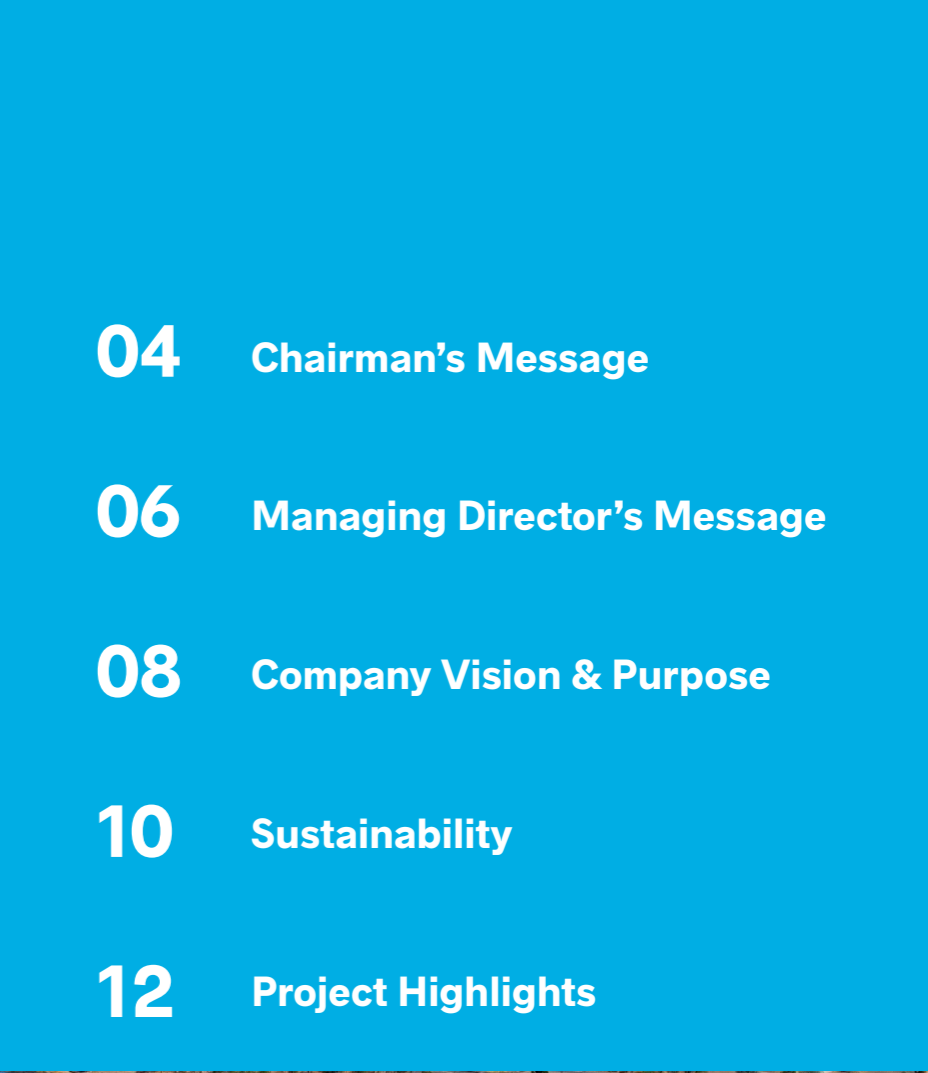
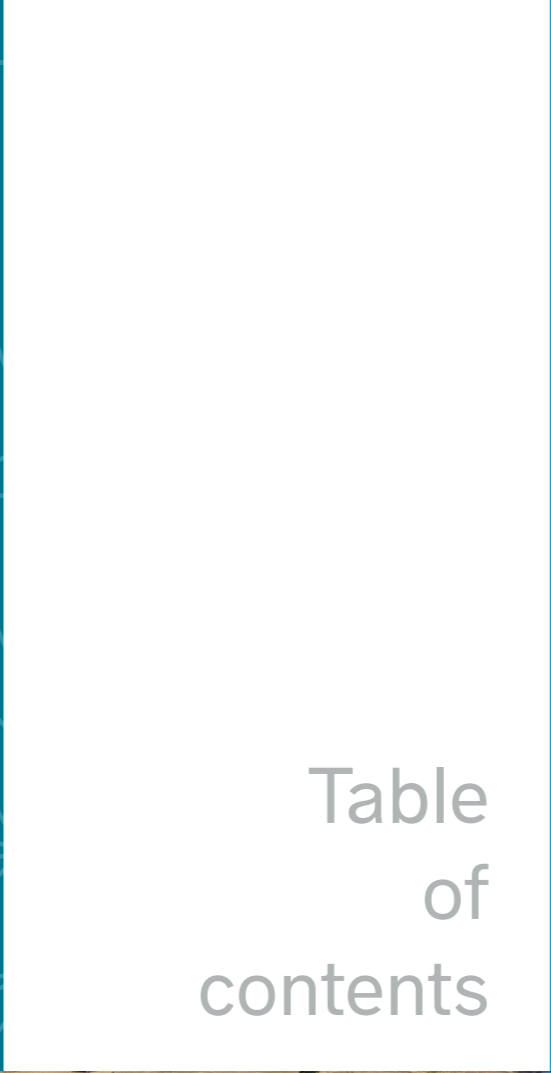




hunterh₂O

Annual Report

2020



Advisory and Planning

Asset Management

Design

Digital and SCADA

Process

Project Management

Operations Support

Our Vision: Water Together

Together we create the right water solutions to improve lives and support sustainable and healthy communities.

Table of contents

- 04** Chairman's Message
- 06** Managing Director's Message
- 08** Company Vision & Purpose
- 10** Sustainability
- 12** Project Highlights
- 27** Safety
- 28** Corporate Governance
- 30** Appendix A
Financial Statements



Chairman's Message

Dear Shareholders

I'm pleased to report on a year of outstanding achievement despite challenges of drought, bushfires, floods, pandemic, and heightened economic uncertainty. It is worth reflecting on the reasons for how well your company did in these circumstances and in particular, success in adjusting to the COVID-19 environment.

First, we started the year with a Strategic Plan that provided a framework to cope with uncertainty and management of risk. As a more agile organisation we were able to react swiftly, adapting operations to an avalanche of change, not the least, in the final quarter of working from home, this made possible by a wise decision in 2019 to upgrade equipment and technology.

Second, at all times our customers were front of mind. We kept close to our customers and met their needs in difficult conditions. During the drought we worked overtime to provide solutions for many affected communities. When COVID-19 struck we were organised and innovative, able to focus on customer response without business interruption or delay.

Third, Hunter H₂O has built a high quality client portfolio, is financially conservative and in this year under review, generated steady cash flow sufficient to enable retirement of all Redeemable Preference Shares, opening the door to payment of franked dividends to shareholders in October 2020 and beyond.

But lastly, and of most importance, Hunter H₂O has extraordinarily capable people. Without you and all your colleagues, your enthusiasm, work ethic, skills, and competence we would have struggled to deliver these financial results. Once again, I note and congratulate all parties on the excellent safety record, a real source of organisational pride.

To fellow Directors, my thanks for your support and guidance; to Peter Dennis and the Executive Leadership Team, my thanks and appreciation for impressive crisis management, team cohesion and well laid plans for the longer term. Well done indeed.

With a strong order book, developing opportunities here and in the Pacific, the year ahead shows promise for further growth despite pandemic uncertainties.



Brian Gatfield
Chairman

Managing Director's Message

This financial year has been a rewarding and successful one for Hunter H₂O despite substantial business headwinds.

Our Board, Executives and Leadership Team have continued to successfully execute our 2025 Strategic Plan. We have seen growth in profitability, we are more customer connected, have expanded our client base, and developed a healthy pipeline of work and long-term opportunities. We have gained clarity on our market edge and have adapted into an agile organisation - able to respond to the needs of our customers. We have extended vital assistance to regional clients through recent catastrophic drought, bushfires and subsequent flooding events which epitomises our character, purpose and values.

I am proud of the team's resilience in adapting to the challenges presented by COVID-19 and want to thank everyone for their perseverance through a difficult time and particularly for their support of one another. Our improved team connectedness and ability to rapidly move to a virtual working environment is a key factor in our success.

We believe to be successful, you need to put culture first, to strive for an environment that is inclusive, promotes diversity and one we are all proud to be part of. Most pleasing this year is our continued improvement in all aspects of our culture. This improvement strongly underpins our future success and I am proud of the collaborative way people are engaging and sharing knowledge across the business. A culture-first company focuses first on employees as the driver of that great performance. This approach aims to strengthen our unique service offering, encouraging the search for innovative solutions to better understand our clients' needs and challenges.

A commitment to Zero Harm is embedded in our culture. Our continued safety performance is another positive for 2019-20. While we have an ongoing focus on physical safety, I am pleased we have adjusted our focus to include wellbeing and supporting positive mental health. While there are always areas for more development in this complex space, it has provided a solid foundation to support people through a uniquely challenging year.

"If you take care of the culture, then the customer experience and profits will take care of themselves."

Hunter H₂O continues to recognise the importance of investing meaningful support into developing Pacific communities. Our people play a vital role in supporting the intent of the Goals set by the United Nations for Clean Water and Sanitation (SDG6). In working with our Pacific neighbours, we see first-hand the value we can foster through close partnerships that show genuine investment in building the local capacity of our neighbours. Our critical connections with the Australian Water Partnership and the Pacific Water and Wastewater Association directly support Young Water Professional development in Pacific nations. This is an important investment in a more sustainable, diverse and equitable future.

Our diverse network of staff continues to inspire me through their unique strengths, insights and how they apply these to develop smarter more practical water solutions for our customers. Through blending our technical capability and our personal approach, we can forge strong, trusted relationships with our customers and stakeholders. We showcase a number of these smart, customised water solutions in this annual report.

We really appreciate the strong team we are building outside of the Hunter. With new offices in Tamworth and Suva, as well as our existing offices in Adelaide and Brisbane, it enables us to be increasingly connected with our clients.

Well done all for your commitment towards building a great culture. Your resilience and agility in responding to the challenges of 2020 is inspiring.

I am incredibly excited and optimistic about our future. A future where:

- We continue to collaborate to make a difference in the communities in which we work
- Our people can grow and develop to achieve their aspirations
- Our work contributes to more sustainable use of water for the longevity and liveability of our communities.

Thank you to the Hunter H₂O team for tremendous commitment to the improvement of the organisation and supporting each other. I also appreciate the support of our Chair and the Board in providing effective governance and oversight of our company strategy and risk management, and most vitally, backing our team at Hunter H₂O.



Peter Dennis
Managing Director



Company Vision & Purpose

We get excited about your toughest water and engineering challenges

100% Australian and employee-owned
Water focused, internationally skilled and competitive.

Our operations heritage fosters the trust and practical insight needed to deliver the right solution *the first time.*

Hunter H₂O is one of the largest Australian specialist consulting firms in the water industry. We operate across a broad range of water industry project types within the following diverse set of clients and geographies: Regional Water Utilities, Metropolitan Water Authorities, International, Private Sector Clients and Government Agencies.

We employ over 100 water industry specialists and forecast continual growth through building a strong presence around our major city offices in Brisbane, Newcastle, Adelaide and our new office in Tamworth, NSW.

We work alongside our clients to integrate:

- Process expertise including both Water and Wastewater
- Design services (including civil, mechanical, electrical, hydraulic and chemical/process engineering)
- Planning (Australia and international)
- Digital SCADA & automation integration services
- Project management and operations support
- Asset management
- Strategic advisory expertise.

Our third-party certified health and safety, environment and quality management systems define the framework for consistent quality and safe operations during the successful delivery of projects.

Our vision
Water Together



Our purpose
 Together we create the right water solutions to improve lives and support sustainable & healthy communities



Our values
 I care deeply
 I am inclusive
 I do what's right



Our ways of working

We work as one team

We connect the right people for the job
 We collaborate to create the right solutions
 We encourage and recognise excellence and we celebrate achievements.

We are customer connected

We put the customer "front of mind" in everything we do
 We seek solutions that drive value for our customers and the communities that they serve
 We deliver services that are timely, efficient and meet the needs of the customer.

We develop our people so that they can be the best they can

We support mentoring and development programs
 We provide constructive feedback
 We provide exposure to the right work experiences.

We empower our people

We dedicate time for creativity and problem solving
 We have courage to try things out
 We value solutions and innovations that make our communities more sustainable.

We are always improving

We have a commercial mindset in how we work
 We actively engage our customers to seek feedback on our service delivery and identify opportunities for improvement
 We dedicate time to reflect and learn from our experiences.

Our vision of "Water Together" has several meanings. Water is vital for the many communities we serve.

Our vision reflects:

- The importance we place on collaboration, diversity and teamwork in creating the right innovative solutions that drive value
- It also reflects our strong desire to partner with our customers, constructors, universities and other professionals in ensuring healthy and sustainable communities.

Our purpose epitomises who we are at Hunter H₂O. Our work in regional areas and in the Pacific is really about helping communities to ensure they have reliable and safe drinking water, as well as sustainable management of wastewater. It also captures our desire to deliver smart and innovative water solutions for our customers.



Sustainability

The following framework summarises the key focus areas in how we manage sustainability at Hunter H₂O, and how these align with the United Nations' Sustainable Development Goals. Sustainability is intrinsically embedded in our vision and purpose.

Hunter H₂O's Sustainability Policy is supported by our four strategic pillars: Being Customer Connected; Our Team; Our Market Edge; and Sustainable and Agile. These pillars map out our transition to a customer connected, more agile and sustainable organisation. For our team at Hunter H₂O, contributing to a sustainable future for everyone is core to who we are and what we want to achieve.

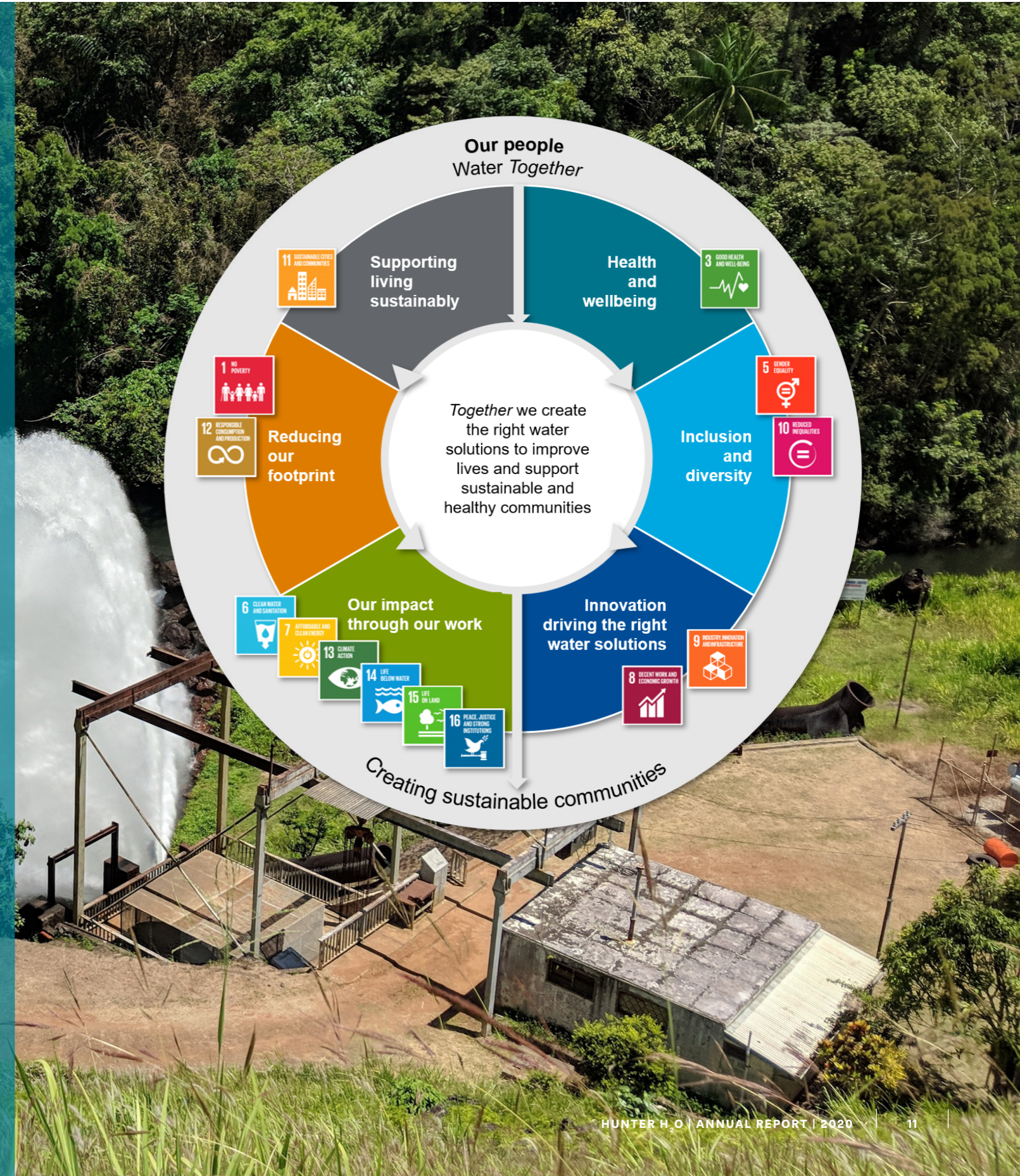
We believe that future generations should enjoy environmental, social and economic conditions that are equal to or better than those enjoyed by the present generation. Our Strategy and business operations are guided by the following principles:

- We recognise that climate change is a significant challenge to achieving sustainable economic, social and environmental development in the water industry and this belief is reflected in our core business activities
- We recognise the importance of the United Nations' Sustainable Development Goals and strive to meet the intent in whatever way we can. Through our strategy execution Hunter H₂O is committed to continually reviewing and improving sustainability practices
- Our business operations are guided by the 10 Principles of the United Nations' Global Compact. We recognise our strong partnership with our Pacific clients and other agencies is founded on trust and an implicit respect for these principles.

These principles require that businesses should:

- Support and respect the protection of internationally proclaimed human rights
- Make sure they are not complicit in human rights abuse
- Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Uphold the elimination of all forms of forced and compulsory labour
- Support and respect the protection of internationally proclaimed human rights
- Uphold the elimination of discrimination in respect of employment and occupation
- Support a precautionary approach to environmental challenges
- Undertake initiatives to promote greater environmental responsibility
- Encourage the development and diffusion of environmentally friendly technologies
- Work against corruption in all its forms, including extortion and bribery.

We strongly support the objectives of the Modern Slavery Bill 2018 (Commonwealth) and Modern Slavery Act 2018 (NSW).





Project Highlights

Queanbeyan-Palerang Regional Council Queanbeyan Sewage Treatment Plant Upgrade

The Queanbeyan STP Upgrade will replace Queanbeyan's existing STP with a modern treatment facility that protects public health and the environment for future generations.

The new 75,000 EP Queanbeyan STP provides for the continued growth and development of Queanbeyan and is designed to meet stringent environmental objectives for effluent discharge into the Molonglo River that flows into Canberra's Lake Burley Griffin. The design of the new facility has been developed in close consultation with QPRC, with a strong focus on reliable operation, sustainability and whole of life value to QPRC.

The Queanbeyan STP Upgrade uses an advanced treatment process that includes a continuous flow oxidation ditch and clarifiers providing biological nutrient removal, tertiary filtration and UV disinfection. The plant is configured with the ability to operate in a solids-contact mode to provide enhanced treatment during wet weather flows. The design is being developed with an innovative low energy mixing system.

Queanbeyan STP is being developed with sustainability as a key focus and Hunter H₂O is assisting QPRC in meeting an ISCA rating for the project.

As the design consultant, Hunter H₂O is supporting QPRC in delivery of the project through a scope of work that includes:

- Site investigations for the design and EIS
- Concept design and business case
- Coordination of the preparation of an Environmental Impact Statement
- Detailed design and tender documentation
- Tendering and procurement support
- Construction and commissioning support
- Leading negotiations with key regulators in three different jurisdictions (the plant sits on the border of NSW and ACT with both State and Territory governments involved, in addition to the Federal government).

The project is currently in concept design. All project deliverables and plant commissioning are expected by January 2024.



Seqwater Plant Operational Data Management System: Design, Delivery & Implementation

Hunter H₂O in conjunction with Lutra secured the delivery of the Plant Operational Data Management System (PODMS) for Seqwater's 37 Water Treatment Plant facilities.

The project uses an innovative SaaS product, 'Infrastructure Data' (commonly referred to as 'ID'), to collect, store, analyse, alarm, schedule and generate operational reports and tasks for Seqwater's management and operations staff.

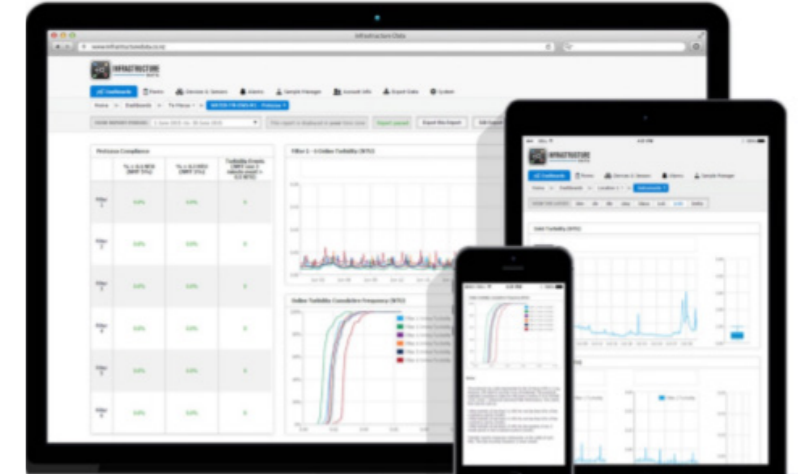
The PODMS will replace the existing paper and spreadsheet data collection methods currently used at Seqwater's plants, assisting in standardisation of data collection and report formats. In addition, the product enhances field data collection through the use of a user friendly mobile data application which not only allows free form and pre-defined data input, but also collection of site images with associated location information, regardless of phone reception.

The engagement has an 18-month implementation period, followed by a three-year engagement with two one-year options.

Hunter H₂O has completed the first tranche of works, implementing the system at six critical sites, including Mt Crosby and North Pine. This will be followed by rollout to the remaining Southern, Northern and Central plants in 2020 and early 2021.

The engagement requires a significant level of interaction with Seqwater's operations and management personnel to assist with change management, adoption of the system by all users and to ensure the system meets Seqwater's requirements.

Project Highlights



- **DASHBOARDS**
View interactive time series graphs, statistics and analytics. Any time period can be selected. No downloads required. Maintenance events can be shown on the graphs.
- **BATCH REPORTS**
Programmable automated reporting for fixed time periods e.g. monthly, annually. Have Pass/Fail status and integrated exception reporting. Maintenance events are pulled in automatically as evidence for exception reporting.
- **GEOSPATIAL**
View data in a spatial context to provide new insight.
- **ALARMS**
Alarms can be set up via SMS and/or email for any data source or soft sensor configured as alertable.

“ Seqwater is engaged at all levels throughout the project, from inception workshops which provide users with insight into the use and operation of the software, to user requirements workshops, and user acceptance testing, implementation and training. ”



Project Highlights

Water Authority of Fiji Navakai Wastewater Treatment Plant Upgrade

Water infrastructure has become one of the key drivers to support economic development and growth in Fiji.

Water Authority of Fiji is making a significant investment in developing their infrastructure.

Navakai WWTP serves the growing city of Nadi and tourist areas of Denarau on the western coast of Liti Levu. The area has experienced high population growth and the treatment capacity of the original WWTP has been exceeded. A number of assets at the plant are also in poor condition due to age and storm damage and require replacement or repair.

In 2016, WAF engaged Hunter H₂O to assess the condition and treatment capacity of Navakai WWTP and identify a cost effective program of work for an upgrade to provide additional treatment capacity.

Following completion of the planning project, in 2017 WAF engaged Hunter H₂O to prepare the detailed design and tender documentation for the upgrade and associated outfall.

The project included:

- Sampling program and sewage characterisation
- Treatment capacity assessment
- Mechanical and structural condition assessment of existing assets

- Options study to identify the preferred treatment plant upgrade
- Procurement plan for project delivery and supporting business case
- Concept design and Safety in Design (SiD) reviews
- Assistance with consultation and negotiation of treatment requirements with Fiji's Ministry of Environment
- Detailed design and documentation for the upgrade, including construction of new inlet works, IDEA reactor, biosolids dewatering and effluent disinfection
- Training plan and training of the WAF team to build their skills and capacity in operation and maintenance of the WWTP and in project management.

Our work included optimisation of the existing plant, as well as development and documentation of the detailed design. During the project, WAF's management identified that a key requirement was further training and capacity building of its team. Our team responded by incorporating targeted training and workshops into our project methodology.

This project is a good example of the benefits that we are able to provide our customers through our depth of experience and range of expertise. Our experience in wastewater treatment enabled us to identify the right upgrade solution for WAF, balancing the simplicity of appropriate treatment technology with modern communication and control, to enable operation to be remotely monitored from the operations centre in Suva.

Our broad range of experts supported WAF with its broader project requirements, including procurement management and capacity building of its team in wastewater treatment and project management.

Mid Coast Council Nabiac Emergency Desalination Plant

The entire Mid-Coast Region was expected to completely run out of water within a 90-day duration commencing November 2019 as a result of one of the worst droughts in 100 years.

MidCoast Council (MCC) directly engaged Hunter H₂O to design, procure and construction manage a 5.5 ML/d containerised Reverse Osmosis (RO) and Micro Filtration (MF) temporary desalination plant at the site of its existing water treatment plant in Nabiac, NSW.

In early November 2019, Hunter H₂O was engaged to draft a project plan to assess and document the project's feasibility. A highly detailed, multi-disciplinary project plan was prepared and presented to MCC within 22 days. Hunter H₂O was then engaged to:

- Develop tender and contract documentation including technical specifications
- Assist MCC with obtaining planning approvals
- Engage subconsultants to undertake preliminary service locations, geotechnical and ecological investigations
- Place early orders for long lead items, including pumps, desalination units, steel and poly fittings
- Undertake draft and preliminary design of all plant civil, process, electrical and mechanical aspects
- Liaise with MCC's stakeholders
- Conduct tender evaluation processes
- Finalise contract award.

Project Highlights



The construction contract was awarded to the contractor in late December 2019, with construction commencing in early January 2020. During the construction phase, Hunter H₂O continued to undertake the following detailed design and construction management tasks:

- Civil design
- Process design
- Mechanical design
- Electrical design
- Management of equipment procurement contracts
- Management of subconsultants
- Full time construction surveillance and management of the contractor as Principal's Authorised Person
- Management of variations, RFIs and EoTs
- Regular contract and design review meetings

Welcome but unexpected heavy rain in late January 2020 resulted in the project being terminated by MCC.

Hunter H₂O continued to support MCC by negotiating out of procurement contracts with equipment suppliers and the construction contract with the contractor, and undertaking project closure tasks to ensure the project reached practical completion, which it did in March 2020.



Project Highlights

Department of Foreign Affairs and Trade Port Moresby Water and Wastewater Master Plan

Hunter H₂O was engaged to develop a 20-year Master Plan (including 5-year Action Plan), for the ongoing sustainable development of EDA RANU's water and wastewater services throughout Port Moresby to at least 2040.

The preparation of Master Plans for Port Moresby's water supply system and sewerage system is a critical step in ensuring sufficient clean water and sanitation services are continuously available to the people of Port Moresby, in both the short term and the longer term. As there are no recent Master Plans, a significant amount of work needs to be undertaken to prepare comprehensive Master Plans that cover water supply (including bulk water supply, water treatment, trunk distribution and trunk storage) and sewerage (including trunk collection, sewage treatment and effluent discharge).

This project has two main aims:

- Prepare a 20-year Master Plan (2020-2040) to allow EDA RANU to meet any projected demands for drinking water supply and wastewater (sewage) management services across Port Moresby by creating a staged program of system augmentations / capital works and operational improvements
- Prepare a 5-year Action Plan (2020-2025) as the first stage of implementing the Master Plan.



The Master Plan will be a cornerstone document for aligning current and future demand management of water and wastewater services in consideration of sustainability principles such as economic, environmental, social and cultural. The Master Plan will provide a roadmap to allow water demands to be met and wastewater service to be created.

The key components of the Master Plan include an overview of:

- Description of the assets and service
- Levels of service
- Demand and planning for the future
- Lifecycle management
- Risk management
- Recommended works in priority listing
- Key issues and risks
- Challenges, opportunities and priorities
- Responsibilities
- Costs including whole of life costs
- Timing



Asian Development Bank Papua New Guinea Water and Wastewater Advisory

Project Highlights



Access to improved drinking water supplies (40%) and sanitation (19%) in Papua New Guinea is low and did not meet the United Nation's 2015 Millennium Development Goals.

PNG is also not on track to meet the United Nations' 2030 Sustainable Development Goals, nor its own targets of 70% access to improved water supply and sanitation by 2030. Provincial and district towns are generally poorly serviced.

Water PNG has responsibility for providing water and wastewater services to towns and cities outside of Port Moresby. Water PNG currently operates around 20 water supply systems and seven sewerage systems across Papua New Guinea.

However, another 75 provincial and district towns are either unserved or have rudimentary water supplies that are not operated by Water PNG. Consequently, the Papua New Guinean Government has given Water PNG a mandate to implement suitably improved services to each of these towns.

The key objectives of this Asian Development Bank technical assistance project were:

- Assist the Department of National Planning and Monitoring (DNPM) and Water PNG to strengthen management of the water and sanitation sector (including the provision of a Water Safety Plan (WSP) to be used as a template for future plans)
- Review past and present capacity development activities, including activities undertaken by other development partners, and provide recommendations for ongoing capacity development

- Improve the readiness of the Papua New Guinean Government to implement projects aimed at improving water and sanitation access in district towns, with a specific focus on Vanimo, Kerema and Mendi.

The project was undertaken in two phases.

Phase 1 involved:

- Preparation of a WSP in accordance with WHO Guidelines for Drinking-Water Quality (2017) and WHO Water Safety Plan Manual (2009)
- Review institutional capacity of key agencies and recommend institutional strengthening opportunities
- Preparation of feasibility studies for water supply and sanitation schemes in three selected provincial towns - Vanimo, Kerema and Mendi. While multiple field visits and site investigations were undertaken in Vanimo and Kerema, field visits to Mendi were not possible due to safety and security related concerns.

After completion of the final draft feasibility studies, ADB requested additional works be undertaken (Phase 2), including:

- Field surveys, groundwater investigations and water quality testing to inform updated recommendations for the proposed water supply and sewerage systems in the Vanimo and Kerema feasibility studies
- Preparation of due diligence reports for proposed water and sanitation projects in Vanimo and Kerema, including financial, economic, social safeguards, environmental safeguards, gender, stakeholder consultation and participation
- Independent review of designs for a proposed water supply scheme servicing Tete Settlement in Port Moresby.



Project Highlights

Central Coast Council Mardi Water Treatment Plant Stage 3 Upgrade

Mardi WTP is one of Central Coast Council's two major water treatment plants used to supply drinking water to over 340,000 residents on the Central Coast and Lower Hunter regions.

Hunter H₂O is assisting Central Coast Council (CCC) as their design consultant to deliver an important upgrade to secure drinking water for the Central Coast.

As part of the long-term water supply strategy for the Central Coast, Mardi WTP will be increasingly used to supply drinking water to customers in Wyong and Gosford. Mardi WTP is a direct filtration plant constructed in 1984 and augmented in 1992. While the plant has a nominal production capacity of 160 ML/d, the production rate is often reduced due to limitations of the plant's treatment capability.

The Mardi WTP Upgrade has been developed to improve the treatment capability and address key water supply risks while delivering value for money for the community. The project seeks to:

- Provide treatment for the wider range of raw water quality conditions now present in Mardi Dam
- Install a clarification stage capable of removing algae which is an emerging risk with warmer climate conditions
- Provide treated drinking water that has lower dissolved organic carbon to reduce the chlorine demand in the distribution network and reduce the risk of THM formation
- Deliver the upgrade in a way that provides flexibility for the site to adapt to future changes.

Hunter H₂O has supported CCC in developing the Mardi WTP upgrade since 2014 with technical advice including preparation of a treatment options assessment, concept design and procurement plan for the works. The upgrade is to be delivered using a D&C project delivery. Hunter H₂O as CCC's designer is preparing a reference design for the upgrade to assist in confirming the project scope, feasibility and costing, to reduce risk and to support stakeholder input from CCC's operational staff. Our team will continue to support CCC as its technical advisors throughout the D&C project delivery process.

The key components of the upgrade are:

- A DAF clarifier
- New and upgraded chemical facilities
- New and upgraded mechanical equipment
- Civil works including roadwork, parking, chemical storage bunds, clear water tank baffles, refurbishment of structures and new sludge lagoon outlet structure.

In engaging Hunter H₂O, CCC has benefited from our specialist technical advice, the continuity provided by our team's continued involvement and our understanding of CCC's requirements. Our ongoing role in project delivery includes assistance with the project procurement and design reviews leading to construction and commissioning support.



SA Water Happy Valley Water Treatment Plant Sludge Plant Upgrade

Happy Valley WTP is located 15 km South of Adelaide CBD and can provide up to 600 ML/d of Potable Water for customers across the Metropolitan area. The plant was commissioned in 1989 and the sludge handling plant has seen limited capital investment since that time.

The original plant consisted of two gravity thickeners and two plate presses. The plant was originally manned 24/7 to allow for monitoring of the press discharge cycle. In 2000, a single centrifuge was added to allow the 24/7 shift operation to be reduced to normal working day attendance. The centrifuge provides approximately 50% of the total plant capacity. Whilst the centrifuge originally performed well, there have been ongoing issues with the reliability of the centrifuge, leading to long overhaul down times over the last few years. During the overhauls, the presses need to dewater more sludge. There have been a number of Health & Safety issues with the plate presses in relation to the need for manual intervention during the cake discharge cycle. This effectively limits the capacity of the presses and means that, during a centrifuge overhaul, the sludge plant capacity is reduced. The reduction in the sludge plant capacity in turn reduces the overall capacity of the water treatment plant. If demand exceeds the reduced capacity then water needs to be transferred around the Adelaide metro supply system from the other plants or the Adelaide Desalination Plant which increases operational costs.

SA Water engaged Hunter H₂O and panel partner WSP in 2018, to undertake a technical investigation of the sludge handling plant and prepare a business case for a major capital upgrade to be included in the 2020-2024 Regulatory Business Plan.



Project Highlights



The project included a process capacity assessment, an asset mechanical performance assessment and a condition inspection to understand options for retention of the current plant. In addition, options were developed for short-term solutions and future upgrade of the plant. Following a TOTEX-based options comparison process, a staged plan of interim measures and medium-term plant upgrade was identified as the preferred option. This was included in the Regulatory Business Plan submission and was endorsed by the economic regulator.

In 2019, SA Water engaged Hunter H₂O and panel partner WSP to complete a technology options selection and then concept design. Our team re-affirmed the process design basis and then undertook a process technology review. Several options were considered, including centrifuges, plate presses, screw presses, belt presses and vacuum belt technology. After a TOTEX comparison, a multi-criteria analysis was used to identify centrifuge as the preferred approach. Our team developed a concept design and technical specification for the plant upgrade based on the preferred technology of centrifuge.

SA Water appointed the John Holland Guidera O'Connor Joint Venture as the Major Framework Partner for the Water South package in 2020, including projects at Happy Valley. The JV engaged WSP and Hunter H₂O to undertake the detailed design for the delivery phase of the project. This element is ongoing, but has included detailed process design, process equipment sizing and development of the control philosophy. Early works also involved investigating value management opportunities that were identified during the concept design. The plant should be commissioned late in 2021.





Project Highlights

NT Power and Water Corporation Remote Community Water Safety Assessments

NT Power and Water Corporation is responsible for the extraction, treatment and supply of drinking water to 72 remote communities across the Northern Territory.

In accordance with the Australian Drinking Water Guidelines (ADWG), NT Power and Water Corporation (PWC) has developed a risk based Drinking Water Quality Management System (DWQMS), including site specific Water Safety Plans for each community.

As part of the development of PWC's DWQMS, a desktop Water Safety Assessment was carried out for each community using a GIS tool. This returned a Health Based Target (HBT) assessment for each community which provided an indicative assessment of pathogen risks to the water supply.

This tool has provided a conservative assessment of risks, and Water Safety Assessments were required to ground truth the assigned HBT category and, where appropriate, re-evaluate the priority to ensure appropriate mitigation measures are implemented.

Hunter H₂O was engaged to undertake these Water Safety Assessments, including site inspections and sanitary surveys, for 19 remote communities throughout the Northern Territory. Working closely with PWC in the field and in developing the reports, the Water Safety Assessments have identified opportunities for improvements and allowed PWC to focus their efforts on areas of elevated risk to improve the health of the community.



Hunter Water Corporation Hunter River Estuary Master Plan

Project Highlights



Hunter Water operates five wastewater treatment plants (WWTWs) which are licensed to discharge into the Hunter River Estuary (HRE) or its tributaries (Kurri Kurri, Farley, Morpeth, Raymond Terrace and Shortland WWTWs). Hunter Water predicted an estimated capital investment of >\$300 million dollars would be required over the next 30 years to meet the projected increase in population and sewage load at those plants.

Hunter H₂O has been engaged by Hunter Water to develop a long-term strategic master plan for the management of effluent discharges in the HRE catchment. To inform this work, Hunter Water previously invested in the development of a catchment water quality model.

Our team understood that successful delivery of this project would require careful thinking beyond just the upgrading of assets to meet regulatory requirements. Based on this understanding, Hunter H₂O integrated an effects-based approach (EBA) into the project.

The EBA approach has evolved over the last decade to become international best practice. It is believed that incorporating EBA throughout the project is the best way to enable the development of a strategic, adaptive and sufficiently flexible masterplan that can provide near and long-term resilience in delivering agreed community waterway outcomes.

This approach is in contrast to the traditional wastewater treatment master plan approach that is developed solely on the basis of an isolated view of prescriptive end of pipe water quality constraints/limits, which are often not considered within the wider context of targeted waterway outcomes and the relative effects of all sources on the achievement of those outcomes.

To date we have undertaken the following in the development of the wastewater masterplan:

- Development of a project roadmap incorporating project objectives and ensuring each of Hunter Water's key aspects of the project would be met by the proposed methodology
- Development of a stakeholder engagement plan and stakeholder implementation plan to identify key community and regulatory stakeholders, analyse existing stakeholder information, establish gaps and understand stakeholder values, and develop a stakeholder engagement strategy to support and enable the project
- Assisting with the submission of Hunter Water's Pollution Reduction Program report to the EPA, which included a summary of early work undertaken for the project
- Collaboration with Hunter Water to determine a set of long-term strategic objectives for the project based on international best practice, and future trends and opportunities
- Review of Hunter Water's information (including the WWTWs' capability, constraints, performance, and current infrastructure upgrade pathway) to develop a holistic understanding of the current system in order to develop the problem definition
- Development of a draft decision-making approach and framework based on economic principles and EBA
- Generation, development and assessment of a range of potential strategy options. Options under consideration include major treatment upgrades, wastewater system reconfigurations, effluent discharge relocation, inflow/infiltration reduction, recycled water opportunities and catchment offsets.



Project Highlights

Hunter Water Corporation Hunter Water to Singleton Potable Interconnection

The Hunter Water to Singleton Potable Interconnection will assist with improving drought security, promoting economic growth and better protecting environmental assets across the Greater Hunter Region.

Hunter H₂O was engaged by Hunter Water for the delivery of a bi-directional potable pipeline connecting Hunter Water and Singleton Council's potable networks.

This project formed one of four options from the Greater Hunter Regional Water Strategy, which aims to improve drought security, promote economic growth and better protect environmental assets across the Greater Hunter Region.

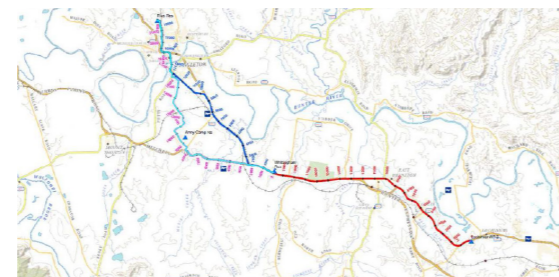
The project integrated a daily water balance with a detailed hydraulic network model to optimise the required augmentations that would enable bulk water transfers between two separate regions. Several options that compared costs with improvements in supply yield were considered. Options ranged from water banking using spare network capacity, through to substitution of all source capacity to free up stored water for alternate uses.

Hunter H₂O assisted Hunter Water with the development of G0 Go/No Go Gateway Review and G1 Strategic Business Case. This documentation was prepared in accordance with Infrastructure NSW's Infrastructure Investor Assurance framework.

The project involved:

- Confirmation of Singleton Council's water needs from existing information
- Project management
- Augmentation analysis
- Options assessment
- Hydraulic analysis, including elevation profile, pipe and pump sizing, meeting peak demand, system utilisation profile, operating philosophy, reservoir sizing and location(s)
- Electrical analysis, including power requirements
- Control system analysis, including communication and control system requirements
- Community engagement plan
- Risk management plan
- Asset management plan
- Preliminary environmental assessment, including Aboriginal and European heritage constraints
- Preliminary procurement plan
- Feasibility study

This project was delivered successfully, met the requirements of Infrastructure NSW and will facilitate further project development.



Tamworth Regional Council Emergency Water Supply Plan

Unprecedented drought conditions in the Namoi Region, with record low rainfall occurring across 2018 and 2019, led to town water supply systems facing severe stress, the implementation of severe water restrictions and major dams in the region dropping to record low storage levels.

In September 2019, Chaffey Dam was below 15% and Level 5 water restrictions were in place in Tamworth. The Tamworth water supply system was under severe stress and works were being undertaken to minimise water losses between Chaffey Dam and Tamworth in order to extend the remaining supplies as long as possible. In December 2019, the temporary Peel River weir was in place, and the Chaffey to Dungowan pipeline was nearing completion, significantly reducing, and eventually eliminating, water losses between the dam and Tamworth.

Without these drought contingency works, it was likely Chaffey Dam would have been empty by August 2020. With these works in place, it is hoped the remaining storage will last until around April or May 2021.

As Tamworth approached 12 months of water remaining in storage (when Chaffey Dam reaches 10%), Tamworth Regional Council (TRC) needed to start considering further drought contingency and emergency supply measures to ensure the town didn't run out of water. It was important to start planning for emergency supply measures early, to ensure there was sufficient time to implement these measures.

While TRC's Drought Management Plan had been its guiding policy document since water restrictions were first implemented in January 2019, an Emergency Water Supply Plan was needed to further guide TRC through this most critical stage of the drought, and to help plan for the potential worst case scenario of Chaffey Dam reaching zero storage.

Project Highlights



The driver for this project was the urgent need to do everything possible to avoid the possibility of Tamworth running out of water.

Key project objectives were to:

- Prepare a high-level plan outlining the proposed demand and supply measures that should be implemented over the next 12 months to maximise the remaining supplies
- Start planning for a potential failure of supply from Chaffey Dam by considering emergency supply options (including water carting) and how these options could realistically be implemented
- Engage and work collaboratively with NSW Department of Planning, Industry and Environment and Water NSW on the preparation of an Emergency Water Supply Plan.





Project Highlights

Fraser Coast Regional Council Water Supply Catchment Assessment

Fraser Coast Regional Council operates the Hervey Bay, Maryborough and Tiaro drinking water supply systems.

Raw water supplies are sourced from the Burrum River and Cassava catchments for Hervey Bay, from the Tinana Creek and Mary River catchments for Maryborough, and from the Mary River catchment alone for Tiaro.

Water treatment plants are located at Burgowan and Howard for the Hervey Bay drinking water supply, at Teddington Weir for Maryborough and at the Tiaro township for Tiaro.

It is the community's expectation that Fraser Coast Regional Council (FCRC) maintains the necessary infrastructure and implements the appropriate management strategies to provide safe drinking water.

As part of implementing appropriate management strategies, FCRC sought to assess the catchment risks and rate the performance of the WTPs in respect to Health Based Targets (HBTs) for each drinking water supply system, to inform management policies and infrastructure planning.



Hunter H₂O was engaged to:

- Review and amend FCRC's Catchment Management Plans to incorporate recommendations from the catchment and WTP assessments in respect to HBTs for the Hervey Bay, Maryborough and Tiaro drinking water supplies from a microbial and DBP perspective
- Undertake a review and amendment of FCRC's Drinking Water Quality Management Plan (DWQMP)
- Facilitation of a cybersecurity risk assessment (a requirement of a DWQMP in Queensland).

The objective of this project was to ensure the DWQMP remains the most up to date and relevant document for managing FCRC's drinking water supplies and to identify a programme of capital works required to address any shortfalls in water treatment capability in respect to HBTs.



Southern Downs Regional Council Water and Wastewater Critical Asset Condition Assessment

Project Highlights

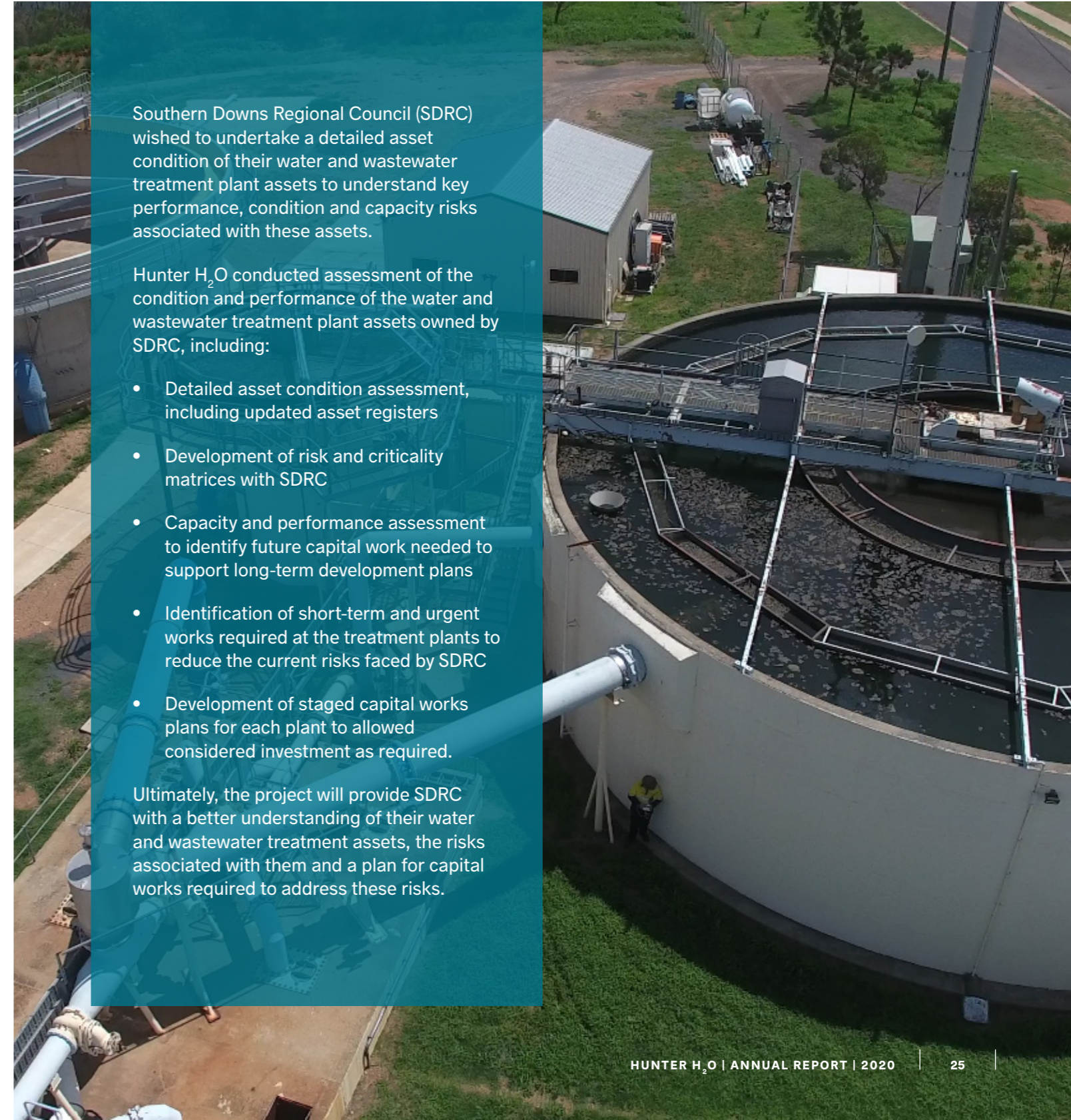


Southern Downs Regional Council (SDRC) wished to undertake a detailed asset condition of their water and wastewater treatment plant assets to understand key performance, condition and capacity risks associated with these assets.

Hunter H₂O conducted assessment of the condition and performance of the water and wastewater treatment plant assets owned by SDRC, including:

- Detailed asset condition assessment, including updated asset registers
- Development of risk and criticality matrices with SDRC
- Capacity and performance assessment to identify future capital work needed to support long-term development plans
- Identification of short-term and urgent works required at the treatment plants to reduce the current risks faced by SDRC
- Development of staged capital works plans for each plant to allowed considered investment as required.

Ultimately, the project will provide SDRC with a better understanding of their water and wastewater treatment assets, the risks associated with them and a plan for capital works required to address these risks.





Project Highlights

Cairns Regional Council Freshwater Creek Water Treatment Plant Filter Upgrade

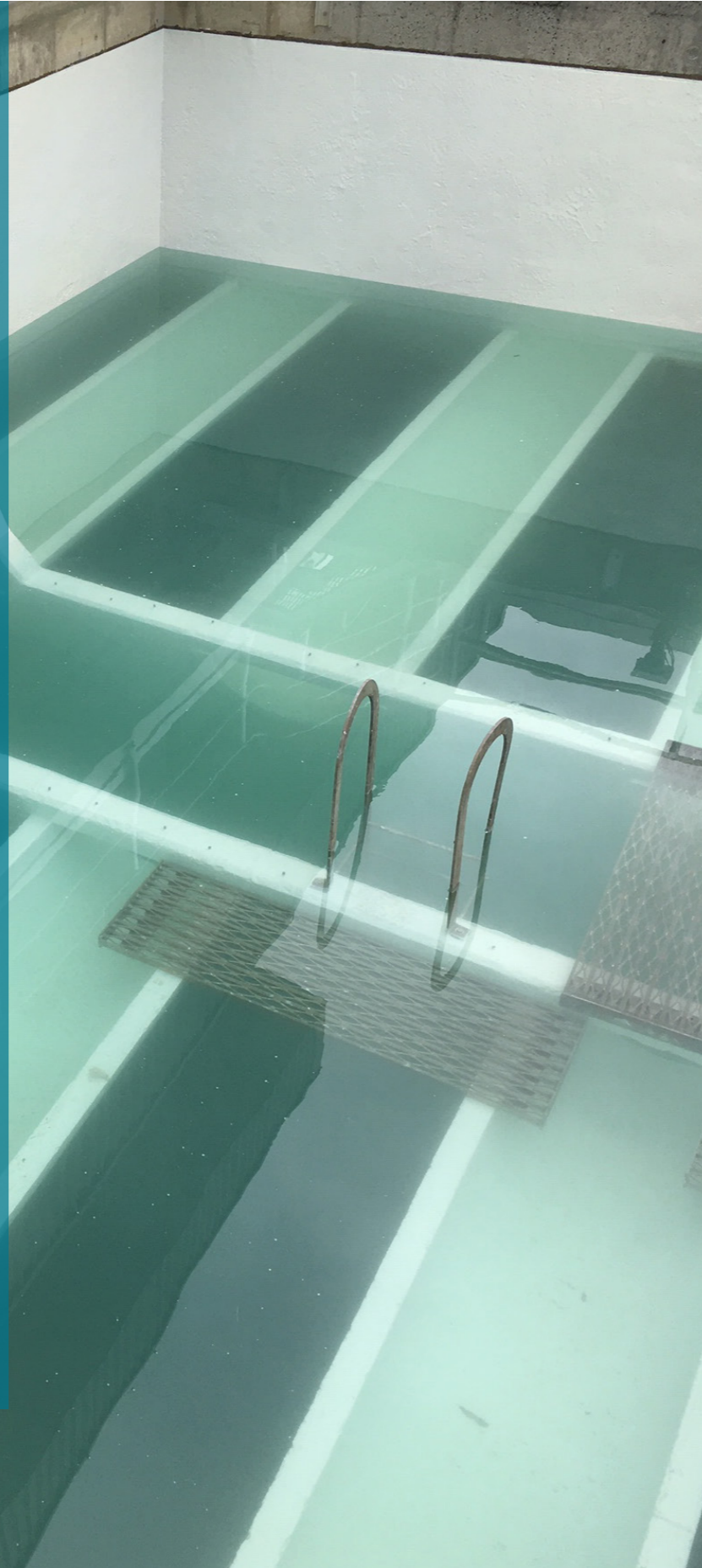
Freshwater Creek WTP is Cairns' largest water treatment plant.

Given the importance of getting filter refurbishments right the first time, Cairns Regional Council (CRC) elected to refurbish Filter 4 first. Hunter H₂O was engaged by CRC to prepare detailed documentation for a Design and Construct (D&C) tender for upgrading the first of the six filters at the 85ML/d Freshwater Creek WTP. The project included:

- Completion of a detail design for the upgrade works
- Identification of the concrete repair works required within the filter
- Design, supply and installation of new filter underdrains
- Installation of new dual media
- Upgrading and replacement of the air scour blowers and pipework
- Installation of a new backwash water flowmeter and flow control valve
- Installation of new filter instrumentation
- Replacement of filter valving and pipework
- Installation of a new filter to waste system
- PLC and SCADA modifications for the upgraded filter.
- Commissioning and process proving

Our multidisciplinary team then:

- Prepared the detailed D&C contract and tender documentation
- Assisted CRC with responding to RFIs
- Tender evaluation
- Supported CRC with design reviews, construction support and process proving.



Safety & Wellbeing



Safety is a core part of our values and purpose, and something we embed into our way of working. This past year has shone a light on mental health and wellbeing as we all faced challenging circumstances managing the COVID-19 pandemic. Whilst physical safety is always front of mind, we have had a concentrated focus on supporting our team's mental health and overall wellbeing.

We held four mental health awareness sessions in recognition of R U OK Day, focusing on tips and tools for managing mental health issues in the workplace. These sessions were well received by those who were able to attend, and recorded for those who were not. We also facilitated a bespoke session by an organisational psychologist to help our people to stay resilient during COVID-19 and beyond.

Eight of our employees volunteered to attend mental health first aid training to become Mental Health First Aiders. Their role is to be there for our people to reach out to, and to offer guidance to our people to access the support they need.



We're proud to have met our safety performance targets of no lost time or medical treatment injuries recorded in FY19-20. This performance was reflected in our management system certification, with no non-conformances raised from the SGS audit of our ISO9001 Quality Management, AS4801 Occupational Health and Safety and ISO14001 Environmental Management Systems.

We remain focused on maintaining this very high standard over the coming year and will continue to investigate options to drive improvements in safety and environmental performance.

Healthy Minds @ Work For Employees

hunterh₂O

DELIVERED BY EMILY FRASER
(Psychologist, BPsych MOrgPsych)

September 2019



LET'S TALK
Mental Health

Staying Resilient During COVID-19 and Beyond

hunterh₂O

DELIVERED BY EMILY FRASER
(Psychologist, BPsych MOrgPsych)

June 2020



LET'S TALK
Mental Health



Corporate Governance

Board of Directors

Hunter H₂O aspires to meet high standards of governance and reporting. We are committed to incorporating governance standards of an equivalent public company. We have clearly defined roles for both the Board and the Executive Management Team.

Our Board is responsible for risk and strategic governance. The Board has adopted a robust governance structure of policies and processes which facilitates reporting and auditing. The Executive Management Team is led by the Managing Director and is responsible for the implementation of strategy, management of risks and the operations of the business.



Brian Gatfield

Non-Executive Director
Director since 2014
Non-Independent
Chair of the Board of Directors
Chair of the Audit and Risk Committee



Paul Thompson

Executive Director
Director since 2014
Non-Independent



Dr Kirsten Molloy

Non-Executive Director
Director since 2015
Independent
Chair of the People and Culture Committee



Jeremy Smith

Executive Director
Director since 2018
Non-Independent



Peter Dennis

Managing Director
Director since 2018
Non-Independent



Jodie Golledge

Company Secretary



Executive Leadership



Peter Dennis
Managing Director



Jodie Golledge
Chief Financial Officer
Commercial Manager



Jeremy Smith
Executive Manager: Design



David Bowerman
Executive Manager:
Electrical & SCADA



Paul Thompson
Executive Manager: Process



Nicole Holmes
Executive Manager: Advisory



Shane Bullen
Executive Manager:
Corporate Services

Appendix A Financial Statements

hunterh₂O

Annual Report

2020

Financial Statements for the Financial Year Ended 30 June 2020

COMPANY PARTICULARS

Directors

Mr B Gatfield

Ms K Molloy

Mr P Thompson

Mr J Smith

Mr P Dennis

Company Secretary

Mrs J Golledge

Registered Office

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

19 Spit Island Close, Steel River,
Mayfield West
NSW 2304

Hunter H2O Holdings Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

ABN: 16 602 201 552

Auditors

Prosperity Audit Services

Bankers

National Australia Bank

DIRECTORS' REPORT

The Directors submit the following report made in accordance with a resolution of the Directors of Hunter H2O Holdings Pty Limited (the Company) for the financial year ended 30 June 2020.

Directors

The names and details of the Directors of the Company at any time during or since the end of the financial year ended 30 June 2020 are:

Mr B Gatfield

Ms K Molloy

Mr P Thompson

Mr J Smith

Mr P Dennis

Information on Directors

B Gatfield

FCPA

Mr Gatfield has served as Chair and Non-Executive Director of a number of public companies. He has worked with leading Investment Banks, Accounting and Legal Firms in a number of IPO's and is very experienced in Private Equity. Since 1995, Mr Gatfield has been retained as an independent advisor by service sector organisations, including leading participants in financial services markets, to advise on business strategy, assist in organisation reviews and to help evaluate acquisitions and other growth options.

Mr Gatfield is currently Chairman of Bridgestar Pty Ltd and a Director of private companies.

K Molloy

MBA, BSc (Hons), PhD, GAICD

Dr Kirsten Molloy is a business leader and company director, sitting on a range of Boards of commercial and not-for-profit businesses since 2013. Her executive career included being a CEO of a complex member-based construct in a major industry, and executive roles in a large global corporate organisation.

Dr Molloy brings a regional lens, a passion for improving outcomes for people, and a belief in engaged, connected and authentic leadership. She places material importance on creating great workplace cultures, transforming organisations and embracing innovation and new technology to deliver to the needs of customers and the community.

P Thompson

BEng (Chemical) (Hons), CPEng, EngExec, FIEAust, RPEQ, APEC Engineer, IntPE (Aus), MAICD

Mr Thompson is a chemical engineer with over 24 years' experience in the water industry. He has extensive experience in senior leadership roles for asset creation and management of water and wastewater treatment infrastructure, for both the municipal and mining sectors in Australia and overseas. Mr Thompson is the Executive Manager, Process & Operations of Hunter H2O Holdings.

J Smith

BEng (Civil) (Hons), FIEAust, CPEng, RPEQ, Eng. Exec, APEC Engineer IntPE (Aus)

Mr Smith is a Senior Principal Civil Engineer with 23 years' experience in the water industry. He has worked directly for Government water utilities and the private sector in both technical and management roles over his career. He has designed and delivered a wide range of water assets and has considerable construction and project management experience. Mr Smith is the Executive Manager, Design for Hunter H2O Holdings.

P Dennis

BEng (Chemical) (Hons), M Env Stud, Grad Dip Man, Cor Dir Dip., CPEng, FIEAust, RPEQ, APEC Engineer IntPE(Aus), MAICD

Mr. Dennis is one of the leading water industry strategists with over 30 years' water industry experience both in Australia and Internationally. Mr Dennis is an experienced Chief Executive Officer having led Seqwater (Bulk Water Utility for South East Queensland) through a major merger and significant business transformation and as the inaugural CEO of the merged Armidale Regional Council. He is also an experienced Board Member being on several water industry and Local Government Boards throughout Australia. He is also Conjoint Professor in the School of Engineering with the University of Newcastle.

Mr. Dennis has been recognised by Engineers Australia on two occasions as being in the top 100 most influential engineers in Australia.

Meetings of Directors

Board Meetings

	Number of meetings attended	Number of meetings held during the time the Director held office
B Gatfield	7	7
K Molloy	7	7
P Thompson	7	7
J Smith	7	7
P Dennis	6	7

Principal Activities

The principal activities of the Company in 2019/20 were the provision of specialist support and operations services in the fields of water, wastewater, stormwater, environmental and strategic services.

Results and Dividends

The net profit after tax, for the financial year ended 30 June 2020, was \$1,695,395.

In respect of the financial year ended 30 June 2020, no fully franked dividends were paid to Ordinary Shareholders.

In respect of the financial year ended 30 June 2020, unfranked dividends totalling \$94,000 were paid to Preference Shareholders in four instalments.

Review of Operations

The Company had a significantly improved trading performance during the 2019/20 financial year. The 2019/20 financial results reflect a more favourable trading environment and further implementation of the

five year strategic plan. The Company also bought back and cancelled the remaining 1,000,000 in Redeemable Preference Shares as well as issued 33,000 shares to new Employee Shareholders.

Due to the significant order book in place prior to the Covid-19 Pandemic, the results of the 2019/20 weren't significantly impacted by this event. However, due to our GST Turnover figure for May 2020 being 32% less than May 2019, the Company was able to access the JobKeeper scheme. This resulted in additional income of \$534,000 in the 2019/20 financial statements.

The Company still has healthy order books and the business is expected to be profitable during the 2020/21 financial year.

Subsequent Events

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

Directors' Indemnification

As far as is permitted by section 199A of the *Corporations Act*, other statutory provisions and common law, the Company has agreements in place to indemnify the Directors against:

- I. any Liability to a Third Party which arises as a result of anything done, or omitted to be done by him/her in good faith while a Director of the Company; and
- II. the Director's reasonable legal costs incurred in relation to any Claim by a Third Party in relation to such matters on a solicitor and own client basis.

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

Future Developments

The Company is expected to operate profitably and meet its obligations as and when they fall due. The Company expects to maintain the present status and level of operations.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under *Section 307C of the Corporations Act 2001* is set out on page 6.

Directors' Benefits


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

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

Code of Conduct

Hunter H2O Holdings Pty Limited has a Code of Conduct that must be adhered to by all employees. All employees are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Australia.

Signed in accordance with a resolution of the Directors of Hunter H₂O Holdings Pty Limited.



Mr B Gattfield
Chairman

Dated: 25 September 2020



Mr P Thompson
Director

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF HUNTER H2O HOLDINGS PTY LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Prosperity Audit Services
PROSPERITY AUDIT SERVICES

Alex Hardy
ALEX HARDY
Associate Director

25 September 2020
Newcastle

Sydney

Level 11
309 Kent Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 8262 8700
F 02 8026 8377

Newcastle

Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222
F 02 8026 8376

Brisbane

Level 22
333 Ann Street
Brisbane QLD 4000
GPO Box 2246
Brisbane QLD 4001
T 07 3839 1755
F 07 3839 1037

mail@prosperityadvisers.com.au
prosperityadvisers.com.au

Prosperity Advisers Audit Services Pty Ltd
ABN 90 147 151 228

Chartered Accountants
Liability limited by a Scheme approved under
the Professional Standards Legislation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUNTER H2O HOLDINGS PTY LIMITED FOR THE YEAR ENDED 30 JUNE 2020

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Hunter H2O Holdings Pty Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

In our opinion, the accompanying financial report of Hunter H2O Holdings Pty Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Sydney

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2nd Floor, 175 Scott Street
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Brisbane

Level 22
333 Ann Street
Brisbane QLD 4000
GPO Box 2246
Brisbane QLD 4001
T 07 3839 1755
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prosperityadvisers.com.au

Prosperity Advisers Audit Services Pty Ltd
ABN 90 147 151 228

Chartered Accountants
Liability limited by a Scheme approved under
the Professional Standards Legislation.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUNTER H2O
HOLDINGS PTY LIMITED FOR THE YEAR ENDED 30 JUNE 2019 (CONT'D)**

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Prosperity Audit Services
PROSPERITY AUDIT SERVICES

Alex Hardy
ALEX HARDY
Associate Director

25 September 2020
Newcastle

Hunter H2O Holdings Pty Limited

Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
INCOME			
Revenue from contracts with customers	3	25,323,162	20,788,098
Other income	3	676,254	73,844
TOTAL INCOME		25,999,416	20,861,942
OPERATING EXPENSES			
Employee related expenses		14,896,119	12,648,693
Project and contract outlays		5,693,199	4,291,235
Consultants and legal fees (non-project)		327,308	356,226
Training and marketing expenses		488,758	428,919
Motor vehicles (excluding minimum lease payments)		22,462	21,472
Minimum lease payments		-	815,682
Property expenses		235,724	242,975
Information technology and communications		453,478	440,281
Other		472,938	490,299
TOTAL OPERATING EXPENSES		22,589,986	19,735,782
PROFIT BEFORE INTEREST, INCOME TAX, DEPRECIATION AND AMORTISATION		3,409,430	1,126,160
Depreciation - Property, plant & equipment and Right of use assets		963,745	358,651
Amortisation - Intangibles		18,330	37,205
Make good lease adjustment		-	7,019
Loss/(gain) on disposal of assets		-	18,677
Finance costs		85,861	6,640
PROFIT/(LOSS) BEFORE INCOME TAX		2,341,494	697,968
Income tax expense	4	(646,099)	(225,269)
PROFIT/(LOSS) FOR THE YEAR		1,695,395	472,699
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Superannuation actuarial gains/(losses)		9,880	57,938
Income tax on superannuation actuarial gains	4	(2,717)	(15,933)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,702,560	514,704

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

Hunter H2O Holdings Pty Limited

Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	2020 \$	2019 \$
CURRENT ASSETS			
Cash and cash equivalents	6	4,205,342	4,200,193
Trade and other receivables	7	4,062,220	3,370,606
Contract assets	3	2,617,358	1,837,927
TOTAL CURRENT ASSETS		10,884,920	9,408,726
NON-CURRENT ASSETS			
Plant and equipment	8	1,034,276	1,169,615
Right of use assets	9	1,889,691	-
Intangible assets	10	19,975	31,727
Deferred tax assets	4	568,318	729,464
TOTAL NON-CURRENT ASSETS		3,512,260	1,930,806
TOTAL ASSETS		14,397,180	11,339,532
CURRENT LIABILITIES			
Trade and other payables	11	1,982,065	1,630,215
Contract liabilities	3	1,337,282	2,406,620
Lease liabilities	12	562,226	-
Current tax liabilities		430,358	112,057
Provisions	13	2,298,922	1,994,457
TOTAL CURRENT LIABILITIES		6,610,853	6,143,349
NON-CURRENT LIABILITIES			
Lease liabilities	12	1,386,399	-
Provisions	13	932,240	410,821
Underfunded defined benefit super	15	171,668	151,400
TOTAL NON-CURRENT LIABILITIES		2,490,307	562,221
TOTAL LIABILITIES		9,101,160	6,705,570
NET ASSETS		5,296,020	4,633,962
EQUITY			
Contributed equity	14	4,002,500	4,949,000
Retained earnings		1,293,520	(315,038)
TOTAL EQUITY		5,296,020	4,633,962

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

Hunter H2O Holdings Pty Limited

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Notes	Retained Profits \$	Contributed Equity \$	Total \$
Balance at 1 July 2019		(315,038)	4,949,000	4,633,962
Profit for the year		1,695,395	-	1,695,395
OTHER COMPREHENSIVE INCOME				
Superannuation actuarial gains/(losses)		9,880	-	9,880
Income tax on superannuation actuarial gains/(losses)		(2,717)	-	(2,717)
Total Comprehensive Income for the year		1,702,558	-	1,702,558
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Share issues	14	-	53,500	53,500
Shares cancelled	14	-	(1,000,000)	(1,000,000)
Dividends provided for or paid	5	(94,000)	-	(94,000)
Balance at 30 June 2020		1,293,520	4,002,500	5,296,020
Balance at 30 June 2019				
		Retained Profits \$	Contributed Equity \$	Total \$
Balance at 1 July 2018		(709,742)	4,902,000	4,192,258
Profit/(Loss) for the year		472,699	-	472,699
OTHER COMPREHENSIVE INCOME				
Superannuation actuarial gains/(losses)		57,938	-	57,938
Income tax on superannuation actuarial gains/(losses)		(15,933)	-	(15,933)
Total Comprehensive Income for the year		514,704	-	514,704
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Share issues	14	-	47,000	47,000
Dividends provided for or paid	5	(120,000)	-	(120,000)
Balance at 30 June 2019		(315,038)	4,949,000	4,633,962

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

Hunter H2O Holdings Pty Limited

Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		25,642,520	23,078,457
Payments to suppliers and employees (inclusive of GST)		(23,637,308)	(21,216,909)
		2,005,212	1,861,548
Interest received		16,909	25,189
Interest paid		(85,861)	(6,640)
Income taxes paid		(169,369)	186,620
CASH FLOWS FROM OPERATING ACTIVITIES		1,766,891	2,066,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(220,874)	(307,236)
Proceeds from sale of assets		-	2,500
CASH FLOWS FROM INVESTING ACTIVITIES		(220,874)	(304,736)
CASH FLOWS FROM FINANCING ACTIVITIES			
New shares issued	14	53,500	47,000
Shares cancelled		(1,000,000)	-
Repayment of borrowings		-	(39,684)
Payments of principal on leases		(555,150)	-
Dividends paid	5	(94,000)	(120,000)
CASH FLOWS FROM FINANCING ACTIVITIES		(1,595,650)	(112,684)
Net increase/(decrease) in cash held		(49,633)	1,649,297
Cash at beginning of financial period		4,200,193	2,548,305
Effects of exchange rate changes on cash		54,782	2,591
CASH AT THE END OF THE FINANCIAL YEAR	6	4,205,342	4,200,193

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

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Note 1. Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Requirements and comply with other requirements of the law.

The Company's financial statements for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Board on 25 September 2020.

Note 2. Basis of Preparation

The Board has determined that the Company is a for-profit entity for financial reporting purposes. The accounting policies applied are based on the requirements applicable to for-profit entities on these mandatory or statutory requirements. The following policies apply to the financial statements to the extent to which they have not already been disclosed in the relevant notes.

Historical Cost Convention

The financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets.

Fair Value Hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Rounding

All amounts in the financial statements are reported to the nearest dollar.

Currency

All amounts in the financial statements are reported in Australian dollars.

Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Key Judgements, Estimates and Assumptions

In the application of the Company's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Material accounting estimates and judgements applied in preparing the financial statements are detailed in the relevant Accounting Policy note.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Impairment Assessment

The Company assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are assessed using value-in-use calculations which incorporate various key assumptions. No impairment has been recognised due to the strong predicted cash flows of the Company in future years.

Note 3. Revenue

A. Disaggregation of revenue from contracts with customers

The company derives revenue from the transfer of goods and services over time and a point in time in the following categories and type of contracts:

REVENUE FROM CONTRACTS WITH CUSTOMERS	Time & Materials	Fixed Fee	Total
	\$	\$	\$
2020			
Consultancy	11,782,367	10,949,144	22,731,511
Engineering, Procurement & Construction	-	2,591,651	2,591,651
	<u>11,782,367</u>	<u>13,540,795</u>	<u>25,323,162</u>
2019			
Consultancy	9,181,553	8,694,483	17,876,036
Engineering, Procurement & Construction	-	2,912,062	2,912,062
	<u>9,181,553</u>	<u>11,606,545</u>	<u>20,788,098</u>

B. Assets and liabilities related to contracts with customers

The company has recognised the following assets and liabilities related to contracts with customers:

	2020	2019
	\$	\$
Total contract assets	<u>2,617,358</u>	<u>1,837,927</u>
Total contract liabilities	<u>1,337,282</u>	<u>2,406,620</u>

C. Other Income

	2020	2019
	\$	\$
Interest from financial institutions	16,909	25,189
Rental income	-	36,063
Foreign currency gain/(loss)	47,841	11,824
JobKeeper government stimulus income	534,000	-
Other government grants	77,404	-
Other	100	768
	<u>676,254</u>	<u>73,844</u>

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 3. Revenue from Contracts with Customers

The Company has been eligible for JobKeeper from May 2020 and has also received the COVID cash boost and market export grants during the financial year. There are no unfulfilled conditions or contingencies attached to this government assistance.

Accounting Policies

REVENUE FROM CONTRACTS WITH CUSTOMERS

The company provides consulting services under fixed-price and time and materials contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual contract costs relative to the total expected contract costs.

Some contracts include multiple deliverables, such as process design, mechanical design, workshop facilitation, tender phase assistance, construction phase assistance, commissioning assistance, and on-going technical support. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated on expected cost, plus margin.

Estimates of revenues, costs, or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised. If the contract includes an hourly fee, revenue is recognised in the amount to which the Company has a right to invoice the customer. Customers are invoiced monthly and consideration is payable when invoiced.

REVENUE FROM GOVERNMENT GRANTS

The Company has applied AASB 120 in recognising and presenting the revenue received from Government Grants during the year. The Company has presented the revenue on a "gross" basis where the revenue has been recognised as part of revenue, rather than offsetting any relevant expenses. Revenue is recognised when there has been reasonable assurance that the Company will comply with the conditions attached to the relevant Government Grant.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 4. Current and Deferred Taxes

	2020	2019
	\$	\$
INCOME TAX		
A. INCOME TAX EXPENSE		
<i>Current tax</i>		
Current tax on profits for the year	485,146	104,373
Adjustments for current tax of prior periods	-	(8,250)
Total current tax expense	485,146	96,123
<i>Deferred income tax</i>		
Decrease/(increase) in net deferred tax assets	161,146	129,146
Under/(over) provided in prior years	(193)	-
Total deferred tax expense/(benefit)	160,953	129,146
Income tax expense	646,099	225,269
B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit before income tax	2,341,494	697,968
Tax at the Australian rate of 27.5% (2019 - 27.5%)	643,911	191,941
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income	(13,750)	-
Non-deductible expenses	16,131	33,328
Under/(over) provision in prior year	(193)	-
	646,099	225,269
C. TAX EXPENSE(INCOME) RELATING TO ITEMS IN OTHER COMPREHENSIVE INCOME		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	(2,717)	(15,933)
	(2,717)	(15,933)

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 4. Current and Deferred Taxes

DEFERRED TAX ASSETS (LIABILITIES)	2020	2019
	\$	\$
NON CURRENT		
The balance comprises temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT & LOSS		
Contract assets (previously work in progress)	(719,773)	(505,430)
Contract liabilities (previously income in advance)	139,269	293,620
Right of use assets	(519,665)	-
Lease liabilities	535,872	-
Employee benefits	880,953	651,316
Provision for make good	54,826	51,772
Other operating expenditure payable	184,444	73,766
Workers compensation prepayment	(4,881)	(4,711)
Depreciation	164,169	213,756
Unrealised tax foreign currency (gain)/loss	(46)	(1,042)
Unearned income	(146,850)	-
Unused tax losses	-	(43,583)
	568,318	729,464
AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Superannuation actuarial gains/(losses)	(2,717)	(15,933)
	(2,717)	(15,933)
MOVEMENTS:		
Opening balance at 1 July	729,464	858,609
Derecognition of capital losses	-	(109,128)
Other items charged/(credited) to the income statement	(161,146)	(20,017)
Closing balance at 30 June	568,318	729,464

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Accounting Policy

INCOME TAX

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

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

DEFERRED TAX ASSETS (LIABILITIES)

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

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

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

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 5. Dividends Provided For or Paid

	2020	2019
	\$	\$
FULLY PAID REDEEMABLE 12% CUMULATIVE PREFERENCE SHARES		
Opening balance	-	-
Add dividend declared	94,000	120,000
Less dividend paid	<u>(94,000)</u>	<u>(120,000)</u>
	<u>-</u>	<u>-</u>
Dividend per share	\$0.12	\$0.12

Accounting Policies

REDEEMABLE PREFERENCE SHARES

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs. The Company's redeemable preference shares (Note 14), are equity instruments for accounting and taxation purposes. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

DIVIDENDS

Provision is made for any dividend declared by the Directors of the Company on or before the end of the financial year but not distributed at balance date.

Redeemable preference share dividends are only payable when the company has received confirmation of compliance with banking covenants and the Directors have declared the dividend.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 6. Cash and Cash Equivalents

	2020	2019
	\$	\$
Cash at bank and on hand	4,143,992	4,085,781
Foreign currency account	61,350	114,412
	<u>4,205,342</u>	<u>4,200,193</u>

BANK OVERDRAFT FACILITY

The Company has a bank overdraft facility available to the extent of \$1,000,000. As at 30 June 2020 the overdraft was unused. The Company also has a credit card facility of \$100,000. All balances are repaid in full at the end of each month and no interest expense has been incurred during the year.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Accounting Policy

CASH AND CASH EQUIVALENTS

For Statement of Cash Flows presentation purposes, cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

Note 7. Trade and Other Receivables

	2020	2019
	\$	\$
CURRENT		
Trade receivables	3,046,442	2,995,984
Other current receivables	138	-
Prepayments	481,232	370,764
Accrued income	534,000	-
Security deposits	408	3,858
	<u>4,062,220</u>	<u>3,370,606</u>

The Company's exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above.

Accrued income relates to the JobKeeper payments due to the company for May and June but not yet received as at 30 June 2020. The amounts were subsequently received in July and August 2020.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Accounting Policy

FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or the sale of the asset (ie trade date accounting is adopted).

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in paragraph 63 of AASB 15: Revenue from Contracts with Customers.

Classification and subsequent measurement

Financial assets

Financial assets are subsequently measured at amortised cost as all financial assets are managed solely to collect contractual cash flows and the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

On derecognition of a financial asset or liability measured at amortised cost, the difference between the carrying amount and the sum of the consideration received/paid and receivable/payable is recognised in profit or loss.

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Impairment

The Company recognises a loss allowance for expected credit losses.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

Recognition of expected credit losses in financial statements

At each reporting date, the Company recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 8. Plant and Equipment

Plant and equipment comprise the following at depreciated historical cost:

	Plant & Equipment	Leasehold Improvements	Total
At 30 June 2019			
At cost	1,039,832	1,903,020	2,942,852
Accumulated depreciation	<u>(688,408)</u>	<u>(1,084,829)</u>	<u>(1,773,237)</u>
Net carrying amount	<u>351,424</u>	<u>818,191</u>	<u>1,169,615</u>
At 30 June 2020			
At cost	1,254,129	1,903,020	3,157,149
Accumulated depreciation	<u>(848,173)</u>	<u>(1,274,700)</u>	<u>(2,122,873)</u>
Net carrying amount	<u>405,956</u>	<u>628,320</u>	<u>1,034,276</u>

Reconciliations

Reconciliations of the book amounts of each class of plant and equipment at the beginning and end of the year are set out below:

	2020 \$	2019 \$
RECONCILIATION - PLANT & EQUIPMENT		
Net carrying amount at start of the year	351,424	203,952
Additions	214,297	291,093
Depreciation expense	<u>(159,765)</u>	<u>(143,619)</u>
Net carrying amount at end of the year	<u>405,956</u>	<u>351,424</u>

	2020 \$	2019 \$
RECONCILIATION - LEASEHOLD IMPROVEMENTS		
Net carrying amount at start of the year	818,191	1,079,829
Additions	-	4,073
Disposals	-	(50,679)
Depreciation expense	<u>(189,871)</u>	<u>(215,032)</u>
Net carrying amount at end of the year	<u>628,320</u>	<u>818,191</u>

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Accounting Policies

PLANT AND EQUIPMENT

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

Depreciation

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

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

Class of Asset	Useful Life
Plant & Equipment	2 to 10 years
Leasehold Improvements	5 to 20 years

IMPAIRMENT OF ASSETS

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

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 9. Right of Use Assets

Right of use assets comprise the following at cost:

	2020	2019
	\$	\$
Gross carrying amount	2,503,801	-
Accumulated depreciation	(614,110)	-
Net carrying amount	1,889,691	-

Reconciliations of the carrying amounts of each class of right of use asset at the beginning and end of the year are set out below:

	2020	2019
	\$	\$
RECONCILIATION – RIGHT OF USE ASSETS		
Net carrying amount at start of the year	-	-
AASB16 adjustment at start of the year	2,306,351	-
Additions – new lease contracts	197,450	-
Termination of lease contracts	-	-
Depreciation expense	(614,110)	-
Net carrying amount at end of the year	1,889,691	-

Accounting Policy

RIGHT OF USE ASSETS

Leases are recognised as right of use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company.

The right of use assets is presented separately in the statement of financial position.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, any dismantling costs not previously recognised, plus any initial direct costs incurred.

Subsequently, the right of use assets is measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation periods for the right-of-use assets are between one and four years.

Payments associated with all short-term leases (lease term of 12 months or less) and certain leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss. The Company applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognised with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognised as an expense on a straight-line basis over the lease term.

Note 22 details the initial application of AASB 16.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 10. Intangible Assets

Intangible assets comprise the following at cost:

	2020	2019
	\$	\$
Gross carrying amount	996,206	989,628
Accumulated amortisation	<u>(976,231)</u>	<u>(957,901)</u>
Net carrying amount	<u>19,975</u>	<u>31,727</u>

Reconciliations of the carrying amounts of each class of intangible asset at the beginning and end of the year are set out below:

	2020	2019
	\$	\$
RECONCILIATION - SOFTWARE		
Net carrying amount at start of the year	31,727	56,861
Additions - other	6,578	12,071
Amortisation expense	<u>(18,330)</u>	<u>(37,205)</u>
Net carrying amount at end of the year	<u>19,975</u>	<u>31,727</u>

Accounting Policy

INTANGIBLE ASSETS

Software assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives, being one to four years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 11. Trade and Other Payables

	2020	2019
CURRENT	\$	\$
Trade payables	812,010	994,556
Other payables	1,170,055	635,659
	<u>1,982,065</u>	<u>1,630,215</u>

Accounting Policy

TRADE AND OTHER PAYABLES

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

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

Trade payables are normally settled within 45 days.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 12. Lease Liabilities

	2020	2019
Amounts recognised in statement of financial position	\$	\$
Current	562,226	-
Non-current	1,386,399	-
	1,948,625	-

	2020	2019
Amounts recognised in statement of comprehensive income	\$	\$
Interest expense on lease liabilities	85,861	-
Depreciation charge of right of use assets	614,110	-
	699,971	-

	2020	2019
Amounts recognised in statement of cash flows	\$	\$
Payments of principal on leases	555,150	-
Payments of interest on leases	85,861	-
Total cash outflow for leases	641,011	-

	Within 1 year	1-2 years	2-3 years	After 3 years	Total
Future minimum lease payments at 30 June 2020 were as follows	\$	\$	\$	\$	\$
Lease payments	589,126	604,236	193,037	-	1,386,399
Finance charges	(76,181)	(50,351)	(25,051)	-	(151,584)
Net present values	512,945	553,885	167,985	-	1,234,816

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Accounting Policy

LEASE LIABILITIES

The company assesses whether a contract is or contains a lease, at inception of the contract.

AASB 16 Leases determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- Variable lease payments change based on consumer price index movements and periodic market rental rate assessments.

No leases have a guaranteed residual value at the completion of the lease term.

After initial measurement, the liability will be reduced for payments made and increased for interest.

In determining the lease term, management considers all facts and circumstances in deciding whether to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Note 22 details the initial application of AASB 16.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 13. Provisions

	2020	2019
	\$	\$
CURRENT		
Employee benefits	2,298,922	1,999,457
	<u>2,298,922</u>	<u>1,994,457</u>
NON-CURRENT		
Employee benefits	732,874	222,561
Make good - Steel River premises	199,366	188,260
	<u>932,240</u>	<u>410,821</u>

Reconciliations

Reconciliation of Provision for Make Good – Steel River Premises at the beginning and end of the year is set out below:

	2020	2019
	\$	\$
RECONCILIATION - MAKE GOOD - STEEL RIVER PREMISES - CURRENT		
Net carrying amount at start of the year	-	30,000
Recognition of make good costs at end of lease	-	-
Increase/(decrease) in provision	-	(30,000)
Net carrying amount at end of the year	<u>-</u>	<u>-</u>
RECONCILIATION - MAKE GOOD - STEEL RIVER PREMISES - NON-CURRENT		
Net carrying amount at start of the year	188,260	180,743
Increase/(decrease) in provision	11,106	(180,743)
Make good provision - new lease	-	188,260
Net carrying amount at end of the year	<u>199,366</u>	<u>188,260</u>

Provisions are classified as current liabilities if the Company does not have unconditional right to defer settlement of the liabilities for at least 12 months after the reporting date.

The Make Good provision for the Steel River premises relates to the five-year lease that expires in November 2023. The provision is based on an estimate of the cost of dismantling the improvements to the Steel River premises and restoring the site on which it is located.

The Managing Director's employment contract includes a long-term incentive scheme that entitles him to a cash payment as at 30 June 2023 or if a sale event occurs prior to this date. The amount payable will be determined based on twenty percent of the increase if the Company's Equity Value between \$4,000,000 and the vesting date (30 June 2023 or the sale event date). The fair value of the long-term incentive scheme of \$409,314 was recognised as an expense and non-current employee benefit during the year. The total long-term incentive provision relating to the Managing Director as at 30 June 2020 amounts to \$533,232.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Accounting Policy

EMPLOYEE BENEFITS

(i) Retirement benefit obligations

Employees of the Company are members of either defined benefit superannuation funds or defined contribution superannuation funds.

Defined contribution superannuation schemes

The Company contributes to the defined contribution superannuation schemes. Contributions to these schemes are recognised in the profit or loss as incurred. The liability recognised at the reporting date represents the contributions to be paid in the following month that relate to the period up to reporting date.

Defined benefit superannuation schemes

The defined superannuation funds provide defined lump sum benefits based on years of service and final average salary. The Company contributes to two defined benefit superannuation schemes in the NSW public sector Pooled Fund. These are: State Authorities Superannuation Scheme (SASS) and State Authorities Non-contributory Superannuation Scheme (SANCS).

The Company's net obligation in respect of these schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value and the fair value of any scheme assets is deducted.

The discount rate is the yield at the reporting date on Government Bonds that have maturity dates approximating to the terms of the Company's obligations. Calculations are performed by the Pooled Fund's actuary using the projected unit credit method and they are advised to individual agencies for recognition and disclosure purposes in their financial statements.

Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the Statement of Financial Position. Where the fair value of a scheme's assets exceeds the present value of the scheme's defined benefit obligation, an asset is recognised in the Statement of Financial Position.

Any superannuation asset recognised is limited to the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the schemes or reductions in future contributions to the schemes, as advised by the Pooled Funds actuary.

Australian Accounting Standard AASB 119 Employee Benefits does not specify whether an entity shall distinguish current and non-current portions of assets and liabilities arising from post-employment benefits because at times the distinctions may be arbitrary. Based on this, the Company discloses defined benefit superannuation liabilities or assets as non-current as this best reflects when the Company expects to settle (realise) the liabilities (assets).

Actuarial gains or losses are recognised in Other Comprehensive income (directly through retained earnings) in the reporting period in which they occur.

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

Liabilities for salaries and wages (including non-monetary benefits), and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured in respect of employees' services up to the reporting date at undiscounted amounts of the benefits.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The outstanding amounts of payroll tax, workers compensation insurance premiums and fringe benefits tax, which are consequential to employment, are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised.

Annual leave is not expected to be taken within twelve months and is measured at present value in accordance with AASB 119 Employee Benefits. Expected future payments are discounted using the 10-year Corporate Bond Rate. The liability for annual leave is recognised in the provision for employee benefits.

(iii) Long service leave

The liability for long service leave is recognised as an employee benefit and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary and wage levels, trends of employee departures and periods of service. Expected future payments are discounted using the 10-year Corporate Bond Rate. This is consistent with the estimated term of the post-employment benefit obligations.

(iv) Long-term incentive scheme

The liability for the long-term incentive scheme is recognised as an employee benefit and is measured as the fair value of the expected future payments in respect of services provided by employees up to the reporting date. Consideration is given to the expected equity value of the company, trends of employee departures and periods of service. Expected future payments are discounted using the relevant Corporate Bond rate. The Calculation is subject to several key assumptions and estimation risks.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 14. Contributed Equity

	2020	2019
	\$	\$
Fully paid ordinary shares	4,002,500	3,949,000
Fully paid redeemable 12% cumulative preference shares	-	1,000,000
	<u>4,002,500</u>	<u>4,949,000</u>

RECONCILIATION – FULLY PAID ORDINARY SHARES

	2020	2019
Balance at start of the year	3,949,000	3,902,000
New shares issued	<u>53,500</u>	<u>47,000</u>
Balance at end of the year	<u>4,002,500</u>	<u>3,949,000</u>

RECONCILIATION – FULLY PAID REDEEMABLE SHARES

	2020	2019
Balance at start of the year	1,000,000	1,000,000
Shares cancelled	<u>(1,000,000)</u>	<u>-</u>
Balance at end of the year	<u>-</u>	<u>1,000,000</u>

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

Redeemable cumulative preference shares are entitled to receive a 12% unfranked cumulative dividend per annum before any dividends are declared to the ordinary shareholders. Redeemable cumulative preference shares carry no voting rights. On a winding up, they rank both as regards capital and dividends declared up to the commencement of the winding up in priority to all other Shares, and their holders have the right to participate in the surplus profits and assets of the Company, to a maximum of \$1.00 per Share plus the amount of any unpaid dividends on each Share.

All Redeemable Preference Shares were bought back at par value and cancelled during 2019/20.

Accounting Policy

REDEEMABLE PREFERENCE SHARES

Classification of redeemable preference shares as equity; the shares are not to be redeemed at a specific date, the holders of preference shares do not have any power to instruct the Company to redeem the shares, redemption is solely at the discretion of the Company, and the option to redeem is only available up until 30 June 2087 from which time any preference shares still on issue are not able to be redeemed. Independent advice was obtained which supports this judgement.

Net Equity	\$5,296,020
Divided by ordinary shares of	4,002,500
Share price per share	\$1.32317801374

Note: all preference shares paid out and cancelled during year so no adjustment to net equity in 2020

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 15. Superannuation

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

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

A. Defined Benefits Superannuation Position

Following is the 30 June 2020 superannuation position:

Member Numbers	SASS	SANCS	
Contributors	1	1	

	SASS	SANCS	2020
Superannuation Position	\$	\$	\$
Accrued liability (Note 1, below)	781,148	118,933	900,081
Estimated reserve account balance	(645,150)	(83,263)	(728,413)
Deficit/(surplus)	135,998	35,670	171,668
Future service liability (Note 2, below)	49,199	50,164	99,363
Net (asset)/liability to be recognised in statement of financial position	135,998	35,670	171,668

Note 1: The accrued liability includes a contribution tax provision. This is calculated based on grossing up the deficit/(surplus) less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%.

Note 2: The Future Service Liability (FSL) does not have to be recognised by an employer. It is only used to determine if an asset ceiling limit should be imposed (AASB 119 para 64). Under AASB 119, any prepaid superannuation asset recognised cannot exceed the present value of any economic benefits that may be available in the form of refunds from the plan or reductions in future contributions to the plan. Where the "surplus in excess of recovery" is zero, no asset ceiling limit is imposed. (Note: this also includes a contribution tax provision).

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

B. Superannuation Plan

Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- **Investment risk** - The risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk** – The risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk** – The risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk** - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year.

C. Reconciliation

Net Defined Benefit Liability/(Asset)

The amount included in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	SASS	SANCS	2019/2020
	\$	\$	\$
Present value of funded defined benefit obligation	781,148	118,933	900,081
Fair value of plan assets	(645,150)	(83,263)	(728,413)
Net defined benefit liability/(asset) at end of year	135,998	35,670	171,668

Amount recognised in comprehensive income in respect of these defined benefit plans are as follows:

	SASS	SANCS	2019/2020
	\$	\$	\$
Employer contributions	20,424	1,584	22,008
Contributions by fund participants	10,610	-	10,610

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

D. Fair Value of Fund Assets

All fund assets are invested by STC at arm's length through independent fund managers and assets are not separately invested for each entity.

As at 30 June 2020

Asset Category	Total (A\$'000)	
Short term securities	4,096,298	10.2%
Australian fixed interest	1,066,448	2.7%
International fixed interest	1,909,424	4.8%
Australian equities	7,294,211	18.1%
International equities	11,950,330	29.7%
Property	3,352,466	8.3%
Alternatives	10,522,833	26.2%
Total	40,192,010	100.0%

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

E. Fair Value of Entity's Own Financial Instruments

The fair value of the Pooled Fund assets as at 30 June 2020 include \$36.9 million in NSW government bonds.

F. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2020
Discount rate	2.85% pa
Salary increase rate (excluding promotional increases)	3.2% pa
Rate of CPI increase	1.00% for 2019/20; 0.25% for 2020/21; 1.50% for 2021/22; 1.25% for 2022/23; 1.75% for 2023/24; 2.00% for 2024/25 and 2025/26; 2.25% pa to 2029/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are as per the 2018 Actuarial Investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from the trustee's website. The report shows the pension mortality rates for each age.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 16. Contingent Liabilities and Assets

Contingent Liabilities

At the reporting date, the company has issued financial guarantees of \$293,681 in the ordinary course of business. The Company has not recognised any liability in the financial statements arising from a financial guarantee as there are currently no circumstances that would likely result in the recipients enacting any of the guarantees issued.

There were no other contingent liabilities at 30 June 2020.

Contingent Assets

There were no contingent assets at 30 June 2020.

Note 17. Auditors' Remuneration

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

	2020	2019
	\$	\$
Audit review of financial reports (exclusive of GST)	27,000	28,000
	<u>27,000</u>	<u>28,000</u>

No other services were provided by the auditor during the year.

Note 18. Related Party Disclosures

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

TRANSACTIONS WITH RELATED ENTITIES

	Entity	2020	2019
		\$	\$
PURCHASES			
Consultancy Services	Australian Water Association	24,132	27,621
Consultancy Services	Local Government Procurement	27,066	3,710
Training Services	Verity Training	682	843
Superannuation Contributions	State Super SAS		
	Trustee Corporation	32,886	32,672
Total purchases		<u>84,766</u>	<u>64,846</u>
DIVIDENDS PAID			
Unfranked Dividend	Valome Pty Ltd	5,875	7,500
Total dividends		<u>5,875</u>	<u>7,500</u>

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 19. Key Management Personnel Disclosures

In addition to the Directors, the following persons also had authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, during the year: -

Name	Position
Mr P Dennis	Managing Director
Mrs J Golledge	Chief Financial Officer, Commercial Manager
Mr P Thompson	Executive Manager: Process
Mr J Smith	Executive Manager: Design
Mr D Bowerman	Executive Manager: Electrical & SCADA
Mrs N Holmes	Executive Manager: Advisory
Mr S Bullen	Executive Manager: Corporate Advisory

	2020	2019
	\$	\$
Compensation to directors and key management personnel	2,139,520	1,525,448
Dividends paid to directors and key management personnel as company shareholders	5,875	7,500
	<u>2,145,395</u>	<u>1,532,948</u>

Note 20. Events Occurring After Balance Date

No matters or circumstances have arisen since the end of the financial year ended 30 June 2020 which significantly affect or may affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Note 21. Financial Instruments

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable, and bank loans. The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2020	2019
		\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	6	4,205,342	4,200,193
Trade and other receivables (excluding prepayments and security deposits)	7	3,580,580	2,995,984
		<u>7,785,922</u>	<u>7,196,177</u>
FINANCIAL LIABILITIES			
Trade and other payables	11	1,982,065	1,630,215
		<u>1,982,065</u>	<u>1,630,215</u>

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 22. Other Accounting Policies

A. Impact of Initial Application of AASB 16 Leases

The Company has applied AASB 16 Leases for the first time for their annual reporting period commencing 1 July 2019.

The Company elected to adopt the new standard under the retrospective with cumulative effect approach and recognise a right of use asset and lease liability on 1 July 2019 for \$2,306,266 using an incremental borrowing rate of 4.5%. Under AASB 16 Leases, payments for leases are treated as lease liability repayments and additional depreciation and interest expense is recognised over the year. The comparative figures are accounted for under AASB 117 Leases as operating leases and are shown as Minimum Lease Payments with no right of use asset or lease liabilities recognised.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 July 2019. The right of use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date.

No leases were combined into a portfolio of leases for initial or subsequent recognition. Any leases with terms of less than 12 months were accounted for under AASB 16 Leases and short-term lease exemption relief was not taken. No lease contract includes onerous provisions. The adoption of the new standard did not result in any impairment of assets.

Lease repayments for 2019/20 of \$641,011 would have previously been classified as Minimum Lease Payments with additional depreciation (\$614,110) and interest expense (\$85,861) being recognised in 2019/20. The introduction of the standard resulted in the Company reporting a net profit \$58,960 lower than if the new standard wasn't applied.

The following table shows the operating lease commitments disclosed applying AASB 117 Leases, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2020
	\$
Measurement of lease liabilities on initial recognition:	
Operating lease commitments as at 30 June 2019	2,499,959
Contracts reassessed as non-lease contracts	(123,638)
Effect of discounting the above amounts and removal of indexation	(70,055)
Lease Liability recognised at 1 July 2019	<u>2,306,266</u>

B. Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

End of Audited Financial Statements

DIRECTORS' DECLARATION

We state that in the opinion of the Directors of Hunter H2O Holdings Pty Limited, the financial statements and notes:

- a) Exhibit a true and fair view of the financial position of the Company as at 30 June 2020 and its performance as represented by the results of its operation and its cash flows for the financial year then ended.
- b) Comply with the applicable Australian Accounting Standards – Reduced Disclosure Requirements, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors:



Mr B Gatfield
Chairman



Mr P Thompson
Director

Dated: 25 September 2020

Newcastle