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## **Company Particulars**

### **Directors**

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

### **Company Secretary**

Mrs S Smith

### **Registered Office**

426-432 King Street  
Newcastle West 2302  
02 4979 9799

### **Auditors**

Audit Office of New South Wales

### **Bankers**

Commonwealth Bank of Australia

# HUNTER WATER CORPORATION

## 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 2004.

### 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	<i>Chairman</i>
Mr K Young	<i>Managing Director</i> <i>(appointed 19/7/04)</i>
Mr R Knights	
Mr P Barrack	
Mr D Boyd	
Mr W Elliott	
Ms B Crossley	<i>(appointed 1/2/04)</i>
Mr A Chappel	<i>(appointed 1/2/04)</i>
Mr W Evans	<i>(former Managing Director</i> <i>resigned 31/3/04)</i>
Prof J Graham	<i>(resigned 31/12/03)</i>

### INFORMATION ON DIRECTORS

**R ROBSON**  
OAM, FAIM, FAICD, JP  
Mr Robson was appointed 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 (HWC's subsidiary companies), a Director of Robson Health Care Pty Limited and Patron of Newcastle Hunter Valley Rugby Union.

**KJ YOUNG**  
B Eng, MBA, FIE Aust, CPENG, GAICD  
Mr Young was appointed Managing Director on 19 July 2004. Mr Young has extensive experience working in private consulting both in Australia and overseas and working for government utilities. He has previously held a diverse range of positions at Hunter Water Corporation including Chief Operating Officer, Company Secretary, Manager Corporate Planning & Government Regulation and Manager Assets.

**RI KNIGHTS**  
Dip Civ Eng, MIE Aust, M Aust IMM, FAICD

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

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

**DW BOYD**  
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.

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

**RA CHAPPEL**  
BE (Civil), Dip T & R.P.  
Mr Chappel was appointed as a Director on 1 February 2004. Mr Chappel is a former Managing Director of Connell Wagner and Chairman of the Australian Underground Construction & Tunnelling Association. He has vast experience in managing large technical projects involving water and wastewater.

### PRINCIPAL ACTIVITIES

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

### RESULTS AND DIVIDENDS

The consolidated profit before tax and dividend, for the financial year 1 July 2003 to 30 June 2004, amounted to \$41.5M. This includes income from contributions for Capital Works totalling \$8.2M. This profit amount is reduced to \$20.2M after attributing the applicable income tax expense.

The directors recommend a dividend in respect of the 2003/04 operating results of \$36M. On 1 August 2004 \$18M of this dividend was paid to the shareholders.

# HUNTER WATER CORPORATION

## DIRECTORS' REPORT

### MEETINGS OF DIRECTORS

	Board Meetings		Committee Meetings			
	A	B	Audit & Corporate		Compliance Governance	
			A	B	A	B
R Robson	12	12	4	4	2	2
R Knights	10	12	4	4	2	2
P Barrack	12	12	*	*	*	*
D Boyd	10	12	4	4	*	*
W Elliott	12	12	2	2	*	*
B Crossley	5	5	*	*	*	*
R Chappel	5	5	*	*	*	*
K Young (from 1 April)**	4	4	*	*	1	1
J Graham (resigned 31 December 2003)	6	6	2	2	*	*
W Evans	7	8	*	*	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

\*\* Mr K Young attended the above Board and committee meetings as Acting Managing Director and was appointed as Managing Director on 19 July 2004.

### REVIEW OF OPERATIONS

#### Financial

The terminology used in reporting the results is as follows:

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

The State issued a direction to Hunter Water Corporation under section 20N of the *State Owned Corporations Act 1989 (NSW)* to form a special purpose subsidiary company (Regional Land Management Corporation Pty Ltd) for a term of 12 months following the date of incorporation. Regional Land Management Corporation Pty Ltd

was incorporated on the 5 March 2003 as a wholly owned subsidiary of Hunter Water Corporation. The company commenced operations on 1 April 2003 with a direction issued in December 2003 by the State under the *Implementation Agreement* to extend the term for six months to 5 September 2004.

The actual operating profit of the Economic Entity before Contributions for Capital Works and superannuation expense was \$31.1M or \$5.0M favourable to budget. However, when Contributions for Capital Works of \$8.2M are added, and income of \$2.2M is applied to reflect the movement attributable to the performance of the Corporation's defined benefit superannuation funds, the operating result for the year is increased to a profit before tax and dividend of \$41.5M.

The favourable operating result is comprised of higher levels of water sales due to the dry weather conditions, additional external income due to increased developer activity and achieving operational cost savings.

### AFTER BALANCE DATE EVENTS

In August 2004 the State issued a direction to Hunter Water Corporation to continue the activities of the Regional Land Management Corporation Pty Ltd in accordance with the *Implementation Agreement* until 30 June 2005.

Other than the matter mentioned 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

# HUNTER WATER CORPORATION

## DIRECTORS' REPORT

- any costs or expenses of defending proceedings in which judgement is given in favour of the officer.

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

### AUDIT AND COMPLIANCE COMMITTEE

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

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

The committee's main objectives are to:

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

### CORPORATE GOVERNANCE

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

The Duties and Responsibilities are to:

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

The current Membership of the Committee is as follows:

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

### DIRECTORS' BENEFITS

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

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

### ENVIRONMENTAL REGULATION

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

### ROUNDING TO NEAREST \$000

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

Signed in accordance with a resolution of the directors of Hunter Water Corporation.



R Robson  
Chairman



R Knights  
Director

Newcastle 25 August 2004

# INDEPENDENT FINANCIAL AUDIT REPORT



GPO BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT HUNTER WATER CORPORATION

To Members of the New South Wales Parliament

### Audit Opinion

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

- (a) presents fairly Hunter Water Corporation's and the consolidated entity's financial position as at 30 June 2004 and their financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

### The Board's Role

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

### The Auditor's Role and the Audit Scope

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

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

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

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

My opinion does not provide assurance:

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

### Audit Independence

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

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



J. Khair B Ec, FCPA  
Director of Audit

SYDNEY  
24 September 2004

# HUNTER WATER CORPORATION

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	NOTES	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>REVENUE</b>					
Services	2A	163,651	155,544	156,484	150,689
Other	2B	3,431	4,524	3,706	4,381
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>		<b>167,082</b>	<b>160,068</b>	<b>160,190</b>	<b>155,070</b>
<b>EXPENDITURE</b>					
Operational costs	3	(64,759)	(61,419)	(61,235)	(60,226)
Depreciation	4	(33,375)	(28,178)	(33,014)	(27,822)
Employee provisions charge		(1,933)	(3,282)	(1,163)	(2,410)
Interest payable	4	(9,305)	(9,061)	(9,305)	(9,061)
Written down value of assets sold		(1,346)	(1,556)	(1,313)	(1,539)
External funded asset write down	4	(13,371)	(11,062)	(13,371)	(11,062)
Superannuation expense	4	(1,514)	(11,483)	(1,073)	(10,329)
<b>TOTAL OPERATING EXPENDITURE</b>		<b>(125,603)</b>	<b>(126,041)</b>	<b>(120,474)</b>	<b>(122,449)</b>
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>41,479</b>	<b>34,027</b>	<b>39,716</b>	<b>32,621</b>
Income tax expense relating to ordinary activities	5	(21,301)	(24,191)	(20,410)	(23,542)
<b>PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE</b>		<b>20,178</b>	<b>9,836</b>	<b>19,306</b>	<b>9,079</b>
Net increase/(decrease) in asset revaluation reserve	21	77,505	89,039	77,505	89,039
Less aggregate of amounts transferred within reserves	21	33	(16)	33	(16)
<b>Total Valuation Adjustments Recognised Direct in Equity</b>		<b>77,538</b>	<b>89,023</b>	<b>77,538</b>	<b>89,023</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>97,716</b>	<b>98,859</b>	<b>96,844</b>	<b>98,102</b>

The Statement of Financial Performance should be read in conjunction with the accompanying notes on pages 71 to 89

# HUNTER WATER CORPORATION

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	NOTES	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>CURRENT ASSETS</b>					
Cash	7	23,376	46,849	18,337	41,922
Receivables	8	27,438	24,553	26,018	22,647
Other financial assets	9	NIL	NIL	1,075	809
Inventories	10	2,624	1,989	1,858	1,653
Deferred tax assets	11	NIL	61	NIL	NIL
Other	12	1,170	1,116	1,105	1,028
<b>TOTAL CURRENT ASSETS</b>		<b>54,608</b>	<b>74,568</b>	<b>48,393</b>	<b>68,059</b>
<b>NON-CURRENT ASSETS</b>					
Other financial assets	9	10,616	11,164	11,516	12,064
Property plant and equipment	13	2,174,187	2,092,963	2,173,954	2,092,222
Deferred tax assets	11	6,159	785	6,159	NIL
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,190,962</b>	<b>2,104,912</b>	<b>2,191,629</b>	<b>2,104,286</b>
<b>TOTAL ASSETS</b>		<b>2,245,570</b>	<b>2,179,480</b>	<b>2,240,022</b>	<b>2,172,345</b>
<b>CURRENT LIABILITIES</b>					
Payables	14	23,103	12,661	23,988	12,162
Current tax liabilities	15	6,791	11,796	6,734	11,346
Interest-bearing liabilities	16	NIL	31,000	NIL	31,000
Provisions	17	41,816	43,915	40,606	42,855
<b>TOTAL CURRENT LIABILITIES</b>		<b>71,710</b>	<b>99,372</b>	<b>71,328</b>	<b>97,363</b>
<b>NON CURRENT LIABILITIES</b>					
Payables	14	NIL	NIL	785	NIL
Interest-bearing liabilities	16	124,906	98,969	124,906	98,969
Provisions	17	27,640	28,688	25,945	26,946
Deferred tax liabilities	18	39,292	32,798	39,292	32,798
Other	19	2,506	1,853	2,506	1,853
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>194,344</b>	<b>162,308</b>	<b>193,434</b>	<b>160,566</b>
<b>TOTAL LIABILITIES</b>		<b>266,054</b>	<b>261,680</b>	<b>264,762</b>	<b>257,929</b>
<b>NET ASSETS</b>		<b>1,979,516</b>	<b>1,917,800</b>	<b>1,975,260</b>	<b>1,914,416</b>
<b>EQUITY</b>					
Contributed equity	20	100,000	100,000	100,000	100,000
Reserves	21A	1,515,121	1,437,616	1,515,121	1,437,616
Retained profits	21B	364,395	380,184	360,139	376,800
<b>TOTAL EQUITY</b>		<b>1,979,516</b>	<b>1,917,800</b>	<b>1,975,260</b>	<b>1,914,416</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 71 to 89

# HUNTER WATER CORPORATION

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2004

	NOTES	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Receipts from customers (inclusive of goods and services tax)		149,823	143,066	140,596	137,866
Payments to suppliers and employees (inclusive of goods and services tax)		(75,404)	(72,387)	(67,186)	(69,224)
		74,419	70,679	73,410	68,642
Dividends received		NIL	NIL	400	200
Interest received		1,951	2,621	1,832	2,480
Borrowing costs		(8,421)	(8,202)	(8,421)	(8,202)
Income taxes paid		(25,125)	(18,873)	(24,158)	(18,218)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	22	<b>42,824</b>	<b>46,225</b>	<b>43,063</b>	<b>44,902</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Cash paid for purchases of property, plant and equipment		(45,975)	(49,514)	(46,054)	(49,177)
Cash proceeds from sales of property, plant and equipment		1,178	1,783	1,175	1,781
Cash proceeds from environmental levy and developers		21,560	18,650	21,560	18,650
Loans to related entities		NIL	NIL	(266)	(809)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(23,237)</b>	<b>(29,081)</b>	<b>(23,585)</b>	<b>(29,555)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings		25,937	42,847	25,937	42,847
Repayment of borrowings		(31,000)	(44,000)	(31,000)	(44,000)
Dividends paid	6	(38,000)	(31,110)	(38,000)	(31,110)
<b>NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>(43,063)</b>	<b>(32,263)</b>	<b>(43,063)</b>	<b>(32,263)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(23,476)</b>	<b>(15,119)</b>	<b>(23,585)</b>	<b>(16,916)</b>
Cash at beginning of financial period		46,849	61,968	41,922	58,838
Effects of exchange rate changes on cash		3	NIL	NIL	NIL
<b>CASH AT THE END OF THE FINANCIAL PERIOD</b>	22	<b>23,376</b>	<b>46,849</b>	<b>18,337</b>	<b>41,922</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 71 to 89



# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

As at 30 June 2004

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

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

The financial statements also incorporate financial reporting requirements specified in the *Public Finance and Audit Regulation 2000*, the *Annual Reports (Statutory Bodies) Act 1984*, *Annual Reports (Statutory Bodies) Regulation 1995* and the relevant Treasurer's Directions.

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

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

#### CHANGES IN ACCOUNTING POLICY:

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

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

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005.

The AASB will issue AASB equivalents to IFRS and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian International Financial Reporting Pronouncements (AIFRPs). The economic entity will apply the AIFRPs from the reporting period beginning 1 July 2005.

The economic entity is managing the transition to the new standards for the group of companies by allocating internal resources and engaging external consultants to analyse pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems, training and financial impacts affected by the transition.

The economic entity has established an IFRS Steering Committee which reports regularly to the Audit & Compliance Committee. A project team has also been established which is led by the IFRS Project Controller. The IFRS Project Controller is responsible for the project and reports regularly to the IFRS Steering Committee on progress against the implementation plan and timetable.

The following phases that need to be undertaken have been identified:

- Form project bodies
- Prepare impact assessment
- Design
- Implementation

The relevant project bodies have been formed and a detailed timetable has been prepared for managing the transition to AIFRPs and currently work on the project and implementation is on schedule. The project controller has analysed most of the AIFRPs and has identified a number of accounting policy changes that will be required.

#### Key differences in accounting policy

(i) AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* requires retrospective application of the new AIFRPs from 1 July 2004 with limited exemptions. Similarly, AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current Australian requirements because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

(ii) AASB110 *Events After the Balance Sheet Date* states that only dividends "declared" or appropriately "authorised" before the reporting date can be recognised. This is more restrictive than the current approach which is based on "valid expectations". However, this change is not expected to impact on dividend recognition as the signing of the Statement of Corporate Intent before the reporting date to which it relates, "authorises" the dividend and any change in the amount of the dividend after the reporting date constitutes an "adjusting event after the reporting date".

However, the amount of the dividend may be affected by other AIFRPs such as AASB139 *Financial Instrument Recognition and Measurement* and AASB119 *Employee Benefits* (refer below) as these standards may impact on retained earnings (on first adoption) and the amount and volatility of profit/loss.

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

(iii) AASB112 *Income Taxes* requires a balance sheet approach where the entity must identify differences between the accounting and tax value of assets and liabilities. The previous approach was to account for tax by adjusting accounting profit for temporary and permanent differences to derive taxable income. The AASB112 approach may alter the quantum of tax assets and liabilities recognised.

In addition, the income tax expense and deferred tax assets and liabilities may be affected by other AIFRPs to the extent that they impact on the balance sheet or profit and loss.

(iv) AASB116 *Property, Plant and Equipment* requires the cost and fair value of property, plant and equipment to be increased to include restoration costs, where restoration provisions are recognised under AASB137 *Provisions, Contingent Liabilities and Contingent Assets*.

Major inspection costs must be capitalised, this will require the fair value and depreciation of the related asset to be re-allocated.

For-profit entities must account for asset revaluation increments and decrements on an individual asset basis, rather than on a class basis. This change may impact retained profits.

(v) AASB119 *Employee Benefits* requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. This will increase the amount and the future volatility of the unfunded super annuation liability and the volatility of employee benefits expense.

(vi) AASB123 *Borrowing Costs* provides the option to expense or capitalise borrowing costs. NSW Treasury is likely to mandate expensing of borrowing costs to harmonise with GFS. This will not result in any change to current policy.

(vii) AASB136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this standard should be minimal because all substantive principles in AASB136 are already incorporated in NSW Treasury's policy *Valuation of Physical Non-Current Assets at Fair Value*.

(viii) AASB138 *Intangibles* requires that all research costs must be expensed and restricts capitalisation to development costs. Some previously recognised internally generated intangible assets may need to be derecognised. Further, intangible assets can only be revalued where there is an active market, which is unlikely to occur. As a result, any revaluation increments will need to be derecognised and intangible assets recognised at cost.

(ix) AASB139 *Financial Instrument Recognition and Measurement* can result in the recognition of financial instruments that were previously off balance sheet, including derivatives. The standard adopts a mixed measurement model and requires financial instruments held for trading and available for sale to be measured at fair value and valuation changes to be recognised in profit or loss or equity respectively. Previously they were recognised at cost.

This may increase the volatility of the operating result and balance sheet.

The standard also includes stricter rules for the adoption of hedge accounting, and where these are not satisfied, movements in fair value will impact the income statement.

To achieve full harmonisation with GFS, entities would need to designate all financial instruments at fair value through profit or loss. However, at this stage it is unclear whether this option will be available under the standard and, if available, whether NSW Treasury will mandate this option for all agencies.

### PRINCIPLES OF CONSOLIDATION

The consolidated accounts of the Economic Entity comprise the accounts of the Parent Entity Hunter Water Corporation and the accounts of its two wholly owned Controlled Entities, Hunter Water Australia Pty Limited and Regional Land Management Corporation Pty Ltd. Hunter Water Corporation had the capacity to dominate the decision making in relation to the financial and operating policies of the Controlled Entities so that the Controlled Entities operated with Hunter Water Corporation to achieve its objectives. The Controlled Entities are detailed in Note 31 to the accounts.

All inter-company balances and transactions between Entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation.

In the consolidated results the income generated by the Regional Land Management Corporation Pty Ltd has been categorised as an External Sale (refer Note 2). The associated costs have been categorised as a Cost of External Sales and disclosed accordingly in Note 3.

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

This treatment has been adopted as the nature of the work undertaken by the Regional Land Management Corporation Pty Ltd differs significantly from that performed by either the Parent Entity or the other Controlled Entity, Hunter Water Australia Pty Limited.

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

### CASH

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

### INVENTORIES

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

### EXTERNAL CONTRACTS

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

### PROPERTY, PLANT AND EQUIPMENT

#### Valuation

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

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

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

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

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

While assets are valued at their estimated written down current replacement cost, the carrying amounts of the total asset set is assessed against their recoverable amount. Where the carrying values exceed the recoverable amount, assets are written down. (Refer note 13D and discussion below on Recoverable Amount Test).

In determining recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted real discount rate of 4%. It should be recognised that due to the nature of the water industry assets (in particular pipes) their realisable value is determined by the stream of income that can be derived from use of the assets, rather than the realisable value of the assets themselves.

It therefore follows that in individual cases the value ascribed may not be achieved in the event of a sale.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued

carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

Any gain or loss on the disposal of revalued assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds from disposal, and is included in the result of the Entity in the year of disposal. The value of net revaluation increments or decrements are also disclosed on the face of the Statement of Financial Performance in accordance with the requirements of AASB1018.

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

#### Recoverable Amount Test(RAT)

In accordance with the requirements of AASB1010, an assessment has been made of the expected net cash flows to be received over the remaining life of the existing asset base to determine the extent of any difference in the economic value and the accounting book value of the assets. This assessment includes business assumptions in respect of future income streams, ongoing operational cost efficiencies and future growth in new connections.

With respect to future income streams, estimates of pricing outcomes have been made which are broadly based on the general application of the Independent Pricing and Regulatory Tribunal's (IPART) Line in the Sand pricing methodology.

The expected net cash flows have been discounted to their present value using a market determined risk adjusted real discount rate of 4%.

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

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### DEPRECIATION

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

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

The average useful lives used for each class of assets are:

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

### LEASES

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

### REVENUE RECOGNITION

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

### Tariff Income

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

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

### Investment Income

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

### Property Sales

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

### Current Year's Contributions for Capital Works

Includes Environmental Levy receipts and Contributions from Developers and the Hunter Sewer Program (HSP).

In accordance with Urgent Issues Group Abstract 17, physical asset contributions received from Developers and HSP are recognised as revenue and assets at their assessed fair value on receipt. For 2003/04 physical assets totalling \$18.2M (2002/03 \$28.4M) were received and were assessed as having a fair value of nil. Current year's contribution (assessed at nil) has been based on estimated net future cash inflows.

In respect of cash contributions received from Developers of \$13.9M (2002/03 \$11.7M), these have been shown as revenue. However the economic assessment of the future cash flows embodied in the assets funded by these Contributions indicates a write down is required in the asset values.

This write down has been shown as an expense. Environmental Levy receipts are considered revenue in nature and are shown at their cash value.

### INCOME TAX

Hunter Water Corporation and its wholly-owned Australian controlled entities are subject to the National Tax Equivalent Regime (NTER). An "equivalent" or "notional income tax" is payable to the NSW Government through the Office of State Revenue. The liability for income tax is primarily assessed in accordance with the *Income Tax Assessment Act (1997)* (ITAA) and is administered by the Australian Taxation Office.

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

### Tax Consolidation Legislation

Hunter Water Corporation and its wholly-owned Australian entity Hunter Water Australia Pty Limited have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. As a consequence, Hunter Water Corporation, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entity in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entity are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

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

### GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

Cashflows are included in the Statement of Cashflows on a gross basis.

### EMPLOYEE BENEFITS

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

Liabilities for superannuation are actuarially determined and contributions made to superannuation funds are charged against the provision. The Corporation's superannuation liabilities as at 30 June 2004 have been calculated and advised by Pillar Administration.

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

### DEBT FINANCING

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

### FOREIGN CURRENCY TRANSACTIONS AND BALANCES

#### Transactions

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

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

#### Hedge Transactions

Exchange differences arising on hedged transactions undertaken to

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

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

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>2 REVENUE</b>					
<b>A REVENUE FROM OPERATING ACTIVITIES</b>					
SERVICES					
Tariff - Service charges		55,746	52,784	55,746	52,784
Tariff - Usage charges		69,566	70,994	69,566	70,994
Other fees and charges		4,622	3,204	4,799	3,387
		129,934	126,982	130,111	127,165
External Sales		5,085	5,076	446	341
External revenue generated by RLMC		3,836	1,406	NIL	NIL
		8,921	6,482	446	341
Developer contributions - Environmental charge		7,680	6,914	7,680	6,914
Developer contributions - Other		13,880	11,736	13,880	11,736
		21,560	18,650	21,560	18,650
Corporate Services		2,946	2,782	4,142	3,958
Other		290	648	225	575
		3,236	3,430	4,367	4,533
<b>TOTAL SERVICES</b>		<b>163,651</b>	<b>155,544</b>	<b>156,484</b>	<b>150,689</b>
<b>B REVENUE FROM OUTSIDE THE OPERATING ACTIVITIES</b>					
Interest		2,000	2,741	1,881	2,600
Dividends		NIL	NIL	400	NIL
Sale of non-current assets		1,428	1,783	1,425	1,781
Foreign exchange gain		3	NIL	NIL	NIL
		3,431	4,524	3,706	4,381
<b>REVENUE FROM ORDINARY ACTIVITIES</b>		<b>167,082</b>	<b>160,068</b>	<b>160,190</b>	<b>155,070</b>
<b>3 OPERATING EXPENDITURE</b>					
EXPENDITURE - OPERATIONAL COSTS					
Labour and related costs		33,050	32,402	27,112	27,182
Materials		9,108	8,671	6,140	6,241
Energy		5,199	5,210	5,199	5,210
Plant and vehicles		2,485	2,430	2,058	1,939
Contracts and other		7,085	6,585	19,722	19,166
Cost of External Sales	2A	3,996	4,735	1,004	488
Cost of External Revenue generated by RLMC	2A	3,836	1,386	NIL	NIL
		<b>64,759</b>	<b>61,419</b>	<b>61,235</b>	<b>60,226</b>

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>4 PROFIT FROM ORDINARY ACTIVITIES</b>					
Profit from ordinary activities before related income tax expense includes the following specific net gains and expenses:					
NET GAINS					
Net gain on disposal of property, plant and equipment		82	227	112	242
Foreign exchange gain		3	NIL	NIL	NIL
EXPENSES					
Depreciation					
Buildings		185	311	185	311
Plant and equipment		33,190	27,867	32,829	27,511
		33,375	28,178	33,014	27,822
Other charges against assets					
Write down of externally funded assets		13,371	11,062	13,371	11,062
Bad and doubtful debts - trade debtors		97	(95)	97	(95)
Borrowing costs					
Interest and finance charges paid/payable		9,305	9,061	9,305	9,061
Borrowing costs expensed		9,305	9,061	9,305	9,061
Rental expense relating to operating leases					
Minimum lease payments		261	239	69	64
		261	239	69	64
Superannuation expense		1,514	11,483	1,073	10,329
		1,514	11,483	1,073	10,329

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>5 INCOME TAX</b>					
INCOME TAX EXPENSE					
The income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:					
Profit from ordinary activities before income tax expense		41,479	34,027	39,716	32,621
Income tax calculated at 30% (2003: 30%)		12,444	10,208	11,914	9,786
TAX EFFECT OF PERMANENT DIFFERENCES:					
Non-deductible depreciation and amortisation		3,144	3,915	3,144	3,915
Assessable externally funded assets (post July 2001)		8,737	9,173	8,737	9,173
Non-assessable contributions to capital works		(2,304)	(2,074)	(2,304)	(2,074)
Sundry items		(721)	2,969	(708)	2,742
Income tax adjusted for permanent differences		21,300	24,191	20,783	23,542
Under (over) provision in previous year		1	NIL	(53)	NIL
<b>INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT FROM ORDINARY ACTIVITIES BEFORE IMPACT OF TAX CONSOLIDATION</b>		<b>21,301</b>	<b>24,191</b>	<b>20,730</b>	<b>23,542</b>
Profit from ordinary activities before income tax expense - tax consolidated group (excluding parent entity)				1,991	NIL
Income tax calculated at 30% (2003: 30%)				597	NIL
TAX EFFECT OF PERMANENT DIFFERENCES:					
Non-deductible depreciation and amortisation				52	NIL
Sundry items				(132)	NIL
Income tax adjusted for permanent differences				517	NIL
Benefit of tax losses of prior years recouped				NIL	NIL
Income tax expense - tax consolidated group (excluding parent entity)				517	NIL
Net deferred tax liabilities of tax consolidated group entities assumed on implementation of tax consolidation				(785)	NIL
Compensation received/receivable from tax consolidated group entities				(837)	NIL
Compensation paid/payable to tax consolidated group entities				785	NIL
Income tax expense attributable to profit from ordinary activities		21,301	24,191	20,410	23,542
<b>AGGREGATE INCOME TAX EXPENSE</b>		<b>21,301</b>	<b>24,191</b>	<b>20,410</b>	<b>23,542</b>
TAX LOSSES					
The future income tax benefit attributable to tax losses is		401	NIL	401	NIL
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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

Hunter Water Corporation and its wholly-owned Australian controlled entity, Hunter Water Australia Pty Limited have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet 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 8). In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entity in case of a default by Hunter Water Corporation.

	NOTE	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>6 DIVIDENDS PAID or PROVIDED FOR</b>					
Opening balance		38,000	31,110	38,000	31,110
Add Dividend declared during 2003/2004		36,000	38,000	36,000	38,000
Less Dividend paid during 2003/2004		38,000	31,110	38,000	31,110
		<b>36,000</b>	<b>38,000</b>	<b>36,000</b>	<b>38,000</b>
Under the National Tax Equivalent Regime, the Corporation is not required to maintain a dividend franking account					
<b>7 CASH ASSETS</b>					
CURRENT					
Cash at bank and on hand		3,615	3,585	2,317	2,906
Deposits at call		19,761	43,264	16,020	39,016
		<b>23,376</b>	<b>46,849</b>	<b>18,337</b>	<b>41,922</b>
Deposits at call are bearing interest rates between 4.75% and 5.5% (2003: 4.5% and 4.75%)					
<b>8 RECEIVABLES</b>					
CURRENT					
Trade debtors		27,573	24,608	25,896	22,702
Provision for doubtful debts		(135)	(55)	(135)	(55)
Net Trade Debtors		27,438	24,553	25,761	22,647
Tax-related receivable		NIL	NIL	257	NIL
<b>TOTAL RECEIVABLES</b>		<b>27,438</b>	<b>24,553</b>	<b>26,018</b>	<b>22,647</b>

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>9 OTHER FINANCIAL ASSETS</b>					
CURRENT					
Loan to Controlled Entity		NIL	NIL	1,075	809
		<b>NIL</b>	<b>NIL</b>	<b>1,075</b>	<b>809</b>
NON-CURRENT					
Investments traded on organised markets					
Inscribed Stock - Government Issues - at market value		10,616	11,164	10,616	11,164
		10,616	11,164	10,616	11,164
Other (non-traded) investments					
Shares in controlled entities - at cost		-	-	900	900
<b>TOTAL NON-CURRENT</b>		<b>10,616</b>	<b>11,164</b>	<b>11,516</b>	<b>12,064</b>
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 2004.					
The inscribed stock was acquired in 1997, has a face value of \$10M and is redeemable in 4 years. The effective yield is 8.2%					
<b>10 INVENTORIES</b>					
CURRENT					
Consumable Stores at cost		1,409	678	1,409	678
Consumable Stores at Net Realisable Value		449	975	449	975
Work-in-progress at cost		766	336	NIL	NIL
<b>TOTAL INVENTORIES AT LOWER OF COST AND REALISABLE VALUE</b>		<b>2,624</b>	<b>1,989</b>	<b>1,858</b>	<b>1,653</b>
<b>11 DEFERRED TAX ASSETS</b>					
CURRENT					
Future Income Tax Benefit		NIL	61	NIL	NIL
		<b>NIL</b>	<b>61</b>	<b>NIL</b>	<b>NIL</b>
NON-CURRENT					
Future Income Tax Benefit		6,159	785	6,159	NIL
		<b>6,159</b>	<b>785</b>	<b>6,159</b>	<b>NIL</b>
<b>12 OTHER ASSETS</b>					
CURRENT					
Prepayments		893	839	828	751
Accrued Interest		277	277	277	277
		<b>1,170</b>	<b>1,116</b>	<b>1,105</b>	<b>1,028</b>

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	Economic Entity		Parent Entity		
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000	
<b>13 PROPERTY, PLANT AND EQUIPMENT</b>						
NON-CURRENT						
A		FIXED ASSETS - COMPRISE THE FOLLOWING ALL AT DIRECTORS' VALUATION:				
		WATER				
		Water sources and raw water delivery	222,092	215,937	222,092	215,937
		Water treatment	94,165	91,719	94,165	91,719
		Clear water delivery	182,015	178,639	182,015	178,639
		Watermains	426,644	412,618	426,644	412,618
		Water reservoirs and tanks	59,664	57,774	59,664	57,774
		Water pump stations	15,303	14,556	15,303	14,556
		Water Chlorinators	791	775	791	775
		General Support - Water	6,414	5,345	6,414	5,345
		Accumulated Depreciation	1,007,088	977,363	1,007,088	977,363
			(208,150)	(199,033)	(208,150)	(199,033)
		<b>TOTAL WATER</b>	<b>798,938</b>	<b>778,330</b>	<b>798,938</b>	<b>778,330</b>
		SEWER/WASTEWATER				
		Sewermains	992,653	916,361	992,653	916,361
		Sewer treatment / disposal	263,792	258,415	263,792	258,415
		Sewer pump stations	105,938	91,423	105,938	91,423
		General Support - Sewer	1,375	475	1,375	475
		Accumulated Depreciation	1,363,758	1,266,674	1,363,758	1,266,674
			(211,638)	(195,965)	(211,638)	(195,965)
		<b>TOTAL SEWER / WASTEWATER</b>	<b>1,152,120</b>	<b>1,070,709</b>	<b>1,152,120</b>	<b>1,070,709</b>
		DRAINAGE				
		Stormwater channels	129,296	126,941	129,296	126,941
		General Support - Drainage	46	42	46	42
		Accumulated Depreciation	129,342	126,983	129,342	126,983
			(27,644)	(25,717)	(27,644)	(25,717)
		<b>TOTAL DRAINAGE</b>	<b>101,698</b>	<b>101,266</b>	<b>101,698</b>	<b>101,266</b>
		GENERAL SUPPORT				
		Meters	16,141	14,333	16,141	14,333
		Computers	27,286	14,171	25,883	13,068
		Support Facilities / Buildings	11,846	17,474	10,069	15,907
		Mobile Plant / Motor Vehicles	7,892	8,202	7,892	8,202
		Accumulated Depreciation	63,165	54,180	59,985	51,510
			(36,846)	(32,977)	(34,555)	(31,048)
		<b>TOTAL GENERAL SUPPORT</b>	<b>26,319</b>	<b>21,203</b>	<b>25,430</b>	<b>20,462</b>
		<b>LAND</b>	<b>45,796</b>	<b>45,617</b>	<b>45,796</b>	<b>45,617</b>
		NON-COMMERCIALS				
		Non Commercial	879	675	879	675
		Accumulated Depreciation	(302)	(286)	(302)	(286)
		<b>TOTAL NON COMMERCIALS</b>	<b>577</b>	<b>389</b>	<b>577</b>	<b>389</b>
		TOTAL GROSS ASSETS	2,610,028	2,471,492	2,606,848	2,468,822
		Accumulated Depreciation	(484,580)	(453,978)	(482,289)	(452,049)
			<b>2,125,448</b>	<b>2,017,514</b>	<b>2,124,559</b>	<b>2,016,773</b>
B		WORKS IN PROGRESS AT COST				
		Works under construction	48,739	75,449	49,395	75,449
		<b>TOTAL PROPERTY PLANT AND EQUIPMENT</b>	<b>2,174,187</b>	<b>2,092,963</b>	<b>2,173,954</b>	<b>2,092,222</b>

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### C RECONCILIATIONS

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

#### CONSOLIDATED 2004

	Water \$'000	Sewer \$'000	Drainage \$'000	General Support \$'000	Land \$'000	Non Commercial \$'000	Total \$'000
Carrying amount 1 July 2003	800,011	1,117,755	101,508	26,636	46,660	393	2,092,963
Additions	18,832	21,580	112	8,708	1,915	2	51,149
Disposals	(1,307)	(1,774)	-	(859)	(469)	(10)	(4,419)
Revaluation: increments/(decrements)	12,736	52,378	2,189	360	-	206	67,869
Depreciation expense	(10,078)	(16,449)	(1,927)	(4,897)	-	(24)	(33,375)
<b>CARRYING AMOUNT 30 June 2004</b>	<b>820,194</b>	<b>1,173,490</b>	<b>101,882</b>	<b>29,948</b>	<b>48,106</b>	<b>567</b>	<b>2,174,187</b>

#### PARENT ENTITY 2004

	Water \$'000	Sewer \$'000	Drainage \$'000	General Support \$'000	Land \$'000	Non Commercial \$'000	Total \$'000
Carrying amount 1 July 2003	800,011	1,117,755	101,508	25,895	46,660	393	2,092,222
Additions	19,102	21,967	112	8,165	1,915	2	51,263
Disposals	(1,307)	(1,774)	-	(826)	(469)	(10)	(4,386)
Revaluation: increments/(decrements)	12,736	52,378	2,189	360	-	206	67,869
Depreciation expense	(10,078)	(16,449)	(1,927)	(4,536)	-	(24)	(33,014)
<b>CARRYING AMOUNT 30 June 2004</b>	<b>820,464</b>	<b>1,173,877</b>	<b>101,882</b>	<b>29,058</b>	<b>48,106</b>	<b>567</b>	<b>2,173,954</b>

The movement in the revaluation reserve per Note 21 with respect to property, plant and equipment revaluations is \$81.2M. The revaluation increment in the above table has been reduced by \$13.4M, which relates to a writedown of externally funded assets (see Note 4).

### D VALUATION NOTES

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

As at 30 June 2004 the directors have revalued interests in: Sewer Network Assets; Buildings and some items of Plant. The remaining assets have been indexed by the Consumer Price Index (CPI) for the year to 31 March 2004 of 2.0%.

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>14 PAYABLES</b>					
CURRENT					
Trade creditors		18,582	9,295	19,723	8,983
Deposits received for services		1,512	794	1,512	794
Prepaid income		1,012	807	756	620
Accrued expenses		1,997	1,765	1,997	1,765
		<b>23,103</b>	<b>12,661</b>	<b>23,988</b>	<b>12,162</b>
NON-CURRENT					
Tax-related payable		NIL	NIL	785	NIL
		<b>NIL</b>	<b>NIL</b>	<b>785</b>	<b>NIL</b>
<b>15 CURRENT TAX LIABILITIES</b>					
PROVISION FOR INCOME TAX PAYABLE					
Opening balance		11,796	8,469	11,346	8,191
Add Under provision for income tax in prior year		504	NIL	595	NIL
Less Amount paid relating to prior year		11,652	8,469	11,350	8,191
Add Amount payable for current year		19,532	22,199	19,532	21,373
Less Amount paid relating to current year		13,389	10,403	13,389	10,027
		<b>6,791</b>	<b>11,796</b>	<b>6,734</b>	<b>11,346</b>
<b>16 INTEREST-BEARING LIABILITIES</b>					
CURRENT					
Other loans		NIL	31,000	NIL	31,000
NON-CURRENT					
Other loans		124,906	98,969	124,906	98,969
<b>TOTAL INTEREST - BEARING LIABILITIES</b>		<b>124,906</b>	<b>129,969</b>	<b>124,906</b>	<b>129,969</b>
<b>17 PROVISIONS</b>					
CURRENT					
Dividends		36,000	38,000	36,000	38,000
Employee benefits		5,816	5,915	4,606	4,855
		<b>41,816</b>	<b>43,915</b>	<b>40,606</b>	<b>42,855</b>
NON-CURRENT					
Employee benefits		27,640	28,688	25,945	26,946
		<b>27,640</b>	<b>28,688</b>	<b>25,945</b>	<b>26,946</b>
<b>18 DEFERRED TAX LIABILITIES</b>					
NON-CURRENT					
Provision for deferred income tax		39,292	32,798	39,292	32,798
		<b>39,292</b>	<b>32,798</b>	<b>39,292</b>	<b>32,798</b>
<b>19 OTHER</b>					
NON CURRENT					
Premium on Loans		2,506	1,853	2,506	1,853
		<b>2,506</b>	<b>1,853</b>	<b>2,506</b>	<b>1,853</b>

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>20 CONTRIBUTED EQUITY</b>					
Issued and paid up capital 100,000,003 ordinary shares each fully paid		100,000	100,000	100,000	100,000
<b>21 RESERVES AND RETAINED PROFITS</b>					
<b>A RESERVES</b>					
Asset revaluation		1,515,121	1,437,616	1,515,121	1,437,616
		<b>1,515,121</b>	<b>1,437,616</b>	<b>1,515,121</b>	<b>1,437,616</b>
MOVEMENTS IN RESERVES					
ASSET REVALUATION					
Balance at beginning of year		1,437,616	1,348,576	1,437,616	1,348,576
REVALUATION INCREMENTS ON REVALUATION OF:					
Water		16,699	53,454	16,699	53,454
Sewer		61,299	38,552	61,299	38,552
Drainage		2,189	3,656	2,189	3,656
General support		69	(699)	69	(699)
Buildings		984	576	984	576
Treasury Bond		NIL	1,417	NIL	1,417
REVALUATION DECREMENT ON REVALUATION OF:					
Treasury Bond		(598)	NIL	(598)	NIL
Land		NIL	(5,903)	NIL	(5,903)
Write-back of written down value of decommissioned assets		(3,104)	(2,030)	(3,104)	(2,030)
Transfer to Retained Profits with respect to decommissioned assets		(33)	16	(33)	16
<b>BALANCE AT END OF YEAR</b>		<b>1,515,121</b>	<b>1,437,616</b>	<b>1,515,121</b>	<b>1,437,616</b>
<b>B RETAINED PROFITS</b>					
Retained profits at the beginning of year		380,184	408,365	376,800	405,738
Net profit attributable to the economic entity		20,178	9,836	19,306	9,079
Dividends provided for		(36,000)	(38,000)	(36,000)	(38,000)
Aggregate of amounts transferred to reserves		33	(16)	33	(16)
<b>RETAINED PROFITS AT END OF YEAR</b>		<b>364,395</b>	<b>380,184</b>	<b>360,139</b>	<b>376,800</b>
<b>C NATURE AND PURPOSE OF RESERVES</b>					
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.					

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

		Economic Entity		Parent Entity	
	NOTE	30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>22 STATEMENT OF CASH FLOWS</b>					
RECONCILIATION OF CASH					
Cash on hand		3,615	3,585	2,317	2,906
Deposits at call		19,761	43,264	16,020	39,016
<b>CLOSING CASH BALANCE</b>	7	<b>23,376</b>	<b>46,849</b>	<b>18,337</b>	<b>41,922</b>
RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO THE NET CASH FLOWS FROM OPERATING ACTIVITIES					
Profit from ordinary activities after related income tax		20,178	9,836	19,306	9,079
Depreciation and amortisation		33,375	28,178	33,014	27,822
Amortisation of discount on investments		(50)	(120)	(50)	1,008
(Profit) loss on sale of non-current assets		(114)	(227)	(144)	(242)
Capital Contributions		(8,189)	(7,588)	(8,189)	(7,588)
Net exchange differences		(3)	NIL	NIL	NIL
Change in operating assets and liabilities					
(Increase) in trade debtors		(2,635)	(2,629)	(2,862)	(1,377)
(Increase) decrease in inventories		(635)	575	(205)	539
(Increase) in future income tax benefit		(5,313)	(176)	(6,159)	NIL
(Increase) decrease in other operating assets		(54)	67	(334)	96
Increase in trade creditors		4,112	1,803	5,530	1,384
Increase in other operating liabilities		1,808	588	2,524	(727)
(Decrease) increase in provision for income taxes payable		(5,005)	3,327	(4,612)	3,155
Increase in deferred income tax		6,494	2,168	6,494	2,169
(Decrease) increase in other provisions		(1,145)	10,423	(1,250)	9,584
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>42,824</b>	<b>46,225</b>	<b>43,063</b>	<b>44,902</b>
<b>23 CONTRACTUAL COMMITMENTS</b>					
CAPITAL EXPENDITURE CONTRACTED FOR AT BALANCE DATE BUT NOT PROVIDED FOR					
Payable not later than one year		39,375	16,250	39,375	16,250
Payable later than one year but not later than five years		5,240	8,025	5,240	8,025
		<b>44,615</b>	<b>24,275</b>	<b>44,615</b>	<b>24,275</b>
CONSULTANCY COMMITMENTS CONTRACTED FOR AT BALANCE DATE BUT NOT PROVIDED FOR					
Payable not later than one year		779	567	NIL	NIL
Payable later than one year but not later than five years		10	NIL	NIL	NIL
		<b>789</b>	<b>567</b>	<b>NIL</b>	<b>NIL</b>
<b>24 LEASE EXPENDITURE COMMITMENTS</b>					
OPERATING LEASE COMMITMENTS IN RELATION TO NON-CANCELLABLE OPERATING LEASES ARE PAYABLE AS FOLLOWS:					
Not later than one year		437	185	59	62
Later than one year but not later than 5 years		1,092	93	67	93
Later than 5 years		36	47	36	47
		<b>1,565</b>	<b>325</b>	<b>162</b>	<b>202</b>

There are two major operating leases of the Economic Entity, one is a non-cancellable lease with a five year term expiring in June 2009 with an option to renew the lease at the end of this term for an additional five years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by CPI. The other is a non-cancellable lease with a 3-year term expiring in May 2007 with an option to extend the lease for an additional 2 years. Contingent rental

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

provisions within the lease agreement require that the minimum lease payments shall be increased by 3%. Both leases do not allow for subletting of the lease area.

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-exclusive.

## 25 SUPERANNUATION

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

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

Pillar Administration (Pillar) has advised the level of estimated superannuation liability outstanding as at 30 June 2004. In accordance with this advice there has been a decrease in the Economic Entity's estimated outstanding liability, which has been recognised as an offset to superannuation expense in the results for the year ended 30 June 2004.

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

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

	2003-04	2004-05	Thereafter
	% pa	% pa	% pa
Investment Return	7.0	7.0	7.0
Salary Growth Rate	4.0	4.0	4.0
Consumer Price Index	2.5	2.5	2.5

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

	SSS	SASS	SANCS	03-04	02-03
	\$M	\$M	\$M	\$M	\$M
Gross Liability Assessed by Actuaries as at 30 June 2004	55.3	15.2	4.6	75.1	77.4
Less: Investment Reserve Account Balance	(46.7)	(9.8)	(3.4)	(59.9)	(60.0)
Unfunded Liability / (Prepaid Contributions)	8.6	5.4	1.2	15.2	17.4

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

## 26 CONTINGENT LIABILITIES

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



# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

NOTE	Economic Entity		Parent Entity	
	30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>27 AUDITORS' REMUNERATION</b>				
AMOUNTS RECEIVABLE OR DUE AND RECEIVABLE BY THE AUDITORS, FROM ENTITIES WITHIN THE ECONOMIC ENTITY				
Auditing financial statements	144	141	129	129
	<b>144</b>	<b>141</b>	<b>129</b>	<b>129</b>

## 28 RELATED PARTY DISCLOSURES

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

### A DIRECTORS AND ANY DIRECTOR RELATED ENTITIES

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

Mr	R	Robson
Mr	K	Young - Managing Director
Mr	RI	Knights
Mr	PG	Barrack
Mr	DW	Boyd
Mr	WJ	Elliott
Ms	B	Crossley
Mr	A	Chappel
Mr	WD	Evans - resigned 31 March 2004
Prof	JM	Graham - resigned 31 December 2003

Details of directors' remuneration are provided in note 28.

### B CONTROLLED ENTITIES

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

On 1 August 2001, the business of managing Hunter Water Corporation's wastewater treatment works was transferred to Hunter Water Australia Pty Limited for a minimum three-year period. In consideration for this right a payment of \$0.508M was made to Hunter Water Corporation.

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

As a result, Hunter Water Corporation is entitled to be reimbursed from money advanced by the Treasurer for all net costs incurred by Hunter Water Corporation for performing any such activities including the cost of capital. The costs to be reimbursed from Treasury are \$0.817M for the period ended 30 June 2004.

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

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

A director, Mr R Knights, was Chairman of Broke Fordwich Private Irrigation District until he resigned in November 2003. Hunter Water Australia Pty Limited provided consulting services to Broke Fordwich Private Irrigation District during the year. These services were based on normal commercial terms and conditions. The aggregate value of these services in the year was \$0.174M.

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

Director Robson resigned as a Director/Chairman of Innova Soil Technologies Pty Limited (Innova) effective from the 1st April 2004. During the financial year the licence agreement between Regional Land Management Corporation Pty Ltd and Innova was renewed on normal commercial conditions no more favourable than those available to other parties. The purpose of the licence being for the storage of soil treatment equipment on the Mayfield site. Director Robson was absent for any Board consideration on matters relating to Innova.

### 29 SEGMENT INFORMATION

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

	NOTE	Economic Entity		Parent Entity	
		30 Jun 04 \$'000	30 Jun 03 \$'000	30 Jun 04 \$'000	30 Jun 03 \$'000
<b>30 REMUNERATION and RETIREMENT BENEFITS of DIRECTORS</b>					
DIRECTORS' REMUNERATION					
Amounts received or due and receivable by all directors of each Entity in the Economic Entity.		653	625		
Amounts received or due and receivable by the directors of the Parent Entity.				552	591
The number of directors of the Parent Entity whose remuneration falls within the following bands:				No	No
		\$10,000	\$19,999	2	-
		\$20,000	\$29,999	1	-
		\$30,000	\$39,999	3	5
		\$40,000	\$49,999	1	1
		\$60,000	\$69,999	1	1
		\$280,000	\$289,999	1	-
		\$300,000	\$309,000	-	1

### 31 CONTROLLED ENTITIES

PARENT ENTITY:  
Hunter Water Corporation

CONTROLLED ENTITIES:	Equity Holding
Hunter Water Australia Pty Limited	100%
Regional Land Management Corporation Pty Ltd	100%

### 32 ECONOMIC DEPENDENCY

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

### 33 EVENTS OCCURRING AFTER BALANCE DATE

In August 2004 the State issued a direction to Hunter Water Corporation to continue the activities of the Regional Land Management Corporation Pty Ltd in accordance with the *Implementation Agreement* until 30 June 2005.

Other than the matter mentioned 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.

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### 34 FINANCIAL INSTRUMENTS

#### A DERIVATIVE FINANCIAL INSTRUMENTS

The economic entity holds Forward Interest Rate Agreements from NSW Treasury Corporation as follows:

Face Value	Draw Down Date	Maturity Date	Yield
\$10M	1 December 2004	1 May 2012	5.82%
\$10M	1 December 2004	1 December 2010	5.71%
\$17.3M	1 June 2005	1 May 2012	5.69%

#### B INTEREST RATE RISK

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

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

THE COMPARATIVE INFORMATION WITH REGARD TO THE 2002-03 YEAR IS AS FOLLOWS:

	Weighted Average Effective Interest Rate	Floating Interest Rate \$'000	within 1 Year \$'000	Between 1-5 Years \$'000	Over 5 Years \$'000	Non Interest Bearing \$'000	Total \$'000
Cash	3.75%	3,585	-	-	-	-	3,585
Receivables	N/A	-	-	-	-	24,553	24,553
Other Financial Assets	4.77%	43,264	-	-	-	-	43,264
<b>CURRENT</b>							
Other Financial Assets	7.50%	-	-	-	11,164	-	11,164
<b>NON CURRENT</b>							
<b>TOTAL FINANCIAL ASSETS</b>		<b>46,849</b>	<b>-</b>	<b>-</b>	<b>11,164</b>	<b>24,553</b>	<b>82,566</b>
Interest-bearing Liabilities	7.05%	-	31,000	81,833	17,136	-	129,969
Payables	N/A	-	-	-	-	12,661	12,661
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>-</b>	<b>31,000</b>	<b>81,833</b>	<b>17,136</b>	<b>12,661</b>	<b>142,630</b>

#### C CREDIT RISK EXPOSURES

The credit risk on financial assets of the economic entity which have been recognised on the Statement of Financial Position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts. The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

#### D NET FAIR VALUES

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

**End of Audited Financial Statements.**

## HUNTER WATER CORPORATION

### DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of the Parent Entity, Clause 14 of the *Public Finance and Audit Regulation 2000*, 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 68 to 89) exhibit a true and fair view of the financial position of Hunter Water Corporation and its controlled entities as at 30 June 2004, 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 2000*, applicable Accounting Standards and other mandatory professional reporting requirements.
- 3) We are not aware of any circumstances, which would render any particulars included in these statements to be misleading or inaccurate.

On behalf of the Directors



R Robson  
Chairman



RI Knights  
Director

Newcastle 25 August 2004

## HUNTER WATER CORPORATION SUPPLEMENTARY INFORMATION

	ACTUAL 2003-04	BUDGET 2003-04	ACTUAL 2002-03	BUDGET 2002-03
<b>OPERATING PROGRAM 2003-04 ECONOMIC ENTITY</b>				
A summary of actual and budgeted results for 2003-04 and comparisons with 2002-03 results and budget, before contributions for capital works, is as follows:				
INCOME				
Net Trading Revenue	129,934	125,757	126,982	119,941
Interest on Investments	2,000	2,032	2,741	1,876
Profit (Loss) on Sale of Assets	82	(53)	227	-
Other Income	12,160	16,611	9,912	6,028
<b>TOTAL INCOME</b>	<b>144,176</b>	<b>144,347</b>	<b>139,862</b>	<b>127,845</b>
EXPENDITURE				
Operational Costs	64,759	73,434	61,419	60,438
Employee Provisions	1,933	4,548	3,282	3,315
Depreciation and Amortisation	33,375	30,490	28,178	28,199
Financial Charges	9,305	9,844	9,061	9,548
Other Expenditure	1,514	-	11,483	-
<b>TOTAL EXPENDITURE</b>	<b>110,886</b>	<b>118,316</b>	<b>113,423</b>	<b>101,500</b>
<b>PROFIT BEFORE TAX, DIVIDEND AND CONTRIBUTIONS FOR CAPITAL WORKS</b>	<b>33,290</b>	<b>26,031</b>	<b>26,439</b>	<b>26,345</b>

### OPERATING PROGRAM 2004-05

	BUDGET 2004-05 \$'000
NET TRADING REVENUE	132,341
ADD: OTHER INCOME	
External Sales	12,402
Miscellaneous Income	1,676
Interest Earned	1,258
<b>TOTAL OPERATING INCOME</b>	<b>147,677</b>
LESS: OPERATING EXPENDITURE	
Operational Costs	62,501
Cost of External Sales	11,815
Employee Provisions - Accrued	4,840
Depreciation	35,626
Financial Charges	10,340
<b>TOTAL EXPENDITURE</b>	<b>125,122</b>
<b>OPERATING PROFIT BEFORE DIVIDEND, TAX AND CONTRIBUTIONS FOR CAPITAL WORKS</b>	<b>22,555</b>

# HUNTER WATER CORPORATION

## SUPPLEMENTARY INFORMATION

	2003-04 \$'M	2002-03 \$'M	2001-02 \$'M	2000-01 \$'M	1999-01 \$'M
<b>5 YEAR FINANCIAL SUMMARY AND RATIO ANALYSIS</b>					
<b>1 STATEMENT OF FINANCIAL POSITION</b>					
(ECONOMIC ENTITY)					
CURRENT ASSETS					
Short Term Investments	23.4	46.9	62.0	27.6	21.7
Debtors and Other	31.2	27.7	25.6	30.3	32.7
<b>TOTAL CURRENT ASSETS</b>	<b>54.6</b>	<b>74.6</b>	<b>87.6</b>	<b>57.9</b>	<b>54.4</b>
NON-CURRENT ASSETS					
Fixed Assets	2,174.2	2,093.0	1,997.7	1,949.7	1,881.2
Investments / Other	16.8	11.9	10.4	12.1	32.8
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,191.0</b>	<b>2,104.9</b>	<b>2,008.1</b>	<b>1,961.8</b>	<b>1,914.0</b>
<b>TOTAL ASSETS</b>	<b>2,245.6</b>	<b>2,179.5</b>	<b>2,095.7</b>	<b>2,019.7</b>	<b>1,968.4</b>
CURRENT LIABILITIES					
Loans and Advances	23.1	43.7	12.5	9.6	7.1
Provisions	41.8	43.9	36.8	36.1	41.1
Other	6.8	11.8	8.5	4.0	2.3
<b>TOTAL CURRENT LIABILITIES</b>	<b>71.7</b>	<b>99.4</b>	<b>57.8</b>	<b>49.7</b>	<b>50.5</b>
NON-CURRENT LIABILITIES					
Loans and Advances	124.9	99.0	131.1	83.7	83.7
Provisions / Other	69.5	63.3	49.9	36.5	37.2
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>194.4</b>	<b>162.3</b>	<b>181.0</b>	<b>120.2</b>	<b>120.9</b>
<b>TOTAL LIABILITIES</b>	<b>266.1</b>	<b>261.7</b>	<b>238.8</b>	<b>169.9</b>	<b>171.4</b>
<b>NET ASSETS</b>	<b>1,979.5</b>	<b>1,917.8</b>	<b>1,856.9</b>	<b>1,849.8</b>	<b>1,797.0</b>
CAPITAL AND RETAINED EARNINGS					
Issued Capital	100	100	100	100	100
Asset Revaluation Reserve	1,515.1	1,437.6	1,348.6	1,317.7	1,260.9
Capital Profits Reserve	0	0	0	31.7	29.4
Accumulated Funds	364.4	380.2	408.3	400.4	406.7
<b>TOTAL EQUITY</b>	<b>1,979.5</b>	<b>1,917.8</b>	<b>1,856.9</b>	<b>1,849.8</b>	<b>1,797.0</b>

## HUNTER WATER CORPORATION SUPPLEMENTARY INFORMATION

	2003-04 \$'M	2002-03 \$'M	2001-02 \$'M	2000-01 \$'M	1999-01 \$'M
<b>2 STATEMENT OF FINANCIAL PERFORMANCE (ECONOMIC ENTITY)</b>					
TRADING OPERATIONS					
REVENUE:					
Tariff	129.9	127.0	117.3	115.4	112.8
Other	12.3	10.2	6.0	5.0	5.8
LESS:					
Operating Costs	64.8	62.5	56.6	54.9	53.8
GROSS MARGIN	77.4	74.7	66.7	65.5	64.8
OTHER INCOME:					
Investments	2.0	2.7	2.8	4.0	4.1
OTHER EXPENDITURE:					
Financing Charges	9.3	9.1	8.3	6.7	6.6
Depreciation and Amortisation	33.4	28.2	26.8	27.3	27.4
Employee Entitlements - Accrued Charge	5.6	5.3	3.0	2.9	2.9
<b>PROFIT BEFORE DIVIDEND, SUPERANNUATION ADJUSTMENT AND CAPITAL WORKS CONTRIBUTION</b>	<b>31.1</b>	<b>34.8</b>	<b>31.4</b>	<b>32.7</b>	<b>32.0</b>
SUPERANNUATION ADJUSTMENT	2.21 <sup>1</sup>	-8.41 <sup>1</sup>	-11.81 <sup>1</sup>	-2.51 <sup>1</sup>	11.61 <sup>1</sup>
<b>PROFIT BEFORE DIVIDEND AND CAPITAL WORKS CONTRIBUTIONS</b>	<b>33.3</b>	<b>26.4</b>	<b>19.6</b>	<b>30.2</b>	<b>43.5</b>
CONTRIBUTION FOR CAPITAL WORKS	8.2	7.6	6.7	6.2	6.6
<b>PROFIT BEFORE DIVIDEND</b>	<b>41.5</b>	<b>34.0</b>	<b>26.3</b>	<b>36.4</b>	<b>50.1</b>
DIVIDEND	36.0 <sup>2</sup>	38.0	31.1	30.0	28.0
<b>PROFIT AFTER DIVIDEND</b>	<b>5.5</b>	<b>-4.0</b>	<b>-4.8</b>	<b>6.4</b>	<b>22.1</b>
1 Movement in Superannuation liabilities as advised by Pillar Administration					
2 Proposed dividend					

### 3 FINANCIAL RATIOS

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

	2003-04	2002-03	2001-02	2000-01	1999-00
a - Gross Profit %	54.43	54.43	54.08	54.42	54.69
b - Working Capital	0.76	0.75	1.52	1.16	1.08
c - Cash Ratio	0.33	0.47	1.07	0.56	0.43
d - Equity to Total Liabilities	7.44	7.33	7.82	10.89	10.48
e - Interest Cover (times)	5.91	7.35	8.85	8.46	7.17
f - Return on Equity (%)	6.70	7.25	6.17	6.15	5.96
g - Real Rate of Return (%)	1.77	1.96	1.84	1.81	1.83
h - Return on Total Net Assets (%)	1.57	1.81	1.69	1.77	1.78

# HUNTER WATER CORPORATION

## SUPPLEMENTARY INFORMATION

### COMMENTS ON FINANCIAL RATIOS

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

#### A GROSS PROFIT

Gross Profit is calculated as gross margin divided by total revenue. Increasing margins are an indication of potential profitability and the increases should correlate to increases in gross operating revenue and thus ensure that the benefits of increased income from services are not being eroded by increased costs of providing the services. This ratio has basically been maintained suggesting that increases in revenue are not being eroded by the costs of its generation.

#### B WORKING CAPITAL

Working Capital is calculated as current assets divided by current liabilities and provides an indication of liquidity and capacity to realise current assets to meet current commitments.

#### C CASH RATIO

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

#### D EQUITY TO TOTAL LIABILITIES

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

#### E INTEREST COVER

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

#### F RETURN ON EQUITY

Return on Equity is calculated as operating profit divided by the sum of Issued Capital and Retained Profits. The current year's ROE has been calculated on an equity base of \$464.4M after providing for a dividend payment of \$36M. ROE for 2003-04 is 6.70%.

#### G REAL RATE OF RETURN

Real Rate of Return is calculated as operating profit plus net interest plus financial charges divided by written down book value of infrastructure assets and works in progress and reflects the implicit rate of return generated from operating activities. For inter-agency comparison purposes the Water Services Association of Australia (WSAA) utilises a RRR in order to capture the major economic indicators of commercial performance ie capital costs, recurrent costs and revenue. The rate of return the Corporation may earn is used to pay real interest costs on debt and a return on equity which may in fact be a contribution to Government by way of dividends or re-investment in the organisation. The current year's result is 1.77%.

#### H RETURN ON TOTAL NET ASSETS

Return on Total Net Assets is calculated as operating profit before dividend divided by the difference between total assets and total liabilities. This ratio is used to facilitate comparisons with making an investment in a risk free environment or other investment opportunities where greater security is offered for the investment made. The 2003-04 RONA is 1.57%.



## TARIFF STRUCTURE 2004-05

### RESIDENTIAL

#### SERVICE CHARGE:

	WATER	SEWER	DRAINAGE
Stand alone dwelling 20mm	\$25.37	\$239.35	\$42.31
Flats and Units (minimum)	-	\$120.00	-

For other meter sizes see table below

#### USAGE CHARGE:

	WATER	SEWER	DRAINAGE
0-1000 Kilolitres	101c/kl	42c/kl	
1000 - 50000 Kilolitres	93c/kl	42c/kl	
No Water Connection (maximum)		\$20.00	

### NON-RESIDENTIAL

Valuation Based Charge (AAV): 1.25c/\$

#### SERVICE CHARGE:

	WATER	SEWER	DRAINAGE
Base 20mm Meter	\$25.37	*\$478.69	\$42.31

For other meter sizes see table below

#### USAGE CHARGE:

	WATER	SEWER	DRAINAGE
0- 1000 kilolitres	101c/kl	*42.0c/kl	
1001 - 50000 kilolitres	93c/kl	*42.0c/kl	

#### Over 50000 kilolitres:

• Dungog	54.8c/kl
• Kooragang/Stockton	80.2c/kl
• South Wallsend	80.7c/kl
• Tomago	83.9c/kl
• Warners Bay/Valentine	83.9c/kl
• Seaham/Hexham	87.2c/kl
• Newcastle/Highfields	88.2c/kl
• Raymond Terrace	89.6c/kl
• Port Stephens	89.9c/kl
• Kurri/Cessnock	90.2c/kl
• Lookout	90.1c/kl
• Edgeworth/West Wallsend	92.5c/kl
• Other Areas	93.0c/kl

### EXEMPT PROPERTIES

- WATER SERVICE CHARGES: a charge of \$10.38 for 20mm and \$16.09 for 25mm services, then as per the non-residential water service charge
- SEWER SERVICE CHARGE:\* a charge of \$97.45 x meter size ratio
- USAGE CHARGES: see usage charges listed above

### ENVIRONMENTAL IMPROVEMENT CHARGE

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

### SERVICE CHARGES

Base charges for a 20mm meter are listed above, however customers with larger pipes should use the table below:

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

\*Subject to discharge factor - the assessed percentage of water disposed of through the sewer (50% for residential customers)

## TARIFF STRUCTURE 2003-04

### RESIDENTIAL

#### SERVICE CHARGE:

	WATER	SEWER	DRAINAGE
Stand alone dwelling 20mm	\$26.05	\$231.48	\$38.46
Flats and Units (minimum)	-	\$100.00	-

For other meter sizes see table below

#### USAGE CHARGE:

	WATER	SEWER	DRAINAGE
0-1000 kilolitres	98c/kl	*42c/kl	
1001 - 50000 kilolitres	90c/kl	*42c/kl	
No Water Connection (maximum)		\$10.00	

### NON-RESIDENTIAL

Valuation Based Charge (AAV): 1.45c/\$

#### SERVICE CHARGE:

	WATER	SEWER	DRAINAGE
Base 20mm Meter	\$26.05	*\$462.95	\$38.46

For other meter sizes see table below

#### USAGE CHARGE:

	WATER	SEWER	DRAINAGE
0 - 1000 kilolitres	98.0c/kl	*42.0c/kl	
1001 - 50000 kilolitres	90.0c/kl	*42.0c/kl	

#### Over 50000 kilolitres:

• Dungog	53.1c/kl
• Kooragang/Stockton	77.7c/kl
• South Wallsend	78.3c/kl
• Tomago	81.3c/kl
• Warners Bay/Valentine	81.3c/kl
• Seaham/Hexham	84.6c/kl
• Newcastle/Highfields	85.5c/kl
• Raymond Terrace	86.8c/kl
• Port Stephens	87.0c/kl
• Kurri/Cessnock	87.3c/kl
• Lookout	87.3c/kl
• Edgeworth/West Wallsend	89.6c/kl
• Other Areas	90.0c/kl

### EXEMPT PROPERTIES

- WATER SERVICE CHARGES: a charge of \$10.66 for 20mm and \$16.52 for 25mm services, then as per the non-residential water service charge
- SEWER SERVICE CHARGE:\* a charge of \$94.25 x meter size ratio
- USAGE CHARGES: see usage charges listed above

### ENVIRONMENTAL IMPROVEMENT CHARGE

Environmental Improvement Charge of \$47.80 levied on properties liable for sewerage or properties to be provided with sewerage in the Hunter Sewerage Project, excluding eligible pensioners.

### SERVICE CHARGES

Base charges for a 20mm meter are listed above, however customers with larger pipes should use the table below:

PIPE Size	METER Ratio	WATER	*SEWER
20 mm	1.00	\$26.05	\$462.95
25 mm	1.55	\$40.37	\$717.58
32 mm	2.56	\$66.42	\$1,180.53
40 mm	4.00	\$104.18	\$1,851.81
50 mm	6.25	\$162.78	\$2,893.46
80 mm	16.00	\$416.73	\$7,407.26
100 mm	25.00	\$651.14	\$11,573.84
150 mm	56.25	\$1,465.06	\$26,041.14
200 mm	100.00	\$2,604.56	\$46,295.35
250 mm	156.25	\$4,069.62	\$72,336.49
300 mm	225.00	\$5,860.25	\$104,164.54
350 mm	306.25	\$7,976.45	\$141,779.52
400 mm	400.00	\$10,418.22	\$185,181.41
500 mm	625.00	\$16,278.47	\$289,345.95

\*Subject to discharge factor - the assessed percentage of water disposed of through the sewer (50% for residential customers)

# HUNTER WATER CORPORATION

## STATEMENT OF FINANCIAL POSITION DETAILS ECONOMIC ENTITY

For the year ended 30 June 2004

	30 June 04 \$M	30 June 03 \$M
<b>1 RECEIVABLES</b>		
Receivables are shown as a current asset on the Statement of Financial Position and total \$27.4M.		
Tariff Income - billed	10.313	10.096
Tariff Income - unbilled	11.748	10.537
Sundry Debtors	2.211	2.104
Net GST Receivable from ATO	1.820	1.123
Community Service Obligations	0.591	0.079
Treasury Funding (RLMC)	0.817	0.666
Miscellaneous Debtors	0.073	0.003
	27.573	24.608
Less Provision for Doubtful Debts	0.135	0.055
	<b>27.438</b>	<b>24.553</b>
A more detailed analysis of the major categories follows.		
<b>A TARIFF INCOME</b>		
Billed: at 30 June 2004 the breakdown of outstanding rates and charges into customer categories and comparison with the 2002-03 result is as follows:		
Residential	6.940	6.969
Vacant Land - Residential	0.103	0.102
Flats and Home Units	0.831	0.781
Commercial	1.833	1.655
Industrial	0.322	0.248
Vacant Land - Non Residential	0.019	0.025
Farms	0.107	0.096
Commercial Strata	0.057	0.064
Exempts	0.060	0.105
Other	0.041	0.051
	<b>10.313</b>	<b>10.096</b>
Less :		
Pensioners	2.806	2.713
Accounts not due*	3.855	4.170
Property Lists**	1.867	1.389
<b>COLLECTABLE CHARGES</b>	<b>1.785</b>	<b>1.824</b>

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

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

Unbilled: this represents an estimate of water consumption not billed at 30 June 2004, \$11.7M has been accrued as income in the Statement of Financial Performance and raised as a receivable on the Statement of Financial Position.

### B SUNDRY DEBTORS

Total sundry debtors as at 30 June 2004 were \$2.211M (including accruals) compared to \$2.104M at 30 June 2003. \$0.087M of this balance is outstanding in excess of 90 days, \$0.037M has subsequently been settled in July 2004 and it is expected that the remaining amount will be settled in August. During the year \$0.017M worth of bad debts were written off (\$0.002M tariff and \$0.015M sundry).

### C PROVISION FOR DOUBTFUL DEBTS

The Economic Entity's total outstanding debtors (excluding unread water meters accrued) at 30 June 2004 totalled \$12.524M. Of this amount \$10.313M or 82% relates to tariff income debtors and \$2.211M or 18% to sundry customers.

The Tariff Income - billed outstandings are charges which are raised on the actual properties and are ultimately recoverable upon sale of the property. These outstandings are generally recovered and there are very few write offs. For the year ended 30 June 2004 total tariff income write offs were \$0.002M. The outstandings in respect of external trading customers potentially have the highest risk of non recovery.

# HUNTER WATER

## STATEMENT OF FINANCIAL POSITION DETAILS ECONOMIC ENTITY

For the year ended 30 June 2004

Business Unit Managers review all their outstandings on a quarterly basis and have taken action to recover or recommend write off for those accounts considered irrecoverable. In respect of the year ended 30 June 2004 write-offs totalled \$0.015M for external trading customers and the amount of outstandings over 90 days totalled \$0.087M. During the year a full review of the provision for doubtful debts was undertaken and based on current doubtful debtors the provision for doubtful debts was increased from \$0.055M in 02-03 to \$0.135M.

### D COMMUNITY SERVICE OBLIGATIONS

The Corporation seeks financial reimbursement for providing services other than on a commercial basis. These services are titled Community Service Obligations (CSO's). Claims for reimbursement of CSO's are submitted each year to the relevant portfolio Minister for endorsement and inclusion in the State Budget. Approval for payment of the CSO claim is provided as part of Parliament's sanction of the State Budget, after which a payment schedule is agreed with Treasury. The Corporation's CSO claims for 03-04 were for tariff rebates given to pensioners and exempt properties, for example, churches. The 03-04 claim and cash received were as follows:

	Amount Claimed	Cash Received	Outstanding (Prepayment)
	\$M	\$M	\$M
Pensioner Rebate	8.205	7.727	0.478
Exempt Properties	0.838	0.725	0.113
<b>TOTAL</b>	<b>9.043</b>	<b>8.452</b>	<b>0.591</b>

The net under recoupment of \$0.591M is due to variations in actual rebates claimed compared to rebates budgeted for 2003/04. This under recoupment will be added to the 2004-05 claim. For 2004-05 the forecast CSO's included in State Budget estimates provided to NSW Treasury back in November 2003 are Pensioner Rebates \$7.697M and Exempt Properties \$0.899M.

	Reimbursable Due
	\$M
RLMC Reimbursable from Treasury	0.817

This amount is claimed annually from Treasury on completion of the annual financial statements for Regional Land Management Corporation Pty Ltd.

### E GOODS AND SERVICES TAX (GST)

The Corporation is liable to pay GST on all taxable acquisitions. However, GST is only collected on a few taxable revenue items (e.g. external sales). In accordance with relevant accounting standards and treasury circulars, the balance of receivables and payables are recorded as GST-inclusive. As the majority of sales by the Corporation are GST-free, but its purchases predominantly include GST, the Corporation receives a net refund of GST paid from the Australian Taxation Office on a monthly basis. The net amount refundable at 30 June 2004 (inclusive of accruals) and included in Receivables was \$1.820M (this includes a net GST receivable of \$0.060M from the Controlled Entity, Regional Land Management Corporation).

For the Controlled Entity Hunter Water Australia, a net liability for GST of \$0.268M was recorded as at 30 June 2004.

## 2 INVESTMENTS

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

A profile of the Portfolio is as follows:

	30 June 04	30 June 03
	\$M	\$M
Cash at Bank	3.615	3.585
TCorp Deposits	19.761	43.264
Inscribed Stock - Government Issues (at market value)	10.616	11.164
	<b>33.992</b>	<b>58.013</b>
Interest Earned	2.001	2.741
Average Interest (on average monthly balance)	6.03%	5.49%
Investments are split on the Statement of Financial Position into:		
Current	23.376	46.849
Non Current	10.616	11.164
	<b>33.992</b>	<b>58.013</b>

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

# HUNTER WATER CORPORATION

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	30 June 04 \$'M	30 June 03 \$'M
<b>3 FIXED ASSETS - PROPERTY PLANT AND EQUIPMENT</b>		
Opening WDBV	2,017.514	1,876.707
Less - Depreciation Charge	(33.375)	(28.178)
Less - Retirements	(3.137)	(2.015)
Less - Sales	(1.282)	(1.556)
Add - Additions from WIP	61.694	84.798
Add - Assets Externally Funded	2.604	0.359
Add - Assets from HSP (only HWC's share)	13.561	8.822
Adjustment for Developer Funded Assets - Abstract 17	(13.371)	(11.062)
Revaluation - Increment / Decrement	81.240	89.639
Closing WDBV	2,125.448	2,017.514
Opening WIP	75.448	121.012
Expenditure	50.629	48.033
Less - Assets Commissioned	(77.338)	(93.597)
Closing WIP	48.739	75.448
<b>TOTAL ASSETS PLUS WIP</b>	<b>2,174.187</b>	<b>2,092.963</b>

The total assets of \$2,174M represents an increase of \$81.2M on the balance as at 30 June 2003.

### 4 BORROWINGS

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

Lower Limit	30-6-04 Position	Benchmark Position	Upper Limit
3	4	4	5

At 30 June 2004 the Corporation's Portfolio has a duration of 4.0 years. In December 2003 the Corporation drew down a \$10M loan in order to meet its commitments and in April 2004 a net repayment of \$16M in debt was undertaken. The average interest yield cost of debt held at 30 June 2004 was 6.41%. A profile of the Corporation's Financial Liability Portfolio is as follows:

	30 June 04 \$'M	30 June 03 \$'M
Number of Loans	14	13
Face Value	124.906	129.969
Market Value	131.387	141.470
Borrowings included in the Statement of Financial Position are:	124.906	129.969
	<b>124.906</b>	<b>129.969</b>
Debt Maturity Profile		
Within 1 year	NIL	31.000
Between 1-5 years	72.875	81.833
Over 5 years	52.031	17.136
	<b>124.906</b>	<b>129.969</b>

# HUNTER WATER CORPORATION

## STATEMENT OF FINANCIAL POSITION DETAILS ECONOMIC ENTITY

For the year ended 30 June 2004

### 5 NET DISCOUNT/PREMIUM ON LOANS

The Corporation's Treasury Corporation Debt portfolio includes loans taken up at premiums and discounts. These arise because loans are issued at a premium or discount to their face value to reflect the current market value. As an example a loan with a face value of \$1.0M with an interest cost of 12% is expensive in the current market. For a buyer (eg Hunter Water Corporation) to purchase that loan of \$1.0M with a fixed cost of 12% in a market where the cost of borrowings are 8%, the seller (eg NSW TCorp) will provide an amount of cash in excess of the face value to compensate for the higher interest cost.

The buyer (eg Hunter Water Corporation) receives a loan with a face value of \$1.0M plus the additional cash premium. The buyer's commitment to repay is still only the face value of the debt. The premium is amortised as income in the Statement of Financial Performance to offset the high interest cost of the debt. The opposite applies to discounts. Movement in respect of discounts (premiums) for the year to 30 June 2004 is as follows:

	\$M	\$M	\$M
	Discounts	Premiums	Net
Opening Balance 1.7.03	1.381	(3.234)	(1.853)
Amortisation 1.7.03 to 30.6.04	(0.541)	0.758	0.217
Debt Traded	0.461	(1.331)	(0.870)
<b>BALANCE 30 JUNE 2004</b>	<b>1.301</b>	<b>(3.807)</b>	<b>(2.506)</b>

### 6 EMPLOYEE PROVISIONS

Overview: at 30 June 2004 the liability for Employee Provisions totalled \$33.5M representing a decrease of \$1.1M during the year and comprised:

	30 June 04 \$M	30 June 03 \$M
Long Service Leave	13.176	12.380
Defined-Benefit Superannuation	15.194	17.448
Accrued Sick / Annual Leave	5.086	4.775
	<b>33.456</b>	<b>34.603</b>
These liabilities are split on the Statement of Financial Position into:		
Current	5.816	5.915
Non Current	27.640	28.688
	<b>33.456</b>	<b>34.603</b>

At 30 June 2004 the Economic Entity's superannuation portfolio was under-funded in total by \$15.2M. At 30 June 2003 the portfolio was net under-funded by \$17.4M (see below for further details).

Note the Long Service Leave (LSL) entitlements have been disclosed at the present value of expected future cash outflows in accordance with accounting standard AASB1028 *Employee Benefits*.

Employee Provisions Accrued Charge represents the total charge to the Operating Program required to both fully provide for and to maintain full funding of the total estimated Superannuation and LSL liabilities accruing as at 30 June 2004.

# HUNTER WATER CORPORATION

## STATEMENT OF FINANCIAL POSITION DETAILS ECONOMIC ENTITY

For the year ended 30 June 2004

### SUPERANNUATION

The fund manager, Pillar Administration has forwarded an assessment of the Economic Entity's liabilities as at 30 June 2004. The movement in the liabilities over the year has been:

	30 June 04	30 June 03	Movement
	\$M	\$M	\$M
Gross Liability	75.1	77.4	(2.3)
Balance Funded with SAC	59.9	60.0	(0.1)
Liability Unfunded / (Overfunded)	15.2	17.4	(2.2)
Percentage funded	79.8%	77.5%	

A superannuation adjustment of \$2.2M was required based on the decreased level of estimated Superannuation liabilities as advised by Pillar Administration as at 30 June 2004. This movement is as a result of the good investment returns experienced by the funds during the year. While it is not expected that the full extent of the estimated shortfall in the level of funding will be required to be paid, actual contributions will be required to be made towards this unfunded liability during the year.

## 7 BREAKDOWN OF LANDHOLDINGS 30 JUNE 2004

Code	Description	Number of Properties	Value \$M
1	Land fully utilised as an integral part of the Corporation's system	361	25.329
2	Land partly used with the unused residue required for future integral needs	2	0.035
3	Land not currently used but fully required for future integral needs	22	4.357
4	Land being partly used, the residue having potential for alternative use	23	0.656
5	Land with significant potential for alternative use	34	23.689
	<b>TOTAL</b>	<b>442</b>	<b>54.066</b>

Landholdings are re-valued and assessed in accordance with Australian Accounting Standard AASB1041 and the NSW Treasury Accounting Policy - Valuation of Physical Non-Current Assets at Fair Value. The last full land revaluation was undertaken at 30 June 2003.

Land holdings in Codes 1 to 4 have been re-valued to Fair Value based on existing use, whilst land holdings in Code 5 have been re-valued to Fair Value based on highest and best use.

## 8 PROPERTY DISPOSALS

There were two parcels of land disposed of during the financial year. Total proceeds received of \$0.543M will be received at settlement. The properties were no longer required for operational purposes by the Corporation. The proceeds from the sale of these properties have been reinvested in the Economic Entity's operations and access to documents relating to the disposal of the land can be obtained under the Freedom of Information Act.

## 9 MATERIAL CAPITAL EXPENDITURE CONTRACTS AS AT 30 JUNE 2004 (GST-Exclusive)

(contracted for at balance date but not provided for)

Contract Number	Contract Description	Committed Amount \$M
CONTRACTS		
	Design and construction of new head office	15.231
CG008117	Grahamstown Dam new spillway and embankment	9.206
CG160213	Construction Warners Bay/Valentine wastewater transportation system - package 2	5.848
CG143214	Belmont WWTW storm bypass and booster pumping station	2.848
CG006110	Construction of 900mm watermain - Hunter River south arm crossing	2.252
CG162205	Construction of Wallsend trunk water mains	1.006

**HUNTER WATER CORPORATION**  
**STATEMENT OF FINANCIAL POSITION DETAILS ECONOMIC ENTITY**  
For the year ended 30 June 2004

CG297861	Lining of sewer mains at various sites	0.711
2618/01	Belmont WWTW station 3 - detail design	0.574
CG143211	Belmont ocean outfall diffuser modifications	0.495
CG301402	Chemical root treatment of branch and sewer lines for a two/three year period	0.471
CG303102	Maintenance of lawns and gardens at various sites for 3 years	0.404
2287/05	Lochinvar wastewater collection and transportation system design	0.347
CG298402	CCTV survey and manhole inspection - critical sewer mains	0.330
1532/12	Newcastle wet weather pumping system - detail design	0.317
CG300806	CCTV survey and manhole inspections in Belmont and Mayfield catchments	0.302
CG303101	Maintenance of grounds by slashing at Tomago, Grahamstown and Nelson Bay for 3 years	0.248
1432/08	Manage consultancy - Belmont WWTW concept	0.215
CG258982	CCTV survey and manhole inspections - critical sewer mains	0.212
1786/03	Fern Bay sewer and regional assets	0.207
2970/03	Belmont and Morisset peninsula augmentation - project management	0.184
CG299505	Rehabilitation of concrete stormwater channels in Throsby Creek	0.183
1691/08	Cessnock WWTW and WWPS upgrade detailed design assignment	0.166
2287/04	Kitchener wastewater collection and transportation system design	0.161
CG030616	Installation of watermain and sewermain supports in Stockton bridge	0.156
3018/03	Windale/Gateshead upgrade management plan - project management	0.151
CG006111	Contract management services - south arm crossing	0.143
2046/05	Dudley/Charlestown upgrade management plan - consultancy management	0.110
CG166206	Contract management services - Wallsend trunkmain	0.109
CG158005	North Lambton reservoir landslip - remediation earthworks and drainage	0.103
2720/05	Automated power activated carbon dosing facility at Grahamstown Dam	0.098
2633/03	Waratah/Mayfield carrier main upgrade - concept/detail design	0.086
3023/03	Farley WWTW catchment wastewater servicing strategy - project management	0.080
CG272002	Design and construction of PAC handling and dosing facility at George Schroder pumping station	0.073
1785	Belmont WWTW servicing strategy	0.070
2614/03	Toronto WWTW catchment wastewater servicing strategy	0.068
CG282307	Construction of trunk water mains at Tenambit and Ashtonfield	0.066
P1212	Tomaree water supply system servicing strategy	0.062
P83	Grahamstown and Dungog WTP fluoride conversion - concept/detail design	0.058
CG301401	Maintenance of gravel roads with HWC land at Tomago, Anna Bay, Grahamstown and Balickera	0.057
3032/01	West Lakes water distribution system servicing strategy - consultancy	0.057
2616/02	Newcastle WWPS downsizing and storage - concept/detail design	0.052
3090/01	Lochinvar sewerage scheme	0.051
CP1118	Design replacement of CTGM Tarro to Shortland	0.050
1691/02	Review of options for augmentation of Cessnock WWTW	0.050
CG298018	Replacement of water mains at various locations	0.045
3027/01	Kurri WWTW catchment wastewater transportation system servicing strategy	0.041
2486/01	Shortland WWTW catchment transportation system - servicing strategy	0.037
3028/02	Kooragang/Stockton water distribution system servicing strategy - project management	0.036
1855/03	Cessnock water service strategy - project management	0.035
1213/03	Boulder Bay WWTW transportation system servicing strategy	0.034
2645/03	Newcastle, New Lambton, Highfields water servicing strategy	0.033
1532/06	Newcastle wet weather pumping system - concept design	0.032
2941/02	Edgeworth WWTW capacity review and upgrade strategy - consultancy	0.032
CG300805	CCTV survey of sewers and manhole inspections - Wallsend/Elemore Vale/Adamstown	0.031
2646/03	Tilligerry Peninsula water servicing strategy	0.031
	Other miscellaneous	0.560
		<b>44.615</b>

# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

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# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## Board of Directors

Hunter Water Corporation's Board of Directors is comprised of nine members (including the Chief Executive Officer) appointed by the voting shareholders (the NSW Treasurer and the NSW Special Minister of State). Hunter Water's constitution requires that, on an annual basis, two of the directors (with the exception of the 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
<b>Remuneration</b> 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.
<b>Environmental</b> P Barrack (Chairman) W Elliott K Young B Crossley A Chappel	K Young	Twice yearly	To ensure the Corporation continues to maintain a pro-active and strategic approach in relation to relevant environmental initiatives / issues.
<b>Audit and Compliance</b> D Boyd (Chairman) R Robson R Knights W Elliott	S Smith	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.
<b>Capital Works</b> R Knights (Chairman) D Boyd P Barrack W Elliott K Young B Crossley A Chappel	R Pascoe	Three meetings per year	To provide a strategic overview of the longer term Capital Program of the Corporation, up to 20 years out. To review progress of all major capital works projects and oversee post completion reviews.
<b>Corporate Governance</b> R Robson (Chairman) R Knights K Young	S Smith	Twice yearly	To overview Board strategic direction and business performance.
<b>Major Customers</b> K Young (Chairman) R Robson R Knights D Boyd	J O'Hearn	As required	To provide strategic oversight for the management of projects in respect of both new and existing major customers and its implications for other similar proposals.

# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## Attendance of Directors At Hunter Water Corporation Committee Meetings

	COMMITTEE AND MEMBERSHIPS					
	Remuneration		Environmental		Capital Works	
	A	B	A	B	A	B
R Robson	2	2	*	*	*	*
R Knights	2	2	*	*	2	3
P Barrack	*	*	1	1	3	3
W Elliott	*	*	1	1	3	3
D Evans	*	*	-	-	2	2
K Young	*	*	1	1	1	1
B Crossley	*	*	1	1	1	1
A Chappel	*	*	1	1	1	1
D Boyd	*	*	*	*	3	3

Note: No meetings of the Major Customers Committee were held during 2003-04.

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 2004 (paid at equivalent of SES Level 1 or above)

POSITION	2002-03	2003-04
Managing Director	1	1
Senior executives	8	8
Number of roles filled by women	2	2

All executive staff are employed under personal contract. They are not members of the NSW Executive Service (SES) nor are their conditions of employment aligned with the SES.

## Performance Statement

### PERFORMANCE STATEMENT

Name:	David Evans
Position:	Managing Director (until 31 March 04)
Appointed:	28 May 1993
Resigned:	31 March 2004
Remuneration Package:	\$236,627 (1 July 03 - 31 March 04)
Performance Pay:	\$50,192 (2002-03)

Continued the strong overall performance of the Corporation. Achieved Operating Licence requirements and physical system performance criteria during 2003-2004. Strong business performance and Statement of Corporate Intent outcomes. Achieved strategic initiatives including the development of profitable external sales and the effective management of an expanded capital program.

Name:	Kevin Young
Position:	Chief Operating Officer (Acting Managing Director from 1 April 2004)
Appointed:	1 August 2003
Remuneration Package:	\$228,452 **
Performance Pay:	\$23,124 (2002-03)

\*\* Note: Includes payment for an extended period of relief as Managing Director.

Strongly contributed to the overall performance of the Corporation. Managed regulatory commitment process and contributed to strong Statement of Corporate Intent outcomes. Was seconded for part of the year to Seattle Public Utilities (United States) as part of a highly successful change-management program in Asset management.

# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## The Corporation's Customer Base

Customer	Number of properties	Income Raised 2003-04 \$M Actual
Residential	162,169	84.55
Multi-Residential	30,855 *	8.83
Commercial	9,658	20.33
Industrial	832	8.04
Other	5,028 **	3.56
<b>TOTAL</b>	<b>208,542</b>	<b>125.31</b>

Note: Customers classifications have been revised slightly from last year

\* Includes total number of individual flats

\*\* Includes some Hunter Water properties from which no revenue is raised

## Rainfall Received (Millimetres) - 12 Months ending 19 April 2004

Year	Newcastle	Grahamstown	Chichester
1998-99	1,843	1,732	1,772
1999-00	1,604	1,390	1,341
2000-01	704	820	1,298
2001-02	1,351	1,201	1,171
2002-03	788	837	1,032
2003-04	999	819	1,244
Long Term Average	1,123	1,021	1,268
Years of Record	139	37	78

## Water Supplied (Megalitres) - 12 Months ending 19 April 2004

Source	2002	2003	2004
Chichester	30,123	27,532	28,070*
Tomago	14,749	14,845	16,098
Grahamstown	24,170	31,142	26,338
<b>Total Major Sources</b>	<b>69,042</b>	<b>73,519</b>	<b>70,506</b>
Anna Bay	3,703	3,224	1,586
Lemon Tree Passage	821	884	790
<b>TOTAL</b>	<b>73,566*</b>	<b>77,627*</b>	<b>72,882*</b>

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

\* In addition, some 5,730 ML was released from Chichester Dam of which 4,160 ML was to meet environmental obligations. This balance was discretionary for operational purposes.

## Water Consumption (Megalitres) - 12 Months ending April 19 2004

	2002 ML	2002 %	2003 ML	2003 (%)	2004 ML	2004 (%)
Domestic	38,885	52.9	41,953	54.0	40,068	55.0
Non-Domestic	22,013	29.9	23,239	30.0	21,239	29.1
Other	771	1.0	775	1.0	651	0.9
<b>Total Consumption</b>	<b>61,669</b>	<b>83.8</b>	<b>65,967</b>	<b>85.0</b>	<b>61,958</b>	<b>85.0</b>
Gross Non-Revenue Generating	11,897	16.2	11,660	15.0	10,924	15.0
Estimated Losses	5,375	7.3	5,092	6.5	5,669	7.8
Unidentified Real Loss	6,522	8.9	6,568	8.5	5,255	7.2
<b>TOTAL SUPPLY</b>	<b>73,566</b>	<b>100.0</b>	<b>77,627</b>	<b>100.0</b>	<b>72,882</b>	<b>100.0</b>

Note: Identified losses for 2002 include adjustment for estimated errors in customer metering and a more rigorous approach to quantifying other unmetered use and losses.

# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## Water System Incidents

Incident / Solution	2000-01	2001-02	2002-03	2003-04
Poor pressure	704	340	403	132
Pump problem	6	1	1	2
Seepage	224	156	136	132
Main flush	1,566	1,582	2,314	1,333
Main repair	1,855	1,818	2,057	2,034
Hydrant defect	1,149	1,044	1,165	960
Valve defect	518	437	437	366
Repair pathcock / maincock	3,933	4,192	3,528	3,177
Meter defect	185	228	389	228
Service defect repaired by Hunter Water's Operations staff	1,539	1,634	1,576	1,653
Service defect repaired by Private Plumber	461	516	489	466
Complaint unconfirmed	511	364	405	332
Other	1,942	2,005	2,345	2,163
Tap rewashers	201	160	150	133
Trunkmain repairs	3,555	3,386	4,017	3,912
<b>TOTAL</b>	<b>18,349</b>	<b>17,863</b>	<b>19,412</b>	<b>17,023</b>

## Water Transport System Reliability

	2000-01	2001-02	2002-03	2003-04
Main breaks per 100kms main - trunkmains included in length of mains	43.49	41.83	46.60	45.90*
Discoloured water complaints per 1000 properties connected (tenancy)	8.47	6.70	9.79	5.8

\* Note: Water Breaks for 2003-04 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 WSA and IPART definitions) as these repairs could not be identified in the current system, depending on job call off.

## Water Supply Continuity 2003-2004: Properties Affected by Water Supply Interruption

Total Interruption	Planned	Unplanned	* Combined	** Total %
0-5 Hours (<300)	10,364	41,043	43,795	21.01
5-20 Hours (300<>1200)	2,466	11,651	15,196	7.29
>20 Hours (>1200)	-	10	52	0.02
No Interruption			149,418	71.68

\* Note: Combined is cumulative totals of all interruptions - therefore the total will not agree to the sum of planned and unplanned.

\*\* Note: Combined % of total properties - the total number of water connections (tenancy) is 208,542

## Wastewater System Incidents

Incident / Solution	2000-01	2001-02	2002-03	2003-04
Chokage cleared - main	2,052	2,265	2,787	2,731
Chokage cleared - branch	1,545	1,768	2,233	2,368
Private plumbers job *	549	549	606	470
House drains cleared	17	10	8	1
Storm surcharge	543	516	63	145
Gravity sewer break	79	53	42	32
Rising main break	41	-	27	27
Pump station malfunction	8	6	5	-
Vacuum sewer jobs	198	176	192	136
Pump effluent line	13	4	4	1
No work required	171	152	123	125
Complaint unconfirmed	266	186	232	198
Charge job **	-	2	-	-
Other	1,059	1,136	1,188	1,143
<b>TOTAL</b>	<b>6,541</b>	<b>6,823</b>	<b>7,510</b>	<b>7,377</b>

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

\*\* Note: completed by Corporation and customer billed.

# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## Wastewater Transport System Reliability

	Number of Main Surcharges	Length of Sewermain Kilometres	* Ratio of Main Surcharges per 100km of Main
Northern	707	1,650	42.9
Central	1,074	1,038	103.5
Southern	1,176	1,679	70.0
<b>TOTAL</b>	<b>2,957</b>	<b>4,367</b>	<b>67.7</b>

	Number of Branch/Shaft Surcharges	No of Wastewater Properties	* Ratio of Discharges per 1000 Properties
Northern	515	60,149	8.6
Central	1,102	65,369	16.9
Southern	914	70,787	12.9
<b>TOTAL</b>	<b>2,531</b>	<b>196,305</b>	<b>12.9</b>

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

## General Statistics

Water	2001-02	2002-03	2003-04
Population in area [1]	497,458	502,436	507,460
Population supplied with water [1]	483,973	489,272	496,346
Properties where water is available [2]	207,756	212,193	215,076
Properties connected to water (metered) [2]	201,527	204,926	208,542
Capacity of major sources (ML) [3]	179,800	179,800	228,000
Total supply from sources (ML) [4]	73,566	77,627	72,882
Average day net supply (ML)	201.6	212.7	199.7
Maximum day net supply (ML)	321.1	329.1	292.7
Maximum week net supply (ML/day)	298.4	293.1	262.9
Minimum day net supply (ML)	132.8	145.6	149.8
Average consumption per residential tenement (kl/annum) [5]	209.2	222.0	207.6
Watermains laid during year (km)	37.0	112.9	79.0
Watermains abandoned during year (km)	4.7	15.3	19.0
Watermain length revisions during the year (km)	-	26.7	(45.0)
Total watermains in service (km) [6]	4,289.7	4,414.0	4,429.0
Length of watermain per connected property (m)	21.3	21.5	21.3
Water supplied free of charge: charitable, public and miscellaneous purposes (kl)	321,733	348,539	383,903
Water supplied free of charge: dollar value	370,443	400,820	456,845
Wastewater	2001-02	2002-03	2003-04
Population supplied with water and sewer [1]	462,399	468,974	477,154
Properties where sewer is available [2]	197,611	201,442	205,028
Properties connected to sewer [2]	188,563	192,225	196,306
Sewermain laid during the year (km)	52.0	110.9	106.7
Sewermain abandoned during the year (km)	8.4	4.6	6.4
Sewermain length revisions during the year (km)	-	(24.2)	0.2
Total sewermain in service (km) [6], [8]	4,184.4	4,266.5	4,367.0
Length of sewermain per liable property (m) [8]	22.2	22.2	22.2

## HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

Drainage	2001-02	2002-03	2003-04
Properties liable [2]	57,368	57,666	58,192
DISSECTION OF POPULATION - JUNE 2004 [1]			
Region	Population in Area	Served Water	Served Sewer
Newcastle	145,828	145,828	145,160
Lake Macquarie	191,531	188,000	183,000
Maitland	59,692	58,000	56,500
Cessnock	48,426	42,300	38,700
Port Stephens	61,983	58,500	53,700
<b>SUB TOTAL</b>	<b>507,460</b>	<b>492,628</b>	<b>477,060</b>
Dungog (Bulk and from CTGM)	-	3,465	-
Singleton (Part Branxton)	-	168	94
Great Lakes (East Karuah/Alicetown)	-	85	-
<b>TOTAL</b>	<b>507,460</b>	<b>496,346</b>	<b>477,154</b>
	2001-02	2002-03	2003-04
Ratio of properties connected to water and sewer, and water only [7]	96.3%	96.6%	96.8%
Financial	2001-02	2002-03	2003-04
	\$M	\$M	\$M
Total Core Revenue	123.707	133.896	137.768
Capital Indebtedness - external	131.12	129.97	124.91
Staffing	2001-02	2002-03	2003-04
Salaried	249	254	253
Wages	135	124	121
Engineers	42	46	54
<b>TOTAL</b>	<b>426</b>	<b>424</b>	<b>428</b>

- [1] Population figures have been adjusted using data from the 2001 Census.
- [2] Property numbers have been revised: includes Hunter Water properties.
- [3] Full Supply Level of Grahamstown increased from RL10.4m to RL10.6m.
- [4] Supply and consumption figures are based on Water Year, that is, 12 months ending 19 April.
- [5] Target is to not exceed 215KL/annum, based on 5-year rolling average.
- [6] The length of watermains and sewer mains in service has been revised.
- [7] Includes 5 main local Government areas only
- [8] For 2002-03, sewer length reported was based on: Effluent main, gravity pressure branches, gravity pressure mains, relief main, rising main, vacuum main, vent line and estimated length of property branch/shaft. However to be consistent with IPART and WSAA definitions, length of sewer main now only includes trunk, pressure and reticulation mains, but excludes property connection sewers and effluent mains. Figures for 2002-03 have been revised to reflect this change in definition.

### Employee Safety Performance

	2001-02	2002-03	2003-04	Change %
Lost time frequency rates	17.62	13.99	23.55	68.33+
Total hours lost	4,134	3,421	2,973	13.10 -
Lost time injuries	13	10	17	70.00+
Minor injuries	107	139	83	40.29 -
Property damage	42	29	47	62.07+
Prosecutions	1*	Nil	Nil	Nil

\* Note: Incident occurred 20 May 1999, prosecuted on 7 August 2001.

# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## Workforce Profile

	2002	2003	2004
Males	296	296	295
Females	130	128	133
<b>TOTAL</b>	<b>426</b>	<b>424</b>	<b>428</b>
Permanent	382	374	381
Temporary	11	11	8
Part-time	33	39	39
<b>TOTAL</b>	<b>426</b>	<b>424</b>	<b>428</b>
Redundancies	6	12	7
Recruitment	17	37	31
Unplanned absences (%)	3.24	2.71	3.39

## Trends in the Representation of EEO Groups<sup>1</sup>

	Benchmark or Target	% of Total Staff <sup>2</sup>			
		2001	2002	2003	2004
Women	50%	34%	32%	32%	34%
Aboriginal people and Torres Strait Islanders	2%	1.2%	1.1%	1.1%	1.1%
People whose first language was not English	20%	5%	5%	5%	5%
People with a disability	12%	7%	7%	7%	7%
People with a disability requiring work-related adjustment	7%	1.2%	1.1%	1.1%	1.1%

## Trends in the Distribution of EEO Groups<sup>1</sup>

	Benchmark or Target	Distribution Index <sup>3</sup>			
		2001	2002	2003	2004
Women	100	76	87	84	85
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A
People with a disability	100	108	100	99	100
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A	N/A

Notes:

- Staff numbers are as at 30 June
- Excludes casual staff
- 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

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

FOI Requests	Personal	Other	Total
New	0	4	4
Brought forward (incomplete)	0	1	1
Total to process	0	5	5
Complete	0	4	4
<b>TOTAL PROCESSED</b>	<b>0</b>	<b>4</b>	<b>4</b>
Unfinished (Carried Forward)	0	1	1

## HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

Result of FOI Request	Personal	Other	Total
Granted in Full	0	1	1
Granted in Part	0	1	1
Refused	0	0	0
Deferred	0	0	0
Withdrawn	0	2	2
<b>COMPLETED</b>	<b>0</b>	<b>4</b>	<b>4</b>

Number of requests requiring formal consultations	Issued	Total
<b>TOTAL</b>	<b>0</b>	<b>0</b>

Grounds on which internal review requested	Upheld	Personal Varied	Other Upheld	Varied
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Basis for Disallowing or Restricting Access	Personal	Other
S.19 application incomplete, wrongly directed	0	0
S.22 deposit not paid	0	0
S.25 (1)(a1) unreasonable diversion of resources	0	0
S.25 (1)(a) exempt	0	0
S.25 (1)(b)(b1)(c)(d) otherwise available	0	0
S.28 (1)(b) documents not held	0	0
S.24 (2) deemed refused over 21 days	0	0
S.31 (4) releases to medical practitioner	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

Costs and Fees of Requests Processed (including all processed and withdrawn FOI requests)	Assessed Costs	FOI Fees Received
All requests	\$4,620	\$150
<b>TOTAL</b>	<b>\$4,620</b>	<b>\$150</b>

Type of discount allowed on fees charged	Personal	Other
Public interest	0	0
Financial hardship - Pensioner/Child	0	0
Financial hardship - Non-profit Organisation	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>

Days to Process	Personal	Other
Elapsed time		
0-21 days	0	3
22-35 days	0	1
Over 35 days	0	0
<b>TOTAL</b>	<b>0</b>	<b>4</b>

Processing hours	Personal	Other
0-10 hours	0	4
11-20 hours	0	0
21-40 hours	0	0
Over 40 hours	0	1
<b>TOTAL</b>	<b>0</b>	<b>5</b>



# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## Social Responsibility Statement

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

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

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

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

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

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

## Statement of Corporate Intent

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

The SCI performance targets for the 2003/04 financial year and the actual results are as follows:

	2003-04 SCI Target	2003-04 Actual
Operating Profit before Income tax and Contributions for Capital Works	26.0	33.3
Income Tax Expense	19.1	21.3
Income Tax Payable	15.3	19.5
Net Debt	113.7	93.4

The Corporation has met or exceeded all of the performance targets set out in the 2003-2004 SCI. Tax payable and tax expense were both proportionately higher than target primarily due to the higher level of assessable income generated as a result of dry weather and an increase in developer contributions (which are assessable under the National Tax Equivalent Regime regardless of whether they have been written down for accounting purposes).

## Research & Development

RESEARCH & DEVELOPMENT 2003-04

During 2003-04 the Corporation continued research and development on a range of projects covering water, wastewater and corrosion subjects. This research was conducted both internally and in collaboration with other organisations such as the University of Newcastle, CSIRO, Industry and local Councils.

	\$
1 Ongoing research with CSIRO and the University of Newcastle into pitting corrosion of copper tubes.	11,830
2 HWC Research funding for University Projects including: <ul style="list-style-type: none"><li>- Macroinvertebrate bioindicators for assessing environmental water quality;</li><li>- Evaluation of nutrient removal management options;</li><li>- Optional source control in urban water cycle management; and,</li><li>- Modelling systems to characterise sewage effluent distribution patterns.</li></ul>	42,101
3 Tomago ground water investigations for manganese removal.	9,290
4 Organic treatment investigations at Dungog Water Treatment Plant	6,714
5 Product Testing for removal of Geosmin and MIB from Grahamstown and Dungog water sources.	22,015

# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## Consultants from 1 July 2003 to 30 June 2004

CONSULTANTS OVER \$30,000

Consultant	Project	Cost
<b>Engineering</b>		
Hunter Water Australia	Condition Assessment of Trunkmains	\$469,515
Hunter Water Australia	Detailed Design - Cessnock WWTW and Cessnock No1 WWPS	\$368,106
Hunter Water Australia	Kitchener Wastewater System	\$146,731
Hunter Water Australia	Burwood Beach WWTW Aeration System Upgrade	\$98,344
Hunter Water Australia	PAC Dosing Facility Specification	\$84,960
Hunter Water Australia	Sewerage System for Fern Bay	\$65,235
Hunter Water Australia	Talleen Rd WPS Detail Design	\$59,849
Hunter Water Australia	Biosolids Management Project	\$45,507
Hunter Water Australia	Morpeth Wastewater Transportation Investigation	\$44,191
Hunter Water Australia	Belmont HLS/Morriset Peninsula Augmentations	\$40,109
Hunter Water Australia	Preparation of Design Guidelines for Water Pumping Stations	\$38,000
Hunter Water Australia	Toronto WWTW Sewerage Servicing Strategy	\$36,453
Hunter Water Australia	Sewer Network Assets Revaluation 03/04	\$36,440
Hunter Water Australia	Cessnock Wastewater Transportation Servicing Strategy	\$32,348
Hunter Water Australia	Edgeworth WWTW Capacity Review	\$31,293
Hunter Water Australia	QA procedures for WWTW- Procedure manual	\$30,403
NSW Dept. of Commerce	Flow Gauging Study of Kotara/Adamstown/New Lambton	\$176,461
NSW Dept. of Commerce	Sutton Park Estate Medowie	\$104,379
NSW Dept. of Commerce	Contract Management of Head Office	\$104,062
NSW Dept. of Commerce	CMS Const. of Trunk Watermains at Tenambit and Ashtonfield	\$92,631
NSW Dept. of Commerce	Contract Management - Kurri Kurri WWTW	\$74,306
NSW Dept. of Commerce	CMS for the Construction of 900mm Watermain - Hunter River Crossings	\$70,579
NSW Dept. of Commerce	Lochinvar Sewerage -Project Manage and Design	\$52,902
NSW Dept. of Commerce	Contract Management Wallsend 900mm Trunkmain	\$32,018
NSW Dept. of Commerce	Data Collection and Model Conversion Edgeworth/West Wallsend Study	\$30,620
NSW Dept. of Commerce	Wallsend Trunkmain	\$30,478
Parsons Brinckerhoff	Paxton WWTW Capacity Review	\$30,323
Patterson Britton & Partners	Wallalong Water Trunkmain	\$177,540
Patterson Britton & Partners	Farley WWTW Inlet Works Upgrade Detail Design	\$113,134
Patterson Britton & Partners	Concept/Detailed Design - Newcastle WWPS Downsizing & Storage	\$104,714
Patterson Britton & Partners	Belmont Ocean Outfall Diffuser Modifications	\$85,485
Patterson Britton & Partners	Warners Bay-Valentine Wastewater Transportation System	\$63,180
Patterson Britton & Partners	Upgrade Mgt Plan for the WW Systems Dudley/Charlestown Catchment Area	\$56,812
Patterson Britton & Partners	Belmont WWTW Catchment Wastewater Servicing Strategy	\$53,810
Patterson Britton & Partners	Detailed Design - Farley WWTW Inlet Works	\$38,264
Patterson Britton & Partners	Concept/Detailed Design - Hunter River South Arm Watermain Crossing	\$37,300
Connell Wagner Pty Ltd	Newcastle Wet Weather Pump Station	\$713,189
Connell Wagner Pty Ltd	Edgeworth/Belmont WWPS and Edgeworth Carriermain Upgrade	\$105,355
Connell Wagner Pty Ltd	Lochinvar Sewerage Scheme	\$34,865
GHD Pty Ltd	Concept/Detailed Design - Pokolbin and Tenambit Water Supply Upgrade	\$154,841
GHD Pty Ltd	Wallsend 900mm Watermain Amplification	\$75,705
GHD Pty Ltd	Farley & Branxton WWTW Servicing Strategy	\$33,706
CSIRO	Pipeline Asset Risk Management System	\$35,909
CH2M Hill Australia Pty Ltd	Belmont WWTW Stage 3 Detail Design	\$203,363
MWH Australia Pty Ltd	Boulder Bay WWTW Transportation Servicing Strategy	\$35,794
<b>Sub Total</b>		<b>\$4,549,209</b>
<b>Information Technology</b>		
David Angeloro & Assoc.	CIS Procurement and Management	\$119,126
Mincom Pty Ltd	Project Plan and Pricing Services	\$30,904
<b>Sub Total</b>		<b>\$150,030</b>
<b>Organisational Review</b>		
Water Services Assoc of Aust	Benchmarking Services	\$36,410
<b>Total Consultants over \$30,000</b>		<b>\$4,735,649</b>

## HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

CONSULTANTS LESS THAN \$30,000 FOR PERIOD 1 JULY 2003 TO 30 JUNE 2004

Category	No	Cost
Engineering	107	\$1,703,895
Management Services	16	\$252,060
Information Technology	3	\$44,141
Training	5	\$42,432
Legal	4	\$39,269
Finance and Accounting/Tax	10	\$123,045
Environmental	1	\$8,176
Organisational Review	1	\$7,410
Total Consultants less than \$30,000	147	\$2,220,428

### 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)	\$8.8M
Warners Bay - Valentine Transfer System Package 1	\$4.0M
Belmont Outfall	\$3.8M
Pokolbin and East Maitland Water Supply Upgrade	\$3.5M
Fleet	\$2.0M
Chichester Dam Remedial Works	\$1.9M
North Lambton Reservoir Remediation	\$1.9M
Amplification of Maitland Carrier Main	\$1.6M
Tarro Junction Watermain	\$1.4M
Hunter Sewerage Project	\$1.0M
IT Software/Hardware	\$0.8M
PAC Dosing Plant	\$0.8M
Wallsend Stormflow Pump Station	\$0.5M
<b>TOTAL COST</b>	<b>\$32.0M</b>

### Donations & Sponsorships

Organisation	Description	Amount
TO NON-GOVERNMENT COMMUNITY ORGANISATIONS		
Australian Institution of Engineers	Sponsor 2003 Engineering Excellence Awards	2,727
Australian Water Association	Australian Water Association Regional Conference 2003	3,636
Australian Water Quality Centre	Australian Water Quality Centre - Annual Sponsorship	10,000
CPPA Neighbourhood Watch & Landcare Inc	Ambrose Street Reserve Revegetation	1,364
Department of Housing	Hamilton South Gardens Rainwater Tank	1,818
Dungog Pedalfest Org Committee	Silver Sponsorship Contribution	2,000
Dungog Pedalfest Org Committee	Dungog Pedalfest 2003 Sponsorship	1,500
Health & Safety Poster Competition	Prize Money for Health & Safety Poster Competitions	600
Holy Family Primary School	Environmental Awards Trip to Sweden	1,818
Housing Industry Association	HIA Housing Awards 2003	1,500
Hunter Region Botanic Gardens	Hunter Region Botanic Gardens Sponsorship	1,818
Hunter Region Landcare Network	Hunter Region Landcare Promotion	993
Hunter Surf Lifesaving Inc.	Hunter Surf Life Saving Sponsor 2003-04	30,000
Hunter Valley Research Foundation	HVRF Major Sponsor 2003-2004	7,400
Kidsafe	Kidsafe Donation	45
Nelson Bay Town Management	Nelson Bay Festival Of The Whales 2004	2,500
Surfest	Surfest Sponsorship 2004	10,000
The Wetlands Centre	The Wetlands Centre - Annual Sponsorship	15,000
The Wetlands Centre	Wetlands Regeneration Sponsorship	500
Trees In Newcastle	Trees In Newcastle Annual Sponsorship	5,455
Wallis Creek Committee	Bushland Regeneration Project	1,364
Wesley Mission	Wesley Mission Charity Homes	4,000
West Tilligerry Tidy Town Landcare	Tanilba Bay Foreshore Project Sponsorship	1,364
		<b>107,402</b>

## HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

TO GOVERNMENT ORGANISATIONS		\$
Organisation	Description	Amount
Hunter Catchment Management Trust	Hunter Waterwatch Program 2003-04	5,940
Hunter Catchment Management Trust	Kooragang Wetland Rehabilitation Project	3,250
Hunter Catchment Management Trust	Phosphorous Awareness Activity Day	591
Hunter - Central Rivers Catchment Mgt Authority	Creek 3 Rehabilitation Project, Kooragang Island	5,000
Lake Macquarie City Council	Stormwater Education and Support	6,000
Lake Macquarie City Council	Clean Up Lake Macquarie Sponsorship 2003-04	2,500
Newcastle City Council	Water Quality Monitoring Project	20,000
Newcastle City Council	Water Education	10,000
Newcastle City Council	Merewether Clean Beach Project	8,100
Newcastle City Council	Environmental Achievement Awards 2004	7,500
Newcastle City Council	Funding of Newcastle City Council	3,000
Newcastle City Council	Clean Up Australia Sponsorship 2003-04	2,500
Newcastle City Council	Environmental Small Grants	500
Newcastle Region Maritime Museum	Newcastle Port Maritime Festival	5,455
Port Stephens Council	Green Access Posters	500
Port Stephens Council	Port Stephens School Env Awards 2004	273
Redhead Landcare Incorporated	Redhead Landcare Timber & Mulch	1,364
University of Newcastle	Newcastle Uni Environmental Program Sponsorship	105,598
University of Newcastle	Industry Scholarship Sponsorship	30,800
University of Newcastle	Water Quality Monitoring Project	14,000
University of Newcastle	Optimal Source Control Urban Water Cycle	12,000
University of Newcastle	Applied Research Sponsorship	12,000
University of Newcastle	Research Grant 2004	9,209
University of Newcastle	Student Environmental Award Sponsorship	2,000
University of Sydney	Water Metrication Project	500
		<b>268,580</b>

### Overseas Trips - Commenced During 2003-04

#### HUNTER WATER CORPORATION

Person	Where	Days	Reason
K Young	USA	20	Consultancy
K Young	USA	11	Consultancy
K Young	USA	7	Consultancy
K Young	USA	8	Consultancy
K Young	USA	5	Consultancy
K Young	USA	15	Consultancy
S Zander	Alaska	6	Consultancy
S Zander	USA	10 Months	Consultancy
P Buckland	USA	14	Consultancy
K Hepplewhite	New Zealand	5	Conference
J Postlethwaite	USA	12	Consultancy
R Hinchey	USA	14	Consultancy
R Pascoe	USA	10	Consultancy
D Withderdin	USA	21	Consultancy
C Turnbull	USA	4	Consultancy
L Ellicott	Netherlands	7	Site Visit - CIS
C Taylor	Netherlands	7	Site Visit - CIS
S Hopton	New Zealand	2	Conference
D Taylor	Vietnam	14	Consultancy

# HUNTER WATER CORPORATION DATA 2003-04

For the year ended 30 June 2004

## HUNTER WATER AUSTRALIA

Person	Where	Days	Reason
J Keary	New Zealand	5	Consultancy
J Keary	China	10	Consultancy
J Keary	USA	16	Consultancy
J Keary	Guam	6	Consultancy
J Keary	Singapore	4	Consultancy
A Majerowski	New Zealand	4	Consultancy
J Gleeson	Jakarta	3	Consultancy
M Osborne	Hong Kong	11	Consultancy
M Osborne	Hong Kong	6	Consultancy

## Consultative Forum

Cr Wendy Harrison	Lake Macquarie City Council
Cr Jeffrey Maybury	Cessnock City Council
Cr Josh Hodges	Port Stephens Council
Mr John Steele	Employers' Federation of NSW
Mr Harold Sternbeck	Small Business & Consumer Affairs
Mr Robert Monteath	Newcastle & Hunter Business Chamber
Ms Carolyn Gillard	Environmental Education
Mr Kevin McDonald	Eco Edge Network Inc. (Environmental Education)
Mr Glenn Evans	Hunter-Central Rivers Catchment Management Authority
Mr Col Mondy	Waterwatch
Mr Alex Burns	Migrant Resource Centre
Mr Bob Hopkins	Newcastle Combined Pensioners Area Council
Cr Arch Humphery	Maitland City Council
Cr Paul Scobie	Newcastle City Council
Mr James Hopson	Williams River Total Catchment Management Committee

## Account Payment Performance

Accounts paid on time:	95.0%
Total amount of accounts paid on time	\$166,170,394
Total amount of accounts paid	\$169,726,814

Accounts paid on time within each quarter:

	On Time Target %*	On Time Actual %	On Time \$'000	Total Paid \$'000
September Quarter	95	94.9	32,761	33,122
December Quarter	95	97.5	41,625	41,961
March Quarter	95	93.5	37,359	38,445
June Quarter	95	94.0	54,425	56,199

\* Note: Percentages based on number of invoices.

The number of invoices which were not paid promptly were those which were under dispute or waiting until full finalisation or satisfaction of the related work.

There was no interest paid by the Corporation with respect to late paid invoices during the financial year.

## Credit Card Certification

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

## Cost of Producing Annual Report

COST OF PRODUCING THIS REPORT	
Printing 1000 copies	\$22,715.00
Photographic services	\$2,490.00
<b>TOTAL COST</b>	<b>\$25,205.00</b>

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## **Company Particulars**

### **Directors**

Mr R Robson - Chairman  
Mr WD Evans  
Mr RI Knights

### **Company Secretary**

Mr JB Keary

### **Registered Office**

426-432 King Street  
Newcastle West NSW 2302  
02 4979 9532

### **Auditors**

Audit Office of New South Wales

### **Bankers**

Commonwealth Bank of Australia

# HUNTER WATER AUSTRALIA PTY LIMITED

## DIRECTORS' REPORT

The Directors submit the following report made in accordance with a resolution of Directors of Hunter Water Australia Pty Limited for the year ended 30 June 2004.

### DIRECTORS

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report:

Mr R Robson Chairman  
Mr W D Evans  
Mr R Knights

### INFORMATION ON DIRECTORS

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

Attended 12 of a maximum of 12 Board Meetings.

**WD EVANS**  
B EC (HONS), FAICD  
Mr Evans was appointed as a Director on 22 January 1998. Mr Evans is also the Chief Executive Officer of the Regional Land Management Corporation Pty Ltd. Mr Evans was previously Managing Director of Hunter Water Corporation, Chairman of the Board of the Hunter Area Health Service, a Member of the Hunter Catchment Management Trust and a Director of the Newcastle Business Chamber. Mr Evans was appointed Managing Director of Sydney Water Corporation in April 2004.

Attended 8 of a maximum of 12 Board Meetings.

**RI KNIGHTS**  
DIP Civ Eng, MIE Aust, M Aust IMM, FAICD  
Mr Knights was appointed as a Director on 22 January 1998 and is also a Director of Hunter Water Corporation and a Director of the Regional Land Management Corporation Pty Ltd. Mr Knights was also Chairman of the Broke Fordwich Private Irrigation District until he resigned as Chairman and a member in November 2003. Mr Knights was previously Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

Attended 10 of a maximum of 12 Board Meetings.

### PRINCIPAL ACTIVITIES

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

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

### RESULTS OF OPERATIONS

The result after tax and before dividends, for the year ended 30 June 2004, amounted to \$1,757,979. The entity's operating result before tax for the year ended 30 June 2004 was \$2,648,762 which was a good result.

The entity comprises five businesses whose performance is independently monitored. All businesses achieved a very good performance with the exception of Strategic Services which has been dissolved as of 1 July 2004.

### DIVIDENDS

The 2003 dividend of \$400,000 was paid to the parent entity on 1 November 2003. Since the end of the financial year, the Directors have recommended that a dividend of

\$500,000 be paid out of retained profits at 30 June 2004. This dividend will be paid on 1 November 2004 following the company's Annual General Meeting.

### AFTER BALANCE DATE EVENTS

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

### FUTURE DEVELOPMENTS

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

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

### DIRECTORS INDEMNIFICATION

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

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

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

### DIRECTORS' BENEFITS

During or since the financial year no director of the Company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and

## HUNTER WATER AUSTRALIA PTY LIMITED DIRECTORS' REPORT

receivable by the directors shown in the accounts, by reason of a contract entered into by the Company with:

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

### ENVIRONMENTAL REGULATION

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

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



Mr R Robson  
Chairman



Mr RI Knights  
Director

Newcastle 25 August 2004



# INDEPENDENT FINANCIAL AUDIT REPORT



GPO-BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### HUNTER WATER AUSTRALIA PTY LIMITED

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

#### Audit Opinion

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of Hunter Water Australia Pty Limited's financial position as at 30 June 2004 and financial performance for the year ended on that date, and
  - (ii) complying with Accounting Standards in Australia, and the Corporations Regulations 2001,
- (b) other mandatory financial reporting requirements in Australia, and
- (c) section 41B of the Public Finance and Audit Act 1983.

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

#### The Directors' Role

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

#### The Auditor's Role and the Audit Scope

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

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

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

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

My opinion does not provide assurance:

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

#### Audit Independence

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

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

Handwritten signature of R J Sendt in blue ink.

R J Sendt  
Auditor-General

SYDNEY  
24 September 2004

# HUNTER WATER AUSTRALIA PTY LIMITED

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	30 Jun 03 \$
Revenue from ordinary activities	2	15,031,159	13,474,072
Change in work in progress		429,984	(36,139)
Expenses from ordinary activities		(11,065,983)	(9,668,166)
Employee benefits expense		(769,756)	(872,353)
Depreciation and amortisation expense	3	(535,446)	(532,372)
Superannuation expense		(441,196)	(1,152,955)
<b>PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>2,648,762</b>	<b>1,212,088</b>
Income tax expense relating to ordinary activities		890,783	629,394
<b>PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>		<b>1,757,979</b>	<b>582,694</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>1,757,979</b>	<b>582,694</b>

The Statement of Financial Performance should be read in conjunction with the accompanying notes on pages 123 to 132.

# HUNTER WATER AUSTRALIA PTY LIMITED

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	NOTE	30 Jun 04 \$	30 Jun 03 \$
<b>CURRENT ASSETS</b>			
Cash	5	4,244,404	4,478,564
Receivables	6	2,993,250	1,674,217
Other	7	1,333,339	831,765
<b>TOTAL CURRENT ASSETS</b>		<b>8,570,993</b>	<b>6,984,546</b>
<b>NON-CURRENT ASSETS</b>			
Receivables	6	784,599	-
Plant and equipment	8	888,671	739,180
Deferred tax assets	9	-	784,599
Intangible assets	10	-	174,178
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,673,270</b>	<b>1,697,957</b>
<b>TOTAL ASSETS</b>		<b>10,244,263</b>	<b>8,682,503</b>
<b>CURRENT LIABILITIES</b>			
Payables	11	1,606,287	1,182,711
Current Tax Liabilities		56,612	368,404
Provisions	12	1,075,349	937,911
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,738,248</b>	<b>2,489,026</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	12	1,696,179	1,741,620
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,696,179</b>	<b>1,741,620</b>
<b>TOTAL LIABILITIES</b>		<b>4,434,427</b>	<b>4,230,646</b>
<b>NET ASSETS</b>		<b>5,809,836</b>	<b>4,451,857</b>
<b>EQUITY</b>			
Contributed equity	13	900,010	900,010
Retained profits	14	4,909,826	3,551,847
<b>TOTAL EQUITY</b>		<b>5,809,836</b>	<b>4,451,857</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 123 to 132.

# HUNTER WATER AUSTRALIA PTY LIMITED

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	30 Jun 03 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of goods and services tax)		14,914,966	14,143,579
Payments to suppliers and employees (inclusive of goods and services tax)		(13,466,119)	(11,748,278)
		1,448,847	2,395,301
Interest received		193,031	141,417
Interest paid		(160)	(291)
Income tax paid		(945,366)	(654,005)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	15B	<b>696,352</b>	<b>1,882,422</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for plant and equipment		(536,743)	(335,671)
Proceeds from sale of plant and equipment		3,000	1,667
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>		<b>(533,743)</b>	<b>(334,004)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid	4	(400,000)	(200,000)
<b>NET CASH FLOW USED IN FINANCING ACTIVITIES</b>		<b>(400,000)</b>	<b>(200,000)</b>
<b>NET INCREASE IN CASH HELD</b>		<b>(237,391)</b>	<b>1,348,418</b>
CASH AT BEGINNING OF FINANCIAL PERIOD		4,478,564	3,130,146
EFFECTS OF EXCHANGE RATE CHANGES ON CASH		3,231	-
<b>CASH AT END OF FINANCIAL PERIOD</b>	15A	<b>4,244,404</b>	<b>4,478,564</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 123 to 132.

# HUNTER WATER AUSTRALIA PTY LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

This general purpose financial report has been prepared in accordance with the *Public Finance and Audit Act 1983*, *Corporations Act 2001*, Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report is for the entity Hunter Water Australia Pty Limited as an individual entity. Hunter Water Australia Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

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

#### CHANGES IN ACCOUNTING POLICY

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

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Hunter Water Australia Pty Limited will apply the Australian Equivalents to International Financial Reporting Standards (AIFRS) from the reporting period beginning 1 July 2005, and has systems in place to ensure all AIFRS data will be captured reliably from 1 July 2004.

Hunter Water Australia Pty Limited is managing the transition to the new standards by allocating internal resources to analyse the pending standards and Urgent Issues Group Abstracts to identify key areas regarding policies, procedures, systems and financial impacts affected by the transition.

As a result of this exercise, Hunter Water Australia Pty Limited has

taken the following steps to manage the transition to the new standards:

- Hunter Water Corporation, Hunter Water Australia Pty Limited's parent company has established a AIFRS steering committee to oversee the transition. The steering committee is responsible for the project and reports regularly to the Audit & Compliance Committee and Board on progress against the plan.
- The following phases that need to be undertaken have been identified:
  - Phase 1 Form Project Bodies
  - Phase 2 Prepare Impact Assessment
  - Phase 3 Design
  - Phase 4 Implementation

Feedback and improvement to design (if necessary) follows.

To date, the relevant project bodies have been formed and a detailed timetable has been prepared for managing the transition to AIFRS and currently work on the project and implementation is on schedule. The project controller has analysed most of the AIFRS and has identified a number of accounting policy changes that will be required.

Hunter Water Australia Pty Limited has identified a number of significant differences in accounting policies that will arise from adopting AIFRS. Based on current information, the following key differences in accounting policies are expected to arise:

- AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the

opening balance of accumulated funds. This differs from current Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise. Hunter Water Australia Pty Limited will prepare an opening balance sheet under AIFRS requirements from 1 July 04 for comparatives.

- AASB 119 *Employee Benefits* requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. This will increase the amount and the future volatility of the underfunded superannuation liability and the volatility of the employee benefit expense.

The following have been identified as having the possibility to impact slightly on Hunter Water Australia Pty Limited from adopting AIFRS:

- AASB 117 *Leases* requires operating lease contingent rentals to be recognised as an expense on a straight-line basis over the lease term rather than expensing in the financial year incurred. This will have a minimal impact on Hunter Water Australia Pty Limited as leases are currently dealt with in this manner.
- AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy *Valuation of Physical Non-Current Assets at Fair Value*. This standard will have minimal impact on Hunter Water Australia Pty Limited as recoverable amounts tests are currently undertaken each year.

# HUNTER WATER AUSTRALIA PTY LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

- AASB 139 *Financial Instrument Recognition and Measurement* results in the recognition of financial instruments that were previously off balance sheet, including derivatives. The standard adopts a mixed measurement model and requires financial instruments held for trading and available for sale to be measured at fair value and valuation changes to be recognised in profit or loss or equity, respectively. Previously they were recognised at cost. This may increase the volatility of the operating result and balance sheet. The standard also includes stricter rules for the adoption of hedge accounting, and where these are not satisfied, movements in fair value will impact the income statement. To achieve full harmonisation with GFS, entities would need to designate all financial instruments at fair value through profit or loss.

However, at this stage it is unclear whether this option will be available under the standard and, if available, whether Treasury will mandate this option for all agencies. Hunter Water Australia Pty Limited will only be effected by this standard in regards to its hedge accounting. Hunter Water Australia Pty Limited purchases option contracts to reduce the impact of foreign exchange fluctuations and will ensure that all documentation is in place such that any future option purchases meet the hedge criteria under the standard.

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

### CASH

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

### WORKS IN PROGRESS

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

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

Project revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

### PLANT & EQUIPMENT

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

#### *Plant and Equipment*

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

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

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

#### *Depreciation*

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

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Asset	Useful Life
Computers	4 years
Support Assets	3 to 10 years

### OTHER NON-CURRENT ASSETS

Research & development costs: Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs.

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

### LEASES

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

### REVENUE

Revenue is recognised when Hunter Water Australia Pty Limited has passed on control of the good, it is probable that the economic benefits will flow to Hunter Water Australia Pty Limited and the amount of revenue can be reliably measured.

Investment income represents earnings on surplus cash invested in the company's bank accounts or NSW TCorp deposits.

### INCOME TAX

The company became a member of a tax-consolidated group from 1 July 2003. As a result, from this date, the company is not subject to income tax in its own right and all income tax expenses, revenues, assets and

# HUNTER WATER AUSTRALIA PTY LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

liabilities related to the transactions, balances and events of the company are recognised in the financial statements of the head entity, Hunter Water Corporation. The impact of the derecognition of deferred tax balances and payments made to/from the head entity in respect of these balances has been recognised in income tax expense.

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

Hunter Water Australia Pty Limited has entered into a tax sharing and funding agreement with the head entity. Under the terms of this agreement, the company has agreed to reimburse Hunter Water Corporation for any current income tax payable by Hunter Water Corporation arising in respect of its activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current tax-related payable by Hunter Water Australia Pty Limited (see note 11). In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the company in the case of default by Hunter Water Corporation.

### GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised

as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the Statement of Financial Position.

Cashflows are included in the Statement of Cash Flows on a gross basis.

### EMPLOYEE BENEFITS

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

Liabilities for superannuation are actuarially determined and contributions made to superannuation funds are charged against the provision. The company's superannuation liabilities as at 30 June 2004 have been calculated and advised by Pillar Administration.

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

### DEBT FINANCING

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

### GOODWILL

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the

date of acquisition. Purchased goodwill is amortised on a straight-line basis over a period of three years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

### FOREIGN CURRENCY TRANSACTIONS AND BALANCES

#### *Transactions*

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

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

#### *Hedge Transactions*

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

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

# HUNTER WATER AUSTRALIA PTY LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

NOTE	30 Jun 04 \$	30 Jun 03 \$
<b>2 REVENUE</b>		
REVENUE FROM OPERATING ACTIVITIES		
Sale of goods services	14,770,133	13,255,666
	<b>14,770,133</b>	<b>13,255,666</b>
REVENUE FROM OUTSIDE OPERATING ACTIVITIES		
Other	64,995	75,322
Interest from financial institutions	193,031	141,417
Proceeds on disposal of plant and equipment	3,000	1,667
	261,026	218,406
<b>REVENUE FROM ORDINARY ACTIVITIES</b>	<b>15,031,159</b>	<b>13,474,072</b>
<b>3 PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities before related income tax expense includes the following specific net gains and expenses:		
Net gains		
Foreign exchange gains and losses (net loss in 2003 - see below)	3,231	-
<b>Net foreign exchange gains recognised in profit from ordinary activities for the year</b>	<b>3,231</b>	<b>-</b>
Expenses		
Depreciation		
Plant and equipment	361,268	358,204
<b>Total depreciation</b>	<b>361,268</b>	<b>358,204</b>
Amortisation		
Goodwill	174,178	174,168
<b>Total amortisation</b>	<b>174,178</b>	<b>174,168</b>
Other charges against assets		
<b>Bad and doubtful debts - trade debtors</b>	<b>545</b>	<b>(1,048)</b>
Borrowing costs		
Interest and financial charges payable	160	291
<b>Borrowing costs expensed</b>	<b>160</b>	<b>291</b>
<b>Net loss on disposal of plant and equipment</b>	<b>29,695</b>	<b>15,062</b>
Rental expense relating to operating leases		
Minimum lease payments	191,768	175,063
<b>Total rental expense relating to operating leases</b>	<b>191,768</b>	<b>175,063</b>
Foreign exchange gains and losses (net gain in 2004 - see above)	-	745
<b>Net foreign exchange losses recognised in profit from ordinary activities for the year</b>	<b>-</b>	<b>745</b>
<b>4 DIVIDENDS PAID</b>		
<b>DIVIDENDS PAID</b>	<b>400,000</b>	<b>200,000</b>



# HUNTER WATER AUSTRALIA PTY LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	30 Jun 03 \$
<b>5 CASH ASSETS</b>			
CURRENT			
Short term deposits - bank and TCorp deposits		4,241,754	4,475,914
Cash on hand		2,650	2,650
<b>CASH</b>		<b>4,244,404</b>	<b>4,478,564</b>
<b>6 RECEIVABLES</b>			
CURRENT			
Trade debtors		2,795,086	1,520,066
Provision for doubtful debts		(545)	-
		2,794,541	1,520,066
Other receivables		198,709	154,151
<b>RECEIVABLES (CURRENT)</b>		<b>2,993,250</b>	<b>1,674,217</b>
NON-CURRENT			
Tax-related receivable		784,599	-
<b>RECEIVABLES (NON-CURRENT)</b>		<b>784,599</b>	<b>-</b>
<b>7 OTHER ASSETS</b>			
CURRENT			
Prepayments		46,010	49,893
Work in Progress		765,912	335,927
Accrued Income		521,417	445,945
<b>OTHER</b>		<b>1,333,339</b>	<b>831,765</b>
<b>8 PLANT &amp; EQUIPMENT</b>			
COMPRISE THE FOLLOWING ALL AT COST			
GENERAL SUPPORT ASSETS			
Computers		1,403,137	1,103,025
Support Facilities		1,776,622	1,565,416
<b>GENERAL SUPPORT ASSETS TOTAL</b>		<b>3,179,759</b>	<b>2,668,441</b>
ACCUMULATED DEPRECIATION		(2,291,088)	(1,929,261)
<b>PLANT &amp; EQUIPMENT</b>		<b>888,671</b>	<b>739,180</b>
A MOVEMENTS IN CARRYING AMOUNTS			
Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year			
Balance at the beginning of year		739,180	
Additions		543,454	
Assets written off/disposed		(32,695)	
Depreciation expense		(361,268)	
<b>CARRYING AMOUNT AT THE END OF YEAR</b>		<b>888,671</b>	

# HUNTER WATER AUSTRALIA PTY LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	30 Jun 03 \$
<b>9 DEFERRED TAX ASSETS</b>			
Future income tax benefit		-	784,599
<b>DEFERRED TAX ASSETS</b>		<b>-</b>	<b>784,599</b>
<b>10 INTANGIBLE ASSETS</b>			
Goodwill at cost		508,000	508,000
Less accumulated amortisation		(508,000)	(333,822)
<b>INTANGIBLE ASSETS</b>		<b>-</b>	<b>174,178</b>
<b>11 PAYABLES</b>			
Trade creditors		896,995	794,097
Other creditors		452,094	388,614
Tax-related payable		257,198	-
<b>PAYABLES</b>		<b>1,606,287</b>	<b>1,182,711</b>
<b>12 PROVISIONS</b>			
CURRENT			
Employee benefits		1,075,349	937,911
<b>PROVISIONS (CURRENT)</b>		<b>1,075,349</b>	<b>937,911</b>
NON-CURRENT			
Employee benefits		1,696,179	1,741,620
<b>PROVISIONS (NON-CURRENT)</b>		<b>1,696,179</b>	<b>1,741,620</b>
A AGGREGATE EMPLOYEE BENEFITS LIABILITY		2,771,528	2,679,531
B NUMBER OF EMPLOYEES AT YEAR END		115	105
<b>13 EQUITY</b>			
900,010 (2003: 900,010) fully paid ordinary shares	13A	900,010	900,010
<b>EQUITY</b>		<b>900,010</b>	<b>900,010</b>
A FULLY PAID ORDINARY SHARES			
Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held			
<b>14 RETAINED PROFITS</b>			
Retained profits at the beginning of the financial year		3,551,847	2,969,154
Profit from ordinary activities after related income tax expense		1,757,979	582,693
Dividends provided for or paid		(400,000)	-
<b>RETAINED PROFITS</b>		<b>4,909,826</b>	<b>3,551,847</b>

# HUNTER WATER AUSTRALIA PTY LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

NOTE	30 Jun 04 \$	30 Jun 03 \$
<b>15 STATEMENT OF CASH FLOWS</b>		
A RECONCILIATION OF CASH		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand	2,650	2,650
Bank deposits	500,610	227,802
TCorp deposits	3,741,144	4,248,112
<b>CASH AT END OF YEAR</b>	<b>4,244,404</b>	<b>4,478,564</b>
B RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX	1,757,979	582,694
Depreciation and amortisation	535,446	532,372
Net (gain) loss on sale of non-current assets	29,695	15,062
Net exchange differences	(3,231)	-
CHANGE IN OPERATING ASSETS & LIABILITIES		
(Increase) in trade debtors	(1,274,475)	(381,056)
(Increase) decrease in inventories	(429,985)	36,140
Decrease (increase) in future income tax benefit	784,599	(115,035)
(Increase) decrease in other operating assets	(900,746)	84,162
Increase in trade creditors	96,187	488,773
Increase (decrease) in other operating liabilities	320,678	(217,416)
(Decrease) increase in provision for income tax payable	(311,792)	90,424
Increase in other provisions	91,997	766,302
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>696,352</b>	<b>1,882,422</b>
C BANK OVERDRAFT FACILITY		
The Company has a bank overdraft Facility available to the extent of \$200,000.		
<b>16 LEASE EXPENDITURE COMMITMENTS</b>		
OPERATING LEASES: COMMITMENTS IN RELATION TO NON-CANCELLABLE OPERATING LEASES ARE PAYABLE AS FOLLOWS:		
Not later than one year	339,029	88,630
Later than one year but not later than five years	1,024,905	-
<b>LEASE EXPENDITURE COMMITMENTS</b>	<b>1,363,934</b>	<b>88,630</b>

There are two major operating leases of the company, one is a non-cancellable lease with a 5-year term expiring in June 2009 with an option to renew the lease at the end of this term for an additional five years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by CPI. The other is a non-cancellable lease with a 3-year term expiring in May 2007 with an option to extend the lease for an additional 2 years. Contingent rental provisions within the lease agreement require that the minimum lease payments shall be increased by 3%. Both leases do not allow for subletting of the lease area.

## 17 SUPERANNUATION

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

# HUNTER WATER AUSTRALIA PTY LIMITED

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### For the year ended 30 June 2004

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

Pillar Administration assessed employers' liabilities as at 30 June 2004 and advised a decrease in Hunter Water Australia Pty Limited's estimated outstanding liabilities which has been recognised as an offset to superannuation expenses in the results for the year ended 30 June 2004.

The company has a net under-funded liability position with Pillar Administration, which is recognised as a non-current liability on the Statement of Financial Position. The triennial update of demographic assumptions used to calculate the gross superannuation liability of the various defined benefits schemes was undertaken as at 30 June 2003. The following assumptions are based on information provided by Pillar.

	2003/04	2004/05	2005/06 & thereafter
Investment Return	7.0	7.0	7.0
Salary Growth Rate	4.0	4.0	4.0
Consumer Price Index	2.5	2.5	2.5

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

AS AT 30 JUNE 2004:

	(i) SSF \$M	(ii) SASS \$M	(iii) SANCS \$M	2003/2004 Total \$M
Gross Liability Assessed by Actuaries as at 30 June 2004	4.75	1.61	0.64	7.00
Less: Investment Reserve Account Balance	4.87	1.40	0.57	6.84
<b>UNFUNDED LIABILITY/(PREPAID CONTRIBUTIONS)</b>	<b>(0.12)</b>	<b>0.21</b>	<b>0.07</b>	<b>0.16</b>

AS AT 30 JUNE 2003:

	(i) SSF \$M	(ii) SASS \$M	(iii) SANCS \$M	2002/2003 Total \$M
Gross Liability Assessed by Actuaries as at 30 June 2003	4.62	1.23	0.58	6.43
Less: Investment Reserve Account Balance	4.36	1.14	0.49	5.99
<b>UNFUNDED LIABILITY/(PREPAID CONTRIBUTIONS)</b>	<b>0.26</b>	<b>0.09</b>	<b>0.09</b>	<b>0.44</b>

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

## 18 CONTINGENT LIABILITIES

No significant claims for damages are being negotiated.  
This does not include matters covered by insurance.

## 19 AUDITORS REMUNERATION

Amounts receivable or due and receivable by the auditors, from the Company, exclusive of GST.  
AUDITING FINANCIAL STATEMENTS

NOTE	30 Jun 04 \$	30 Jun 03 \$
	8,400	6,100

**HUNTER WATER AUSTRALIA PTY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2004

**20 RELATED PARTY DISCLOSURES**

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

**A DIRECTORS AND ANY DIRECTOR RELATED ENTITIES**

The directors of Hunter Water Australia Pty Limited during the whole financial year were:

Mr R Robson  
Mr WD Evans  
Mr RI Knights

The three directors of Hunter Water Australia Pty Limited were also directors of the parent entity, Hunter Water Corporation during the year. Mr WD Evans resigned as a director of Hunter Water Corporation on 1 April 2004.

Details of directors' remuneration are provided in note 22.

**B CONTROLLING ENTITY**

The Controlling Entity Hunter Water Corporation owns 100% of the issued ordinary shares of Hunter Water Australia Pty Limited.

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

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

**C THE FOLLOWING RELATED PARTY TRANSACTION OCCURRED DURING THE FINANCIAL YEAR.**

A director, Mr R Knights, was Chairman of Broke Fordwich Private Irrigation District until he resigned in November 2003. Hunter Water Australia Pty Limited provided consulting services to Broke Fordwich Private Irrigation District during the year. These services were based on normal commercial terms and conditions. The aggregate value of these services in the year was \$173,691.

**21 SEGMENT INFORMATION**

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

**22 REMUNERATION & RETIREMENT BENEFITS OF DIRECTORS**

**A DIRECTORS' REMUNERATION**

Amounts received or due and receivable by the Directors of the Company from the parent entity

The number of directors of the company whose remuneration from the parent entity falls within the following bands:

NOTE	30 Jun 04 \$	30 Jun 03 \$
	393,009	375,671
	No.	No.
\$30,000 - \$39,999	1	1
\$60,000 - \$69,999	1	1
\$280,000 - \$289,999	-	-
\$300,000 - \$309,999	1	1

**HUNTER WATER AUSTRALIA PTY LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2004

**23 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.

**24 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.

**25 FINANCIAL INSTRUMENTS**

**A INTEREST RATE RISK**

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

AS AT 30 JUNE 2004:

	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Within 1 Year \$	Between 1-5 Years \$	Over 5 Years \$	Non Interest Bearing \$	Total \$
Receivables	N/A	-	-	-	-	2,993,250	2,993,250
Cash	5.5%	3,741,144	-	-	-	503,260	4,244,404
<b>TOTAL FINANCIAL ASSETS</b>		<b>3,741,144</b>	-	-	-	<b>3,496,510</b>	<b>7,237,654</b>
Trade & Sundry Creditors	N/A	-	-	-	-	1,606,287	1,606,287
<b>TOTAL FINANCIAL LIABILITIES</b>		-	-	-	-	<b>1,606,287</b>	<b>1,606,287</b>

AS AT 30 JUNE 2003:

Receivables	N/A	-	-	-	-	1,674,217	1,674,217
Cash	N/A	-	-	-	-	230,451	230,451
Investments Current	4.77%	4,248,112	-	-	-	-	4,248,112
<b>TOTAL FINANCIAL ASSETS</b>		<b>4,248,112</b>	-	-	-	<b>1,904,668</b>	<b>6,152,780</b>
Trade & Sundry Creditors	N/A	-	-	-	-	1,182,711	1,182,711
<b>TOTAL FINANCIAL LIABILITIES</b>		-	-	-	-	<b>1,182,711</b>	<b>1,182,711</b>

**B CREDIT RISK EXPOSURES**

The credit risk on financial assets of the Company, which have been recognised on the Statement of Financial Position, is generally the carrying amount, net of any provisions for doubtful debts.

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

**C NET FAIR VALUES**

Financial assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair values.

**End of Audited Financial Statements.**

**HUNTER WATER AUSTRALIA PTY LIMITED**  
**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1 The financial statements and notes:

A comply with the *Public Finance and Audit Act 1983*, Accounting Standards and the *Corporations Act 2001*; and

B give a true and fair view of the financial position as at 30 June 2004 and the performance for the year ended on that date of the company; and

2 In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due and payable.

This declaration is made in accordance with a resolution of the Directors



Mr R Robson  
Chairman



Mr RI Knights  
Director

Newcastle 25 August 2004



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## **Company Particulars**

### **Directors**

Mr R Robson - Chairman  
Cr J Tate  
Mr D Simmons  
Mr R Knights

### **Company Secretary**

Ms S Smith

### **Registered Office**

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

Ground Floor  
41-45 Newcomen Street  
Newcastle NSW 2300  
02 4928 7200

### **Auditors**

Audit Office of New South Wales

### **Bankers**

Commonwealth Bank of Australia



# REGIONAL LAND MANAGEMENT CORPORATION

## 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 2004.

### DIRECTORS

The names of Directors in office at any time during or since the end of the financial year and up to the date of this report are:

Mr R Robson - Chairman  
Cr J Tate  
Mr D Simmons  
Mr R Knights

### INFORMATION ON DIRECTORS

**RON ROBSON**  
OAM, FAIM, FAICD, JP  
Mr Robson was appointed Chairman of the Regional Land Management Corporation Pty Ltd on 5 March 2003. Mr Robson is Chairman of Hunter Water Corporation, Chairman of Hunter Water Australia Pty Limited, a Director of Robson Health Care Pty Ltd and Patron of Newcastle/Hunter Valley Rugby Union.

Attended 13 of a maximum of 13 Board Meetings.

**JOHN TATE**  
Councillor Tate was appointed as Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003.

Councillor Tate has been a Councillor of Newcastle City Council since September 1980 and Lord Mayor since September 1999. Councillor Tate is Chair of the Hunter Economic Development Corporation and a Director of Honeysuckle Development Corporation, Westpac Rescue Helicopter Service, Hunter Councils and the Hunter Region Tourism Organisation.

Attended 12 of a maximum of 13 Board Meetings.

**DAVID SIMMONS**  
OAM, BA, M.ED (HONS), FAICD  
Mr Simmons was appointed as a Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003. From 1983 to 1996, Mr Simmons represented the Federal Electorate of Calare in the House of Representatives and held a number of executive positions in the government. Mr Simmons is a former Chief Executive of the Hunter Business Chamber, served as Chairman of the Hunter Medical Research Institute Foundation, 2002-03, and was a Board Member of Tourism New South Wales from 1997-2003.

Attended 12 of a maximum of 13 Board Meetings.

**ROSS KNIGHTS**  
Dip Civ Eng, MIE Aust, M Aust IMM, FAICD  
Mr Knights was appointed as a Director of the Regional Land Management Corporation Pty Ltd on 5 March 2003 and is also a Director of Hunter Water Corporation and a Director of Hunter Water Australia Pty Limited. Mr Knights was also Chairman of the Broke Fordwich Private Irrigation District until he resigned as Chairman and a member in November 2003.

Mr Knights was previously Deputy Managing Director of Peabody Resources Ltd, a member of the Hunter Economic Development Council and Chairman of Newcastle Coal Shippers Pty Ltd.

Attended 10 of a maximum of 13 Board Meetings.

### PRINCIPAL ACTIVITIES

In accordance with the Regional Land Management Corporation Pty Ltd's *Implementation Agreement* with the State, the principal activities of the company are to assume interim management of a number of properties in the Lower Hunter Region.

During the course of the financial period the following tasks were undertaken:

- day-to-day property management activities;
- preparing contaminated land remediation activities;
- strategic land planning, investigations and management in consultation with other government agencies;
- providing advice to the State on various environmental and infrastructure uses of the lands;
- progression of Environmental Impact Studies;
- development of infrastructure design and construction tender documents.

### OPERATING RESULT

The operating profit after providing for income tax of the company for the year ended 30 June 2004 amounted to \$NIL.

### DIVIDENDS

No dividends were declared or paid by the company during the financial period.

### REVIEW OF OPERATIONS

The results of activities and levels of expenditure have been satisfactory and within the Directors' expectations.

### STATE OF AFFAIRS

The company was formed on 5 March 2003 to undertake the above activities after the State issued a direction to Hunter Water Corporation under section 20N of the *State Owned Corporations Act 1989* (NSW) to form a special purpose subsidiary company for a term of 12 months following the date of incorporation.

In December 2003, the State extended the term for an additional six month period, in accordance with the *Implementation Agreement*.

# REGIONAL LAND MANAGEMENT CORPORATION

## DIRECTORS' REPORT

### AFTER BALANCE DATE EVENTS

In August 2004, the State issued a direction to Hunter Water Corporation to continue the activities of the company in accordance with the *Implementation Agreement* until 30 June 2005.

Other than the matter discussed above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the company, the result of those operations, or the state of affairs of the company in future financial years.

### 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.

### DIRECTORS' BENEFITS

During or since the financial period no Director has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the accounts, by reason of a contract entered into by the company with:

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

### ENVIRONMENTAL REGULATIONS

The Waste Emplacement Facility on Kooragang Island managed by Regional Land Management Corporation Pty Ltd is subject to a licence issued under the *Protection of the Environment Operations Act 1997*. During the financial period the company materially complied with requirements in respect to this licence and associated legislation. However 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 has been declared a remediation site by the Department of Environment and Conservation (DEC) under the *Contaminated Land Management Act 1997*. This site is managed by Regional Land Management Corporation Pty Ltd on behalf of the State Government (land owner). Regional Land Management Corporation Pty Ltd is currently seeking agreement on the site remediation strategy with the environmental regulator (DEC). Environmental liability and funding relating to all remediation activities undertaken by Regional Land Management Corporation Pty Ltd resides with the State Government.

### LIKELY DEVELOPMENTS

In accordance with the direction issued by the State, the company will continue to perform the activities as set out in the *Implementation Agreement*.

In the coming year the company will continue its convergence project to International Financial Reporting Standards. Signed in accordance with a resolution of the Board of Directors.



Mr R Robson  
Chairperson



Cr John Tate  
Director

Newcastle August 2004

# INDEPENDENT FINANCIAL AUDIT REPORT



SPD BOX 12  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

To Members of the New South Wales Parliament and Members of Regional Land Management Corporation Pty Ltd.

#### Audit Opinion

In my opinion the financial report of Regional Land Management Corporation Pty Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of Regional Land Management Corporation Pty Ltd's financial position as at 30 June 2004 and financial performance for the year ended on that date, and
  - (ii) complying with Accounting Standards in Australia, and the Corporations Regulations 2001,
- (b) other mandatory financial reporting requirements in Australia, and
- (c) section 41B of the Public Finance and Audit Act 1983.

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

#### The Directors' Role

The financial report is the responsibility of Regional Land Management Corporation Pty Ltd's directors. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes, and directors' declaration.

#### The Auditor's Role and the Audit Scope

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

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

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

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

My opinion does not provide assurance:

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

#### Audit Independence

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

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

Handwritten signature of R J Smith in black ink.

R J Smith  
Auditor-General

SYDNEY  
24 September 2004

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	5 March to 30 Jun 03 \$
<b>REVENUE</b>			
Treasury funding	2	816,738	666,465
Rental income	2	2,949,121	678,086
Other revenues from ordinary activities	2	79,237	61,754
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>		<b>3,845,096</b>	<b>1,406,305</b>
<b>EXPENDITURE</b>			
Expenditure relating to contracts and consulting		(2,321,867)	(871,741)
Insurance costs		(83,926)	(6,075)
Legal fees		(31,171)	(77,666)
Licence fees		(43,644)	(59,664)
Property security costs		(383,636)	(95,004)
Salaries, wages and Directors fees		(668,460)	(115,634)
Borrowing costs	3	(73,997)	(6,898)
Other		(259,026)	(152,992)
<b>TOTAL EXPENDITURE FROM ORDINARY ACTIVITIES</b>		<b>(3,865,727)</b>	<b>(1,385,674)</b>
<b>(LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>(20,631)</b>	<b>20,631</b>
Income tax benefit/(expense) relating to operating activities	4A	20,631	(20,631)
<b>PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE</b>		<b>-</b>	<b>-</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		<b>-</b>	<b>-</b>

The Statement of Financial Performance should be read in conjunction with the accompanying notes on pages 141 to 147.

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2004

	NOTE	30 Jun 04 \$	30 Jun 03 \$
<b>CURRENT ASSETS</b>			
Cash	5	792,474	448,313
Receivables	6	947,151	951,293
Other	7	19,075	37,657
Deferred tax assets	4C	-	60,642
<b>TOTAL CURRENT ASSETS</b>		<b>1,758,700</b>	<b>1,497,905</b>
<b>TOTAL ASSETS</b>		<b>1,758,700</b>	<b>1,497,905</b>
<b>CURRENT LIABILITIES</b>			
Payables	8	277,323	301,121
Interest-bearing liabilities	9	1,075,161	809,154
Provisions	10	135,948	118,860
Current tax liabilities	4B	-	81,273
Other	11	270,168	187,397
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,758,600</b>	<b>1,497,805</b>
<b>TOTAL LIABILITIES</b>		<b>1,758,600</b>	<b>1,497,805</b>
<b>NET ASSETS</b>		<b>100</b>	<b>100</b>
<b>EQUITY</b>			
Contributed equity	12	100	100
Retained profits	13	-	-
<b>TOTAL EQUITY</b>		<b>100</b>	<b>100</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes on pages 141 to 147.

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	5 March to 30 Jun 03 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of Goods and Services Tax)		4,205,905	693,605
Payments to Suppliers and Employees (inclusive of Goods and Services Tax)		(4,083,564)	(1,054,630)
Interest received		29,810	84
Interest paid		(73,997)	-
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	14B	<b>78,154</b>	<b>(360,941)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		-	-
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	100
Borrowings - Loan from Hunter Water Corporation		1,075,161	809,154
Repayment of borrowings		(809,154)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>266,007</b>	<b>809,254</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>344,161</b>	<b>448,313</b>
<b>CASH AT BEGINNING OF FINANCIAL PERIOD</b>		<b>448,313</b>	<b>-</b>
<b>CASH AT END OF FINANCIAL PERIOD</b>	14A	<b>792,474</b>	<b>448,313</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 141 to 147.

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies which have been adopted in the preparation of this financial report are:

#### BASIS OF ACCOUNTING

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

The financial report has been prepared on an accrual basis and is based on historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied, unless otherwise stated and are consistent with those of the previous year.

#### COMPARATIVE INFORMATION

As the company was incorporated on 5 March 2003 with operations commencing on 1 April 2003, comparative period figures cover only the part-year period from incorporation to 30 June 2003.

#### INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue AASB equivalents to IFRS and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian International Reporting Pronouncements (AIFRPs).

The economic entity will apply the AIFRPs from the reporting period beginning 1 July 2005.

The company's transition to AIFRP's will be supported by the controlling entity, Hunter Water Corporation. The parent entity has established an AIFRP Steering Committee which reports regularly to the Audit & Compliance Committee. A project team has also been established which is led by the IFRS Project Controller. The IFRS Project Controller is responsible for the project and reports regularly to the IFRS Steering Committee on progress against the implementation plan and timetable.

The following phases that need to be undertaken have been identified:

- Form project bodies
- Prepare impact assessment
- Design
- Implementation

The relevant project bodies have been formed and a detailed timetable has been prepared for managing the transition to AIFRPs and currently work on the project and implementation is on schedule. The project controller has analysed most of the AIFRPs and has identified a number of accounting policy changes that will be required.

#### Key Differences in Accounting Policy

- (i) AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* requires retrospective application of the new AIFRS from 1 July 2004, with limited exemptions. Similarly, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires voluntary changes in accounting policy and correction of errors to be accounted for retrospectively by restating comparatives and adjusting the opening balance of accumulated funds. This differs from current

Australian requirements, because such changes must be recognised in the current period through profit or loss, unless a new standard mandates otherwise.

- (ii) AASB 119 *Employee Benefits* requires the defined benefit obligation to be discounted using the government bond rate as at each reporting date rather than the long-term expected rate of return on plan assets. Where the unfunded superannuation liability is not assumed by the Crown, this will increase the amount and the future volatility of the unfunded superannuation liability and the volatility of the employee benefit expense.
- (iii) AASB 123 *Borrowing Costs* provides the option to expense or capitalise borrowing costs. NSW Treasury is likely to mandate expensing of borrowing costs to harmonise with GFS. This will not result in any change to current policy.
- (iv) AASB 136 *Impairment of Assets* requires an entity to assess at each reporting date whether there is any indication that an asset (or cash generating unit) is impaired and if such indication exists, the entity must estimate the recoverable amount. However, the effect of this Standard should be minimal because all the substantive principles in AASB 136 are already incorporated in Treasury's policy *Valuation of Physical Non-Current Assets at Fair Value*.

#### REVENUE RECOGNITION

Revenue is recognised when Regional Land Management Corporation Pty Ltd has passed on control of the good, it is probable that the economic benefits will flow to Regional Land Management Corporation Pty Ltd and the amount of the revenue can be reliably measured.

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### *Rents and Leases*

Rent is received for Government owned properties managed by Regional Land Management Corporation Pty Ltd in accordance with Regional Land Management Corporation Pty Ltd's *Implementation Agreement* with the State. Revenue from rents and leases is recognised upon the delivery of the service to the customer.

### *Treasury Funding*

Revenue from Treasury funding is recognised once expenditure that the funding relates to is incurred.

### *Interest Revenue*

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

### **INCOME TAX**

During the financial year NSW Treasury advised Regional Land Management Corporation Pty Ltd that it was exempt from the National Taxation Equivalent Regime (NTER), NSW Tax Equivalent Regime (TER) and Income Tax Assessment Act.

The exemption is based on the non-commercial nature of the Company and that, given the current activities of the company, competitive neutrality issues are unlikely to arise. However should the activities or format of the Company materially change, this exemption will be reviewed.

### **GOODS AND SERVICES TAX**

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis.

### **EMPLOYEE BENEFITS**

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

Employer contributions are made to both defined benefit and defined contribution superannuation plans. Liabilities for superannuation are actuarially determined and contributions made to superannuation funds are charged against the provision. The Company's superannuation liabilities as at 30 June 2004 have been calculated and advised by Pillar Administration.

As some employees of the company have been seconded from the controlling entity, the asset and liability for the defined benefit superannuation fund for these employees is held in the accounts of the controlling entity (Hunter Water Corporation).

In accordance with the Australian Accounting Standard AASB1028 *Employee Benefits*, employee benefits that are expected to be settled within 12 months of the reporting date have been measured and disclosed at nominal amounts, using the remuneration rates expected to be paid when these obligations are settled.

### **CASH**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions and is net of bank overdrafts.

### **RECEIVABLES**

The collectibility of debts is assessed at the reporting date and specific provision is made for any doubtful accounts.

### **PAYABLES**

Liabilities are recognised for amounts to be paid in the future for goods or services received.

### **BORROWING COSTS**

Borrowing costs include interest and other charges relating to borrowings. Borrowing costs are expensed as incurred.

### **INTEREST BEARING LIABILITIES**

Regional Land Management Corporation Pty Ltd has borrowed funds from the parent entity, Hunter Water Corporation, in the form of an inter-entity loan.

Interest expense is accrued on a compounding basis at the contracted rate.



# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	5 March to 30 Jun 03 \$
<b>2 REVENUE FROM ORDINARY ACTIVITIES</b>			
Treasury funding		816,738	666,465
Rental income		2,949,121	678,086
Other revenue		79,237	61,754
		<b>3,845,096</b>	<b>1,406,305</b>
<b>3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>			
<b>Profit from ordinary activities before income tax has been arrived at after charging the following items:</b>			
Borrowing costs:			
- related parties		73,997	6,898
Operating lease rental expense:			
- minimum lease payments		45,259	11,250
Net expense including movement in provision for:			
- Employee benefits		17,088	-
<b>4 INCOME TAX EXPENSE</b>			
<b>A INCOME TAX EXPENSE</b>			
Prima facie income tax expense calculated at Nil% (2003: 30%) on the profit from ordinary activities			
		-	6,189
<b>Increase in income tax expense due to:</b>			
Non-allowable items			
		-	14,442
Income tax expense on the profit from ordinary income before individually significant items			
		-	20,631
<b>Individually significant income tax items:</b>			
Reversal of prior year provision due to reclassification of company tax status			
		(20,631)	-
Income tax (revenue)/expense attributable to profit from ordinary activities			
		(20,631)	20,631
<b>Income tax (revenue)/expense attributable to profit from ordinary activities is made up of:</b>			
Current income tax provision			
		(81,273)	81,273
Future income tax benefit			
		60,642	(60,642)
		<b>(20,631)</b>	<b>20,631</b>
<b>B PROVISION FOR INCOME TAX PAYABLE</b>			
<b>Provision for current income tax</b>			
Movements during the year:			
Balance at beginning of year			
		81,273	-
Current year's income tax expense on profit from ordinary activities			
		-	81,273
Reversal of prior year provision due to reclassification of company tax status			
		(81,273)	-
		-	<b>81,273</b>

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	5 March to 30 Jun 03 \$
<b>C DEFERRED TAX ASSETS</b>			
<b>Future income tax benefit</b>			
Future income tax benefit comprises the estimated future benefit, at the applicable rate of Nil% (2003: 30%) on the following items:			
Prepaid income		-	56,245
Difference in depreciation of plant and equipment for accounting and income tax purposes		-	19,303
Accrued expenses		-	1,800
Prepaid expenses		-	(11,297)
Provisions and accrued employee benefits not currently deductible		-	(1,283)
Company setup costs		-	(4,126)
		-	<b>60,642</b>
<b>5 CASH</b>			
Cash at bank		792,174	448,013
Cash on hand		300	300
		<b>792,474</b>	<b>448,313</b>
<b>6 RECEIVABLES</b>			
CURRENT			
Treasury reimbursements		816,738	666,465
Rent		70,687	238,500
GST receivable		59,726	44,936
Sundry debtors		-	1,392
		<b>947,151</b>	<b>951,293</b>
<b>7 OTHER ASSETS</b>			
Prepayments		<b>19,075</b>	<b>37,657</b>
<b>8 PAYABLES</b>			
CURRENT			
Creditors and accrued expenditure		<b>277,323</b>	<b>301,121</b>
<b>9 INTEREST BEARING LIABILITIES</b>			
Loans payable to Parent Entity - Hunter Water Corporation		<b>1,075,161</b>	<b>809,154</b>
<b>10 PROVISIONS</b>			
CURRENT			
Employee benefits		<b>135,948</b>	<b>118,860</b>
Number of employees at year end		5	4
<p>Certain employees of the company were seconded from the parent entity on commencement of operations. Entitlements to annual leave and long service leave at this date were transferred to the company, and are included in the current provision as at balance date.</p>			
<b>11 OTHER CURRENT LIABILITIES</b>			
Income received in advance		<b>270,168</b>	<b>187,397</b>
<b>12 CONTRIBUTED EQUITY</b>			
ISSUED AND PAID UP SHARE CAPITAL			
100 (2003: 100) fully paid ordinary shares		<b>100</b>	<b>100</b>
<p>There were no movements in share capital during the year.</p>			

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

	NOTE	30 Jun 04 \$	5 March to 30 Jun 03 \$
<b>13 RETAINED PROFITS</b>			
Retained profits at the beginning of year		-	-
Net profit attributable to members of the company		-	-
Retained profits at end of year		-	-
<b>14 NOTES TO THE STATEMENT OF CASH FLOWS</b>			
<b>A RECONCILIATION OF CASH</b>			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows.			
Cash on hand	5	300	300
Bank deposits	5	792,174	448,013
		<b>792,474</b>	<b>448,313</b>
<b>B RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Profit from ordinary activities after income tax		-	-
<b>CHANGES IN ASSETS AND LIABILITIES</b>			
- (Increase)/decrease in receivables		4,142	(951,293)
- (Increase)/decrease in prepayments		18,582	(37,657)
- (Increase)/decrease in future income tax benefit		60,642	(60,642)
- (Decrease)/increase in payables		(23,798)	301,121
- (Decrease)/increase in provisions		17,088	118,860
- (Decrease)/increase in income tax payable		(81,273)	81,273
- (Decrease)/increase in other liabilities		82,771	187,397
NET CASH FLOW FROM OPERATING ACTIVITIES		<b>78,154</b>	<b>(360,941)</b>
<b>15 CONTRACTUAL COMMITMENTS</b>			
<b>OPERATING LEASE EXPENSE COMMITMENTS</b>			
Future operating lease commitments not provided for in the financial statements and payable:			
Within one year		38,561	33,750
		<b>38,561</b>	<b>33,750</b>
<b>CONSULTANCY COMMITMENTS</b>			
Estimated consultancies contracted for at balance date but not provided for and payable:			
Within one year		779,202	567,090
One year or later and no later than five years		10,142	-
		<b>789,344</b>	<b>567,090</b>
<b>16 AUDITORS' REMUNERATION</b>			
Amounts received by the auditors for the audit of the company's financial statements		<b>7,100</b>	<b>6,000</b>
<b>17 RELATED PARTIES DISCLOSURES</b>			
<b>A DIRECTORS</b>			
The Directors of Regional Land Management Corporation Pty Ltd during the financial period were:			
Mr R Robson			
Cr J Tate			
Mr D Simmons			
Mr R Knights			
Mr R Robson and Mr R Knights are also Directors of the parent entity Hunter Water Corporation. Details of Directors' remuneration are provided in note 19.			

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### B CONTROLLING ENTITY

The controlling entity Hunter Water Corporation owns 100% of Regional Land Management Corporation Pty Ltd.

### C THE FOLLOWING RELATED PARTY TRANSACTIONS OCCURRED DURING THE PERIOD:

Director Robson resigned as a Director/ Chairman of Innova Soil Technologies Pty Limited (Innova) effective from 1 April 2004. During the financial year the licence agreement between Regional Land Management Corporation Pty Ltd and Innova was renewed on normal commercial conditions no more favourable than those available to other parties. The purpose of the licence is for the storage of soil treatment equipment on the Mayfield site. Director Robson was absent for any Board consideration on matters relating to Innova.

### D NON-DIRECTOR RELATED PARTIES TRANSACTIONS WITH CONTROLLING ENTITY

The company has loans from the controlling entity, Hunter Water Corporation (refer Note 9), with interest payable on the loans. Loans totalling \$1,075,161 were drawn from the parent entity by the company during the year.

## 18 SEGMENT INFORMATION

The company operates predominantly in one business and geographical segment being the management of Government owned land in the Lower Hunter Region of Australia.

The company has management responsibility for five (5) parcels of Government owned land:

- Mayfield site (150 hectares)
- former BHP waste site at Kooragang Island (239 hectares)
- former BHP land in West Wallsend area (1545 hectares)
- land adjacent to Hunter River at Tomago (545 hectares)
- Crown land on Kooragang Island (860 hectares)

These Government owned lands are owned and controlled by the Crown Property Portfolio.

## 19 REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS

### DIRECTORS' REMUNERATION

The number of Directors of the Company whose income from the Company or other related parties falls within the following bands:

	30 June 2004	5 March to 30 June 2003
	\$	\$
\$0 - \$9,999	-	2
\$20,000 - \$29,999	2	-
\$40,000 - \$49,999	-	1
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	-	1
\$90,000 - \$99,999	1	-

Total income paid or payable, or otherwise made available, to all Directors of the

Company from the Company or any related party

207,477

136,518

## 20 ECONOMIC DEPENDENCY

Regional Land Management Corporation Pty Ltd is entitled under section 20N of the *State Owned Corporations Act 1989* (NSW) to be re-imbursed, up to \$20 million, from money advanced by the Treasurer, or appropriated by Parliament for the following:

- amounts equal to the net cost of performing any such activities relating to the interim management of Government owned land in the Lower Hunter Region (including the cost of capital); or
- the net cost of complying with a direction to cease to perform or not to perform such activities.

Regional Land Management Corporation Pty Ltd operated independently from the parent entity. All transactions were on normal commercial terms and conditions.

# REGIONAL LAND MANAGEMENT CORPORATION PTY LTD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2004

### 21 EVENTS SUBSEQUENT TO REPORTING DATE

#### State Direction

In August 2004 the State issued a further direction to the parent entity, Hunter Water Corporation, to continue the activities of the company until 30 June 2005.

### 22 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:

	Weighted Average Effective Interest Rates	Floating Interest Rate \$	Due 1 Year or less \$	Over 1 Year to 5 Years \$	Non- Interest Bearing \$	TOTAL \$
<b>30 JUNE 2004</b>						
<b>FINANCIAL ASSETS</b>						
Current						
Cash at bank	4.25%	792,174	-	-	-	792,174
Receivables		-	-	-	947,151	947,151
<b>TOTAL</b>		<b>792,174</b>	<b>-</b>	<b>-</b>	<b>947,151</b>	<b>1,739,325</b>
<b>FINANCIAL LIABILITIES</b>						
Current						
Payables		-	-	-	277,323	277,323
Interest-bearing liabilities	7.56%	-	1,075,161	-	-	1,075,161
<b>TOTAL</b>		<b>-</b>	<b>1,075,161</b>	<b>-</b>	<b>277,323</b>	<b>1,352,484</b>
<b>30 JUNE 2003</b>						
<b>FINANCIAL ASSETS</b>						
Current						
Cash at bank	3.75%	448,013	-	-	-	448,013
Receivables		-	-	-	951,293	951,293
<b>TOTAL</b>		<b>448,013</b>	<b>-</b>	<b>-</b>	<b>951,293</b>	<b>1,399,306</b>
<b>FINANCIAL LIABILITIES</b>						
Current						
Payables		-	-	-	301,121	301,121
Interest-bearing liabilities	6.51%	-	809,154	-	-	809,154
<b>TOTAL</b>		<b>-</b>	<b>809,154</b>	<b>-</b>	<b>301,121</b>	<b>1,110,275</b>

#### B CREDIT RISK

The credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

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

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

**REGIONAL LAND MANAGEMENT CORPORATION PTY LTD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2004

**C NET FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate net fair value.

**End of Audited Financial Statements**

**DIRECTORS' DECLARATION**

The Directors of the company declare that:

- 1) the financial statements and notes, set out on pages 138 to 147:
  - (a) comply with Accounting Standards, the *Corporations Act 2001* and the *Public Finance and Audit Act 1983*; and
  - (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the company; and
- 2) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Mr R Robson  
Chairperson



Cr John Tate  
Director

Newcastle 25 August 2004