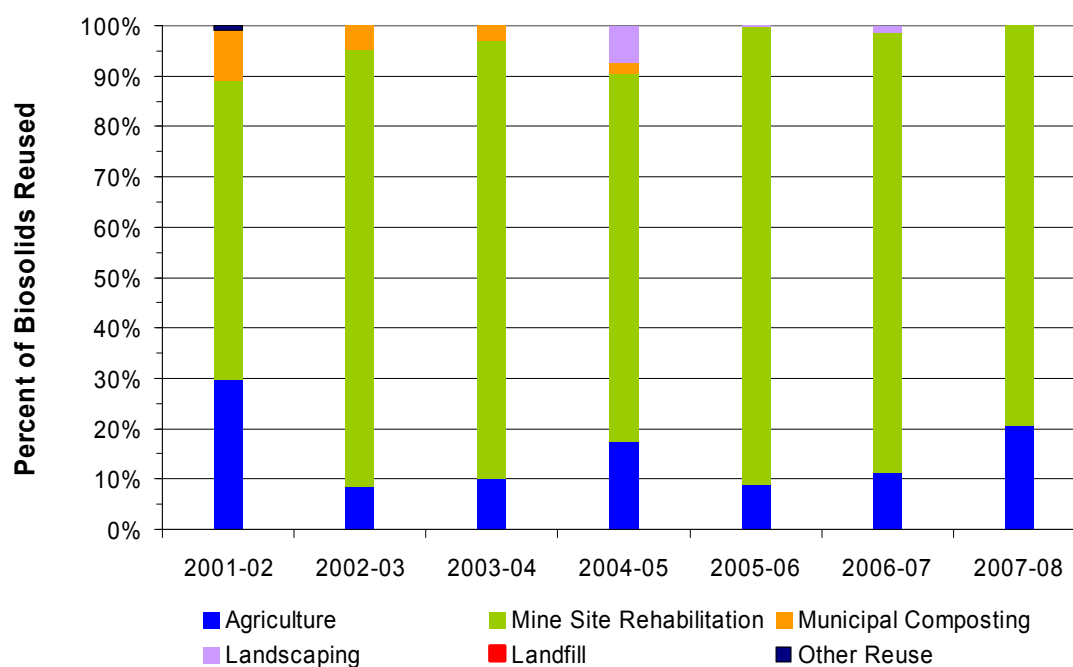
	2006/07	2007/08
Dewatered Biosolids Reused (tonnes)	5,556	5,786
Dewaterd Biosoilds Reused (%)	100	100
Percent of Biosolids Reused (%)	100	100

Figure 5.2 Dry Tonnes of Biosolids Beneficially Reused



Biosolids were re-used in mine site rehabilitation and agriculture as shown in Figure 5.3

Figure 5.3 Markets for Biosolids



5.2 Status on Environmental Management Plan Commitments

Deliverable	Status
Compliance with DECC licence requirements	96% compliance with DECC licence conditions
Meet DECC Pollution Reduction Program commitments	On track
Review and report on Inland and Coastal Monitoring Programs	Report due end 2009
Manage stormwater assets via implementation of the Stormwater Environmental Plans	Yes. HWC continues to manage stormwater assets via the stormwater environment plans and in conjunction with local community groups and authorities
Undertake 400 minor tradewaste inspections annually	Yes. 427 undertaken in the 2007/08 period
100% reuse of all dewatered biosolids	Yes. 100% of biosolids were reused for either mine rehabilitation or agriculture
Keep odour complaints below 250 (annual average of 5 years).	No. Hunter Water will continue to implement odour control measures to reach this target.

6 Corporate Responsibilities

Over the life of this plan Hunter Water will be managing a significant program of capital development which will provide assets to meet higher standards and future growth in the region. Hunter Water undertakes environmental impact assessments and community consultation for key capital works projects, keeping the community informed and ensuring the environmental and community impacts of all infrastructure projects are minimised. This also allows an opportunity for feedback from the community throughout each project.

6.1 Key Performance Indicator

6.1.1 Breaches of Statutory Instruments

Total number of prosecutions and notices (including penalty notices) issued to Hunter Water under relevant environmental legislation

Hunter Water received one infringement notice during 2007/08. A tier 3 infringement notice under the Protection of the Environment Operations Act was received from Department of Climate Change in relation to a sewer overflow incident at Weston in September 2007.

Total number of prosecutions and notices (including penalty notices) issued to contractors engaged by Hunter Water

There were zero prosecutions or legal notices issued to contractors engaged by HWC during 2007/08.

6.1.2 Noise

This measures Hunter Water's noise impact on the community from any of its activities eg; pump stations, machinery etc.

Total number of noise complaints generated from Hunter Water's construction or operational activities

Twelve verified noise complaints associated with HWC construction or operational activities during 2007/08. There were no infringement notices or fines associated with these activities.

Table 6.1 Noise Complaints From HWC Operational Activities

	2006/07	2007/08
Noise Complaints	6	12

6.1.3 Energy

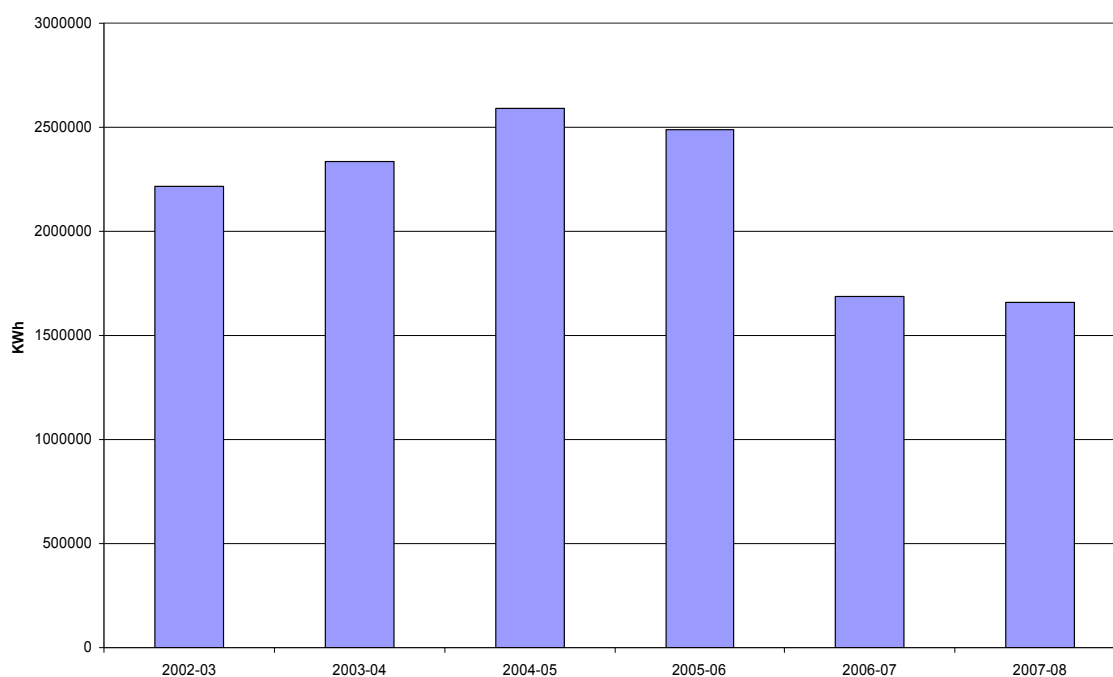
Hunter Water is a medium level consumer of electrical energy. Improved environmental performance requirements at our sewage treatment facilities and the connection of additional homes will see increased energy demands placed on Hunter Water in the future. In order to ensure our energy requirements are met in an efficient and cost effective way, Hunter Water will be working with its service providers to prepare Energy Saving Action Plans. It is important to ensure and report on energy consumptions as part of reducing greenhouse gases.

Electricity consumption of buildings (kWh)

Table 6.2 Electricity Consumption Of Buildings (kWh)

	2006/07	2007/08
Electricity consumption of buildings (kWh)	1,686,075	1,657,101

Figure 6.1 Energy Consumption of Buildings



Energy consumption from buildings is consistent with 2006/07 levels. The steep change in 2005-06 to 2006/07 was mainly attributable to a move to a new energy efficient Head Office.

Electrical energy efficiency of water and wastewater assets

Table 6.3 Electrical energy efficiency of water and wastewater assets

	2006/07	2007/08
Electrical energy efficiency of water assets (kWh/ML of water supplied)	538	430
Electrical energy efficiency of wastewater assets (kWh/ML of wastewater treated)	463	481

Figure 6.2 Electrical Energy Efficiency of Water And Wastewater Services

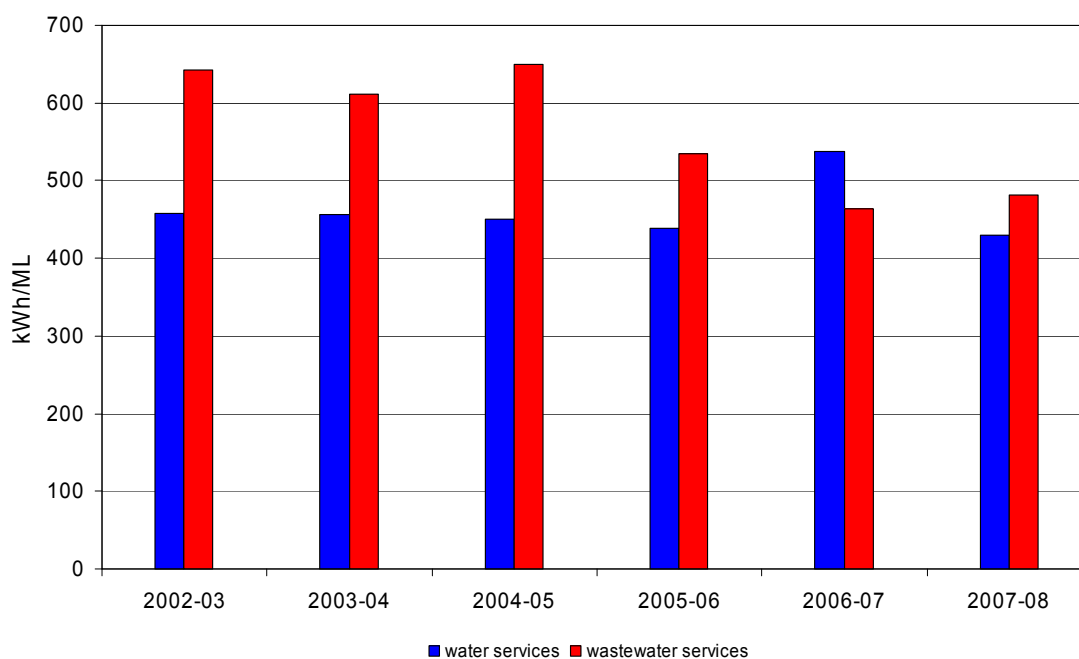
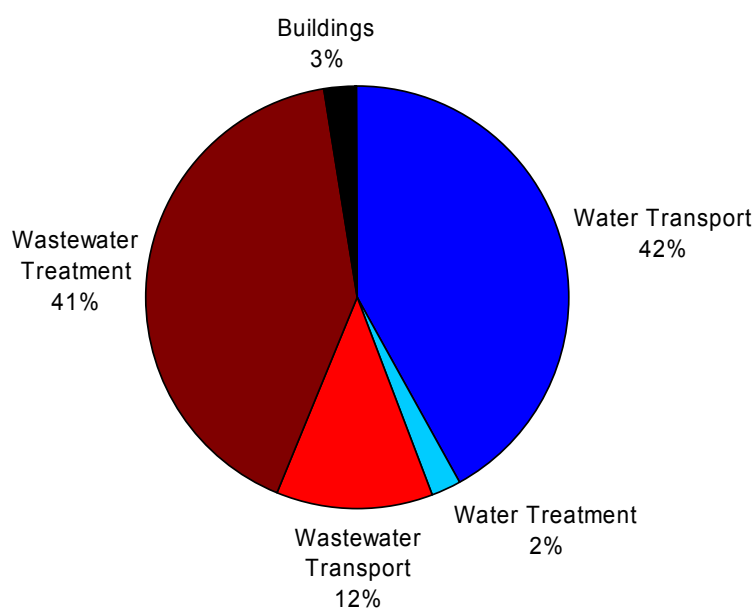


Figure 6.3 Electrical Energy Consumption



Electricity consumption from renewable sources or generated by HWC as a percentage of total electricity: 0%

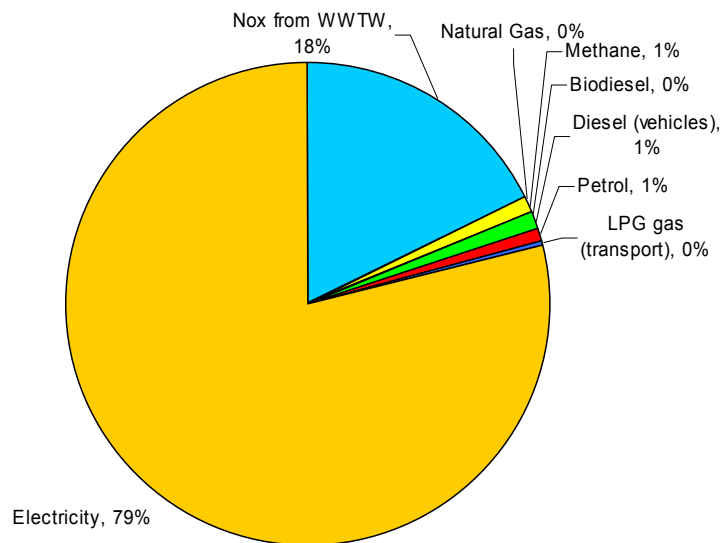
6.1.4 Greenhouse gases

Net greenhouse gas emissions (tonne CO₂ – equivalents)

Table 6.4 Net Greenhouse Gas Emissions (tonnes CO₂-equivalents)

	2006/07	2007/08
Net greenhouse gas emissions (tonne CO ₂ – equivalents)	80,293	73,543

Figure 6.4 Sources of Carbon Dioxide Emissions



Greenhouse gas emissions in 2007/08 are noticeably lower than 2006/07. This is attributable to a number of factors:

- the reduced water demand due to high rainfall and mild summer conditions (hence less water requiring to be pumped around the system)
- less water extracted from the Williams River
- considerably less water supplied to the Central Coast

6.1.5 Waste management

Our main priority with regard to efficient use of resources is to reduce waste through the implementation of Hunter Water's Waste Reduction and Purchasing Policy. This indicator will measure and report on the quality of waste that is recycled and reused and is important in terms of reducing Hunter Water's impact on landfill.

Hunter Water Corporation and its contractors produced 14,328.4 tonnes of solid waste and recycled 12,608 tonnes (almost 88%).

Table 6.5 Hunter water & contractors waste management

Materials	Quantity Generated (Tonnes)	Quantity Recycled (Tonnes)	Quantity Recycled (%)
Vegetation	30.5	30.5	100
Concrete	785.8	770.8	98.1
Soil	12,891.0	11,491.0	89.1
Timber	10.9	5.9	54.1
Bricks	3.0	3.0	100.0
Tiles	2.0	2.0	100.0
Metal – ferrous	436.0	207.0	47.5
Metals – non ferrous	10.0	10.0	100.0
Plastics	1.0	0.0	0.0
Paper & Packaging	3.6	1.2	33.8
Confidential bins	3.8	3.8	100.0
General Waste	31.3	0.0	0.0
Recycling Waste	11.7	11.7	100.0
Cardboard Boxes	1.0	1.0	100.0
Toner	85.0	70.0	82.4
Ink Jet Cartridges	6.6	0.0	0.0
Printer Paper	11.6	*	0.0
Total	14,328.4	12,607.9	88.0

* To avoid double counting recycled printer paper is included as part of recycling waste and confidential bins

6.1.6 Contaminated lands

Number of sites under control of Hunter Water that present a significant risk of harm as defined under the Contaminated Land Management Act 1997

There are zero sites owned by Hunter Water that present a risk of harm.

6.1.7 Environmental training

Number of staff given environmental training

144 staff participated in General Environmental Awareness Training.

6.2 Status on Environmental Management Plan Commitments

Deliverable	Status
Development of Greenhouse Gas Emissions Strategy by 2008	On track.
Development and implementation of energy savings for major facilities	On track. Energy action saving plans have been developed for HWC's major facilities Implementation of identified savings will occur progressively over next five years.
Purchase of fuel efficient fleet cars or increasing the use of LPG and bio-diesel fuel alternatives	The Fleet Policy has been updated to adopt a 4* Green Vehicle Standard where possible and introduction of an incentive scheme to encourage managers to opt for 4* vehicle or above has been approved. E10 Unleaded and B2 biodiesel have been mandated across Hunter Water.
Develop a recycled materials strategy to reduce use of virgin natural materials by 2009	To be developed in the future.
Investigate using recycled materials for infrastructure projects by 2010	To be developed in the future.
Develop a Heritage Register of HWC's assets by 2008	A register of land assets with heritage significance has been developed however the register is unlikely to be completed in 2008.
Develop contaminated sites register	On track. A consultant has been engaged to prepare the register and it is anticipated that it will be in place by the end of 2008.
Effective land management via weed & feral animal control, bush regeneration and land contamination assessment where appropriate	Part of the Annual Catchment Report.
Improve aesthetics of HWC's assets via landscaping during upgrades	Yes. HWC has a program to improve the aesthetics of its assets some examples include Charlestown reservoir, Raymond Terrace Pump station and Tarro Pump station.
100 staff put through environmental training every year	Yes. 144 staff received environmental training.

7 Customers and Community

Hunter Water Corporation places a high priority on building strong partnerships and relationships with the community. This allows broad community involvement in issues that affect the water cycle and help achieve sustainable water cycle management.

We strive to keep local communities, councils and industry informed about the planning and scope of our operations and infrastructure works by providing timely and factual information. We promote community ownership and responsible use of water resources through public education programs and school and community group talks. We have an annual sponsorship program designed to support a wide range of community and environmental activities throughout the region.

7.1 Key Performance Indicator

7.1.1 Community Partnerships

Hunter Water continues to sponsor a broad range of organisations, events and community projects that contribute to sustainability and environmental awareness. Community awareness campaigns encourage the community to be careful with their use of water, demonstrating how consumers can be more efficient in their use of water for everyday activities. All forms of media are utilised, television, radio, education and promotions at community events, brochures, on hold phone messages, messages on customer bills and promotional give-aways. A weekly electronic update is provided to all staff advising them of current storage levels.

Some of the Community education initiatives that Hunter Water undertook under the Sponsorship and Community events program in 2007/08 included Surfest, Baths2Bar Community Ocean Swim, Total Field Days and STOMP FEST.

Value of sponsorship for community environmental projects \$284,000

Hits on the Hunter Water Website 104,130*

* This number is averaged for the reporting period from 2 months data due to the construction of the new website and development issues with the original contract.

7.1.2 Customer perception survey

Since 1987, Hunter Water has been formally and independently assessing its role, performance and practices through a survey of domestic customers, which is conducted every two years. The Customer Perceptions Survey measures and reports community perceptions in relation to social, ecological and environmental issues and thus provides Hunter Water with an accurate 'barometer' of community sentiment.

Table 7.1 2007 Perception survey results

Perception	Comment
Overall performance rating	93%
Community acceptance of water supply standard	93%
Community acceptance of household sewage disposal service	87%
Latest attitudes towards water conservation	91%

7.2 Status on Environmental Management Plan Commitments

Deliverable	Status
Sponsorship for relevant community environmental initiatives	Yes, the sponsorship program was delivered over 34 community groups in 07/08 and is still in place for the 08/09 year.
Reduction in per capita use of energy and water across the Hunter through participation in Together Today which supports research and development of water and energy saving devices	Program has not been running long enough to determine notable changes in energy and water use.
Biennial customer surveys to gauge customer satisfaction	Last done in 2007 next one due in 2009.
Include environmental reporting in the Hunter Water Annual Report and post on internet by November each year with the Environmental Performance Report	2007/08 report will be posted on the HWC website by September 2008.
Internal environmental audits	No environmental audits were undertaken in 2007/08 however extra audits are scheduled to occur in 2008/09.

8 Financial Indicators

Hunter Water provides water, sewerage and recycled water services to the Hunter area. Water and sewer rates generate the operating revenue required to provide water and sewer services, infrastructure upgrades and continued protection of the catchment area and surrounding waterways.

8.1 Key performance indicator

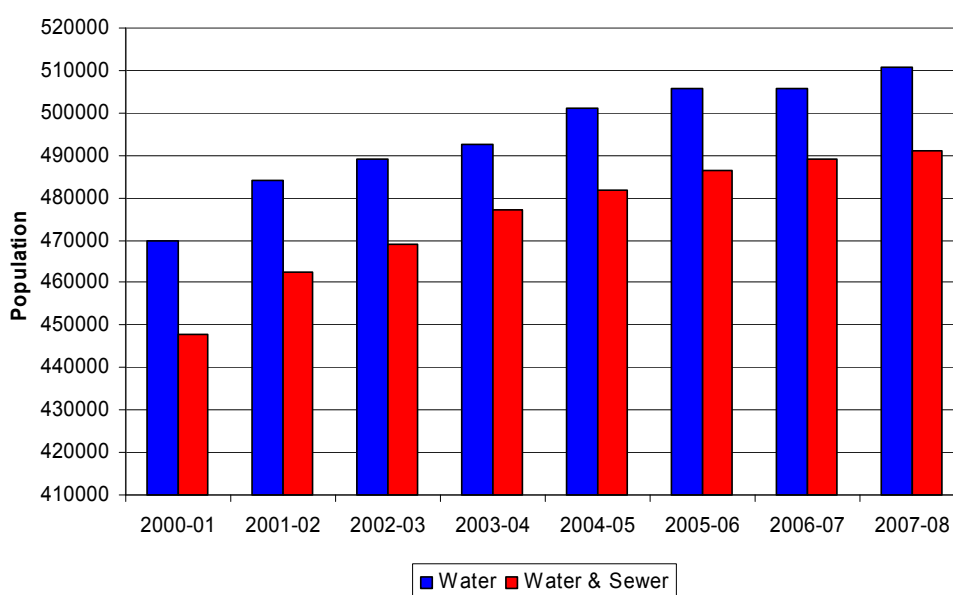
Table 8.1 Financial Indicators

	2006/07	2007/08
Operating cost of water (\$/ML of water supplied)		693
Operating cost of water (\$/property)	N/A	211
Operating cost of sewerage (\$/property)	N/A	289
Combined operating cost – water and sewerage (\$/property)	N/A	484
Total operating cost (\$)	92,323,000	115,025,848
Total cost – water (\$/property)	270	264
Total cost – sewerage (\$/property)	335	370
Total operating cost/property	586	521

Table 8.2 Census Data

	2006/07	2007/08
Population residing in HWC area of operations (10 year trend)	517,273	522,415
Proportion supplied with treated water	97.8%	97.8%
Proportion of population connected to water and sewer services	93.1%	94.0%

Figure 8.1 Population Served by HWC



Residential water usage charges \$/kL: \$1.27

Attachment A: Operating Licence Checklist

Operating Licence checklist Section 7.1 Environmental Management indicators for 2007-08:

Section	Item Description	Compliance
Environmental Performance Indicators		
7.1.1	HWC must publish on its internet website the latest Environmental Performance Indicators.	Latest Environmental Performance Indicators are available on the internet
7.1.2	<p>HWC must monitor, record, compile data and report on:</p> <ul style="list-style-type: none"> the Environmental Performance Indicators for the immediately preceding financial year; any environment performance indicators specified in instruments that give effect to the National Water Initiative; and env. performance indicators in any other instrument determined by IPART. 	<p>Environmental Performance Indicators for 2007/08 are outlined in this report.</p> <p>Environmental Performance Indicators Report has been developed based on the NWI indicators as applicable.</p>
7.1.4	By no later than 1 September each year, HWC must report on its performance against the indicators in clause 7.1.2, in a manner to be approved by IPART.	Completed
7.1.6	The report must provide information which enables a year to year comparison in relation to HWC's performance against the environmental performance indicators. In particular, HWC is to compare the indicators with historical annual values over at least the previous 10 years where comparable data is available.	Comparison to historical data was done where historical data was available and/or recorded in previous years. For the indicators with limited historical data, trend analysis will occur once sufficient data is available.
7.1.7	Environmental Performance Indicator Report is to be made available free of charge to the public via HWC's offices and website	The report will become available when finalised and submitted to IPART.

Attachment B : Environmental Performance Indicators Checklist

NWI Element: Water Resources

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
NWI-W1	Volume of water sourced from surface water (ML)	As at 2007, surface water sources are Grahamstown Dam and Chichester Dam. A future source will be Tillegra Dam.	NWI 2008-13 EMP	YES
NWI-W2	Volume of water sourced from ground water (ML)	As at 2007, ground water sources are Tomago, Lemon Tree Passage, Fingal Bay, Nelson Bay and Anna Bay.	NWI 2008-13 EMP	YES
NWI-W4	Volume of water sourced from recycling (ML)	Recycled water / water recycled - highly treated wastewater that can be used in industrial processes, for irrigation in agriculture, urban parks and landscapes, and in the home for flushing toilets, car washing and watering gardens. Includes onsite reuse at wastewater treatment plants.	NWI 2008-13 EMP	YES
NWI-W7	Total sourced water (ML)		NWI 2008-13 EMP	YES
NWI-W8	Total urban water supplied (ML)		NWI 2008-13 EMP	YES
NWI-W9	Average annual residential water consumption (kL/property)	5 year rolling average	NWI OL Clause 9.1.1 2008-13 EMP	YES

NWI Element: Water Resources (continued)

NWI-W14	Total recycled water supplied (ML)			2008-13 EMP	YES
NWI-W15	Recycled water – percent of effluent recycled (%)		Effluent – sewage/wastewater that has received all of the designed treatment processes at the relevant wastewater treatment plant.	2008-13 EMP	YES
OL RW-1A	Percent of recycled water substituting potable water use (%)		As defined in National Performance Framework: urban performance reporting indicators and definitions, a handbook for WSAA members as current for the reporting period. Potable – suitable for drinking. Term used interchangeably with drinking water .	WSAA (Voluntary) 2008-13 EMP	YES
OL RW-1B	Recycled water substituting potable water use (ML)		Definitions as per OL RW-1A	2008-13 EMP	YES
OL RW-2A	Recycled water supplied for industrial or commercial use (ML)			OL Clause 9.3.7(a) 2008-13 EMP	YES
OL RW-2B	Recycled water supplied for direct use in irrigation (ML)			OL Clause 9.3.7(b) 2008-13 EMP	YES
OL RW-2C	Recycled water supplied for other uses (ML)		Other uses – any uses besides those in OL RW-2A and OL RW-2B	OL Clause 9.3.7(c) 2008-13 EMP	YES

NWI Element: Water Resources (continued)

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
OL WS-1	Quantity of water supplied by Hunter Water from each water storage (ML)	Water Storages are: Chichester Dam, Grahamstown Dam, Tomago Sandbeds, Anna Bay Sandbeds. As at 2007 Tillegra Dam is uncommissioned.	OL Clause 9.3.4 2008-13 EMP	YES
OL WS-2A	Consumption by persons in Residential Properties (ML)		OL Clause 9.3.8 (a) 2008-13 EMP	YES
OL WS-2B	Average annual residential water consumption (kL/capita)	5 year rolling average Per capita – for each head of population, using the figure derived in OL PD-1	2008-13 EMP	YES
OL WS-3	Industrial and commercial uses (ML)	Excludes use by large customers - As defined in operating licence, including clause 14.1. <u>Data Source</u> CIS premise types NRES-I, NRES-C and NRES-SU	OL Clause 9.3.8 (b) 2008-13 EMP	YES
OL WS-4	Consumption by large customers (ML)	Large customers – (Definition as per OL WS-3)	OL Clause 9.3.8 (c) 2008-13 EMP	YES
OL WC-1	Total volume of drinking water saved through water use efficiency (ML)	Drinking water - (Definition as per NWI-H5) Water use efficiency – includes programs funded, initiated or administered by Hunter Water such as recycled water substituting for potable water use, water loss minimisation programs and retrofit programs. Public disclosure of progress against water conservation initiatives occurs through the IWRP Performance Report, in compliance with Operating Licence Clause 9.2.18.	2008-13 EMP	YES
OL WR-1	Nature and length of each water restriction imposed	Water restriction - As defined in operating licence clause 14.1.	OL Clause 9.3.2	YES

NWI Element: Asset Data

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
NWI-A7	Infrastructure Leakage Index		NWI 2008-13 EMP	YES
NWI-A8	Real losses (litres/connection/day)		NWI 2008-13 EMP	YES
NWI-A9	Real losses (kL/km water main/day)		NWI 2008-13 EMP	YES
NWI-A10	Sewer main breaks and chokes (per 100 km).		NWI 2008-13 EMP	YES
OL WL-1	Water losses (litres/connection/day)	Water losses – apparent losses + real losses Apparent losses – unauthorised consumption and retail metering errors Real losses – As calculated in NWI-A8	2008-13 EMP	YES
OL WL-2	Water losses (kL/km water main/day)	Water losses – (Definition as per OL WL-1) Real losses – As calculated in NWI-A9	2008-13 EMP	YES

NWI Element: Pricing and Finance

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
NWI-F6	Operating cost – water (\$/property)		NWI 2008-13 EMP	YES
NWI-F7	Operating cost – sewerage (\$/property)		NWI 2008-13 EMP	YES
NWI-F8	Combined operating cost water and sewerage (\$/property)		NWI 2008-13 EMP	YES
NWI F9	Total cost – water (\$/property)		NWI 2008-13 EMP	YES
NWI F10	Total cost – sewerage (\$/property)		NWI 2008-13 EMP	YES
OL CSD-1	Operating cost-water/ ML of water supplied	Water supplied – Total volume of water supplied before losses	2008-13 EMP	YES
OL P-1	Usage Charge 1 st step	This indicator is referred to as water price in ESD.	WSAA (voluntary)	YES

NWI Element: The Customers

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
NWI-C4	Number of sewage odour complaints (per 1,000 properties).	<p><u>Data Sources</u></p> <p>Number of water connected properties (Source as per NWI-C3)</p> <p>Number of complaints is taken directly from the 'Regulatory Complaint Count' report titled 'Sewer Odour'. Information from the CIS Case Management System and AOMS is included.</p>	NWI	YES
NWI-C7	Sewerage service complaints (per 1,000 properties)	<p><u>Data Sources</u></p> <p>Number of sewer connected properties (Source as per NWI-C3)</p> <p>Number of complaints is taken directly from the 'Regulatory Complaint Count' report titled 'Sewer Overflow' and divided by the total number of properties multiplied by 1000.</p>	NWI	YES
OL CPS-1	Overall performance rating in Domestic Customer Perceptions Survey	<p>Domestic Customer Perceptions Survey – periodic survey of Hunter Water's domestic customers to formally and independently assessing its role, performance and practices</p> <p>Overall performance rating – combined excellent/good/fair responses</p>	2008-13 EMP	YES
OL CPS-2	Community acceptance of water supply standard	<p>Based on Domestic Customer Perceptions Survey</p> <p>% agreeing with statements:</p> <ul style="list-style-type: none"> ▪ The water pressure is acceptable ▪ The water supplied is safe to drink <p>% disagreeing with statement:</p> <ul style="list-style-type: none"> ▪ There are frequent interruptions to the water supply 	2008-13 EMP	YES

NWI Element: The Customers (continued)

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
OL CPS-3	Community acceptance of household sewage disposal service	Based on Domestic Customer Perceptions Survey % agreeing with statement: <ul style="list-style-type: none"> The household sewage disposal service provided by Hunter Water is satisfactory 	2008-13 EMP	YES
OL CPS-4	Attitudes towards water conservation	Based on Domestic Customer Perceptions Survey % disagreeing with statement: <ul style="list-style-type: none"> There doesn't appear to be a genuine need for the community in the Hunter Region to do more to conserve water 	2008-13 EMP	YES
OL WWS-1	Annual number of sewerage odour complaints generated from the sewage treatment plants or the sewerage system	Sewerage odour complaint - as defined in <i>National Performance Framework: urban performance reporting indicators and definitions, a handbook for WSAA members</i> Data is averaged over five years	2008-13 EMP	YES

NWI Element: Environment

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
NWI-E1	Percent of sewage treated to a primary level	Based on dry weather flow (excludes wet weather bypass) in accordance with Department of Environment and Climate Change (DECC) Environment Protection Licences.	NWI	YES
NWI-E2	Percent of sewage treated to a secondary level	As per NWI-E1	NWI	YES
NWI-E3	Percent of sewage treated to a tertiary or advanced level	As per NWI-E1	NWI	YES
NWI-E4	Per cent of sewage volume treated that was compliant.		NWI	YES
NWI-E5	Number of sewage treatment plants compliant at all times.	Sewage treatment plant compliance - the number of scheduled samples that complied in the reporting period divided by the total number of scheduled samples in the reporting period.	NWI	YES
NWI-E7	Compliance with environmental regulator – sewerage (yes/no)	Brief explanation if “no”, such as the number and nature of non-compliances.	NWI	YES
NWI-E8	Percent of biosolids reused (%)	<u>Calculation</u> Dry Tonnes - total mass of material in wet tonnes adjusted for moisture content. Excludes grit & screenings	NWI	YES

NWI Element: Environment (continued)

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
NWI-E9	Net greenhouse gas emissions (net tonnes CO ₂ - equivalents)	Greenhouse gas emissions - include gases such as carbon dioxide, methane, nitrous oxide and other forms of air pollutants, that result from the burning of fossil fuels such as coal, natural gas or oil, which contribute to the warming of the Earth's atmosphere <u>Calculation</u> Based on methodology and tools outlined in Australian Greenhouse Office (AGO) <i>Factors and Methods Workbook</i> .	NWI 2008-13 EMP	YES
NWI-E10	Sewer overflows to the environment (per 100km of main)		NWI 2008-13 EMP	YES
OL CM-1	Total number of trees planted	Trees may be planted as part of revegetation projects, bush regeneration activities or for the purpose of carbon sequestration. Shrubs planted will be also be included in the number. This indicator recognises all works on Hunter Water land and the works undertaken by or on behalf of Hunter Water on land that is not owned by Hunter Water, such as offsetting impacts to one area by rehabilitation or replanting at another area. Public disclosure of other catchment management activities , including their nature and associated expenditure occurs through publication of an annual Catchment Report, as defined in Operating Licence Clause 7.3.	2008-13 EMP	YES

NWI Element: Environment (continued)

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
OL WML-1	Total number and nature of breaches of conditions under licences issued by DWE for water management	Water Management Licence includes Water Management Licence under Part 9 of the <i>Water Act 1912</i> and Access Licences, Water Supply Works and Water Use approvals under the <i>Water Management Act 2000</i> . DWE - the NSW Department of Water and Energy	2008-13 EMP	YES
OL WML-2	Environmental Flows released from Dams (ML)	Environmental flows - natural flows or releases of water, intended to supply the environment's needs. Hunter Water has minimum flow release requirements in relation to water release from Chichester Dam as defined in Clause 3.3 of Part 9 Water Management Licence 20WM000020 (or as superseded).	2008-13 EMP	YES
OL TW-1	Annual number of trade waste inspections	Trade Waste - any waste water generated from or as a result of an industrial or commercial activity undertaken, other than at domestic or household premises.	2008-13 EMP	YES
OL STC-1	Total number (and nature) of breaches of conditions relating to environmental impacts under DECC sewage treatment system licences	Licence means a licence (for a scheduled activity) issued under the Protection of Environment Operations Act 1997 by DECC for the purposes of setting standards and conditions for sewage or water treatment for a sewage system, WWTP, or water filtration plant.	2008-13 EMP	YES

NWI Element: Environment (continued)

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
OL RWQ-1	Percentage of samples complied with the recreational water quality guidelines as reported by DECC's Beachwatch program.	Recreational water - a water body that is used for recreational purposes. Beachwatch - the DECC run program responsible for monitoring and reporting on ocean beach water quality.	2008-13 EMP	YES
OL BIO-1	Dewatered Biosolids Reused (Tonnes)		2008-13 EMP	YES
OL BIO-2	Dewatered Biosolids Reused (%)		2008-13 EMP	YES
OL BSI-1	Total number of prosecutions and notices (including penalty notices) issued to Hunter Water under relevant environmental legislation.	Penalty notice - a notice to the effect that, if the person served with the notice does not wish to have a specified penalty offence dealt with by a court, the person may pay the penalty prescribed under section 227 for the offence.	2008-13 EMP	YES
OL BSI-2	Total number of prosecutions and notices (including penalty notices) under relevant environmental legislation issued to contractors engaged by Hunter Water.	Penalty notice – (Definition as per OL BSI-2) This indicator will report on breach notices which contractors inform Hunter Water were incurred whilst they were conducting works for the corporation. Each breach notice will be reported on the date that the contractor informed Hunter Water, not on the date the penalty was incurred.	2008-13 EMP	YES
OL NOI-1	Total number of noise complaints generated from Hunter Water's construction or operational activities.	The indicator will include complaints incurred by contractors conducting works for Hunter Water.	2008-13 EMP	YES
OL EC-1	Electricity consumption in buildings (kWh).	Buildings - Offices or depots owned by Hunter Water which are separately metered	2008-13 EMP	YES

NWI Element: Environment (continued)

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
OL EC-2	Electrical Energy Efficiency of water assets (kWh/ML of water supplied).	Water supplied – (Definition as per OL CSD-1)	2008-13 EMP	YES
OL EC-3	Electrical Energy Efficiency of wastewater assets (kWh/ML of wastewater processed).	Wastewater processed – Total volume of wastewater as measured at the wastewater treatment plant inlet works.	2008-13 EMP	YES
OL EC-4	Electricity consumption from renewable sources or renewable sources generated by Hunter Water expressed as a percentage of total electricity consumption.	Renewable sources - non-fossil fuel sources including hydro electric generation, solar, wind or co-generation facilities.	2008-13 EMP	YES
OL WM-1	Solid waste generated (tonnes)	Solid Waste – includes waste from Hunter Water's offices, operations or from contractors, that goes to landfill facilities.	2008-13 EMP	YES
OL WM-2	Waste recycled or reused expressed as a percentage of solid waste generated	Re-use - the application of a diverted waste product to a subsequent use, which may be the same, or different from the original purpose, and which extends the life of the product, but without further manufacture.	2008-13 EMP	YES
OL CL-1	Number of sites under control of Hunter Water that present a significant risk of harm as defined under the <i>Contaminated Land Management Act 1997</i>	Contaminated land - definition in accordance with the Contaminated Land Management Act 1997, to mean the presence in, on or under the land of a substance at a concentration above the concentration at which the substance is normally present in, on or under (respectively) land in the same locality. The presence of this substance must also present a risk of harm to human health or any other aspect of the environment.	2008-13 EMP	YES
OL ET-1	Number of staff given environmental training	Environmental training - Training courses developed to give staff awareness and skills in a variety of environment related areas.	2008-13 EMP	YES

NWI Element: Environment (continued)

Identifier	Indicator	Definitions & Interpretation (Hunter Water Context)	Requirement Source	Compliance
OL EMP-1	Progress against objectives and targets outlined in the 2008-13 EMP	2008-2013 Environmental Management Plan – Hunter Water has a 5 year EMP that sets objectives, actions and targets for Hunter Water's environmental programs. Each year a brief status report will be generated that reports upon progress on the EMP's stated actions and targets.	2008-13 EMP	YES
OL CP-1	Value of sponsorship for community environmental projects		2008-13 EMP	YES
OL CE-1	Number of hits on Hunter Water website		2008-13 EMP	YES
OL PD-1	Number of people residing in HWC area of operations (10 year trend)	Based on extrapolation of census data	2008-13 EMP	YES
OL PD-2	Proportion of people residing in HWC area of operations served by treated water	Treated water - water that has undergone treatment at a Water Treatment Plant, where a Water Treatment Plant is defined as supplying a zone listed in NWI-H2.	2008-13 EMP	YES
OL PD-3	Proportion of people residing in HWC area of operations connected to water and sewer		2008-13 EMP	YES



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