

Financial Statements for the Financial Year Ended 30 June 2021

COMPANY PARTICULARS

Directors

Dr K Molloy

Mr B Gatfield

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 2021.

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 2021 are:

Dr K Molloy

Mr B Gatfield

Mr P Thompson

Mr J Smith

Mr P Dennis

Information on Directors

K Molloy

MBA, BSc (Hons), PhD, GAICD

Dr Kirsten Molloy is a business leader and company director and Chair, 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.

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 a director of private companies.

P Thompson

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

Mr Thompson is a chemical engineer with over 25 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 24 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 a Director of the Australian Water Association and a number of other water utilities and Local Government Boards throughout Australia. He is also Adjunct 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
K Molloy	7	7
B Gatfield	7	7
P Thompson	7	7
J Smith	6	7
P Dennis	7	7

Principal Activities

The principal activities of the Company in 2020/21 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 2021, was \$1,974,649.

In respect of the financial year ended 30 June 2021, fully franked dividends totalling \$716,760 were paid to Ordinary Shareholders.

Review of Operations

The Company continues to perform well during the 2020/21 financial year. The 2020/21 financial results reflect the continuing favourable trading environment, excellent levels of work in hand and further implementation of the five-year strategic plan.

The impact of Covid-19 continues to be minimal with a positive forward order book.

The Company maintains a healthy order book and the business is budgeting a profitable result for the 2021/22 financial year.

Significant Changes in the State of Affairs

No significant changes in the Company's state of affairs occurred during the 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.

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

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.



Dr K Molloy
Chair

Dated: 24 September 2021



Mr P Thompson
Director



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audit services

**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 2021 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
Director

24 September 2021
Newcastle

Sydney

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Sydney NSW 2000
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Newcastle

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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 2021**

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 2021, 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 2021 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 2021, 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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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUNTER H2O
HOLDINGS PTY LIMITED FOR THE YEAR ENDED 30 JUNE 2021 (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
Director

24 September 2021
Newcastle

Hunter H2O Holdings Pty Limited

Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Notes	2021 \$	2020 \$
INCOME			
Revenue from contracts with customers	3	25,547,826	25,323,162
Other income	3	1,315,503	676,254
TOTAL INCOME		26,863,329	25,999,416
OPERATING EXPENSES			
Employee related expenses		16,150,057	14,896,119
Project and contract outlays		4,897,803	5,693,199
Consultants and legal fees (non-project)		487,390	327,308
Training and marketing expenses		407,249	488,758
Motor vehicles (excluding minimum lease payments)		27,898	22,462
Property expenses		242,217	235,724
Information technology and communications		534,384	453,478
Other		528,336	472,938
TOTAL OPERATING EXPENSES		23,275,334	22,589,986
PROFIT BEFORE INTEREST, INCOME TAX, DEPRECIATION AND AMORTISATION		3,587,995	3,409,430
Depreciation - Property, plant & equipment and Right of use assets		958,058	963,745
Amortisation - Intangibles		43,124	18,330
Finance costs		79,614	85,861
PROFIT/(LOSS) BEFORE INCOME TAX		2,507,199	2,341,494
Income tax expense	4	(532,550)	(646,099)
PROFIT/(LOSS) FOR THE YEAR		1,974,649	1,695,395
OTHER COMPREHENSIVE INCOME			
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Superannuation actuarial gains/(losses)		(92,138)	9,880
Income tax on superannuation actuarial gains	4	23,956	(2,717)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,906,467	1,702,560

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 2021

	Notes	2021 \$	2020 \$
CURRENT ASSETS			
Cash and cash equivalents	6	5,191,179	4,205,342
Trade and other receivables	7	5,455,146	4,062,220
Contract assets	3	2,365,500	2,617,358
TOTAL CURRENT ASSETS		13,011,825	10,884,920
NON-CURRENT ASSETS			
Plant and equipment	8	1,197,872	1,034,276
Right of use assets	9	2,778,234	1,889,691
Intangible assets	10	109,953	19,975
Deferred tax assets	4	764,053	568,318
TOTAL NON-CURRENT ASSETS		4,850,112	3,512,260
TOTAL ASSETS		17,861,937	14,397,180
CURRENT LIABILITIES			
Trade and other payables	11	2,496,245	1,982,065
Contract liabilities	3	1,161,617	1,337,282
Lease liabilities	12	597,186	562,226
Current tax liabilities		555,436	430,358
Provisions	13	2,539,486	2,298,922
TOTAL CURRENT LIABILITIES		7,349,969	6,610,853
NON-CURRENT LIABILITIES			
Lease liabilities	12	2,190,930	1,386,399
Provisions	13	1,743,799	932,240
Underfunded defined benefit super	15	91,511	171,668
TOTAL NON-CURRENT LIABILITIES		4,026,240	2,490,307
TOTAL LIABILITIES		11,376,210	9,101,160
NET ASSETS		6,485,727	5,296,020
EQUITY			
Contributed equity	14	4,002,500	4,002,500
Retained earnings		2,483,227	1,293,520
TOTAL EQUITY		6,485,727	5,296,020

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 2021

	Notes	Retained Profits \$	Contributed Equity \$	Total \$
Balance at 1 July 2020		1,293,520	4,002,500	5,296,020
Profit for the year		1,974,649	-	1,974,649
OTHER COMPREHENSIVE INCOME				
Superannuation actuarial gains/(losses)		(92,138)	-	(92,138)
Income tax on superannuation actuarial gains/(losses)		23,956	-	23,956
Total Comprehensive Income for the year		1,906,467	-	1,906,467
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Dividends provided for or paid	5	(716,760)	-	(716,760)
Balance at 30 June 2021		2,483,227	4,002,500	6,485,727
Balance at 1 July 2019				
		(315,038)	4,949,000	4,633,962
Profit/(Loss) 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				
Shares cancelled	14	-	(1,000,000)	(1,000,000)
Shares issued	14	-	53,500	53,500
Dividends provided for or paid	5	(94,000)	-	(94,000)
Balance at 30 June 2020		1,293,520	4,002,500	5,296,020

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 2021

	Notes	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		26,124,741	25,565,116
Payments to suppliers and employees (inclusive of GST)		(24,363,818)	(23,637,308)
		1,760,923	1,927,808
Interest received		22,393	16,909
Interest paid		(79,614)	(85,861)
Income taxes paid		(579,251)	(169,369)
Government Grants		1,668,173	77,404
CASH FLOWS FROM OPERATING ACTIVITIES		2,792,624	1,766,891
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment and intangible assets		(528,748)	(220,874)
CASH FLOWS FROM INVESTING ACTIVITIES		(528,748)	(220,874)
CASH FLOWS FROM FINANCING ACTIVITIES			
New shares issued	14	-	53,500
Shares cancelled		-	(1,000,000)
Payments of principal on leases		(543,144)	(555,150)
Dividends paid	5	(716,760)	(94,000)
CASH FLOWS FROM FINANCING ACTIVITIES		(1,259,904)	(1,595,650)
Net increase/(decrease) in cash held		1,003,972	(49,633)
Cash at beginning of financial period		4,205,342	4,200,193
Effects of exchange rate changes on cash		(18,135)	54,782
CASH AT THE END OF THE FINANCIAL YEAR	6	5,191,179	4,205,342

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 2021

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 2021 were authorised for issue in accordance with a resolution of the Board on 24 September 2021.

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 2021

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.

Key Judgements – Performance obligations under AASB15

To identify a performance obligation under AASB15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit regarding the promised goods or services. In making this assessment, management includes the nature/type, cost/value, quantity and the period of transfer related to the goods or services promised.

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
	\$	\$	\$
2021			
Consultancy	11,496,522	13,029,391	24,525,913
Engineering, Procurement & Construction	-	1,021,913	1,021,913
	<u>11,496,522</u>	<u>14,051,304</u>	<u>25,547,826</u>
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>

B. Assets and liabilities related to contracts with customers

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

	2021	2020
	\$	\$
Total contract assets	<u>2,365,500</u>	<u>2,617,358</u>
Total contract liabilities	<u>1,161,617</u>	<u>1,337,282</u>

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Note 3. Revenue

C. Other Income

	2021	2020
	\$	\$
Interest from financial institutions	22,393	16,909
Gain/(loss) on cancellation of right of use asset	158,936	-
Foreign currency gain/(loss)	-	47,841
JobKeeper government stimulus income	988,500	534,000
Other government grants	145,673	77,404
Other	-	100
	<u>1,315,503</u>	<u>676,254</u>

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

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2021

Note 4. Current and Deferred Taxes

	2021	2020
	\$	\$
INCOME TAX		
A. INCOME TAX EXPENSE		
<i>Current tax</i>		
Current tax on profits for the year	846,155	485,146
Total current tax expense	846,155	485,146
<i>Deferred income tax</i>		
Decrease/(increase) in net deferred tax assets	(226,735)	161,146
Deferred tax expense relating to change in tax rate	31,000	-
Under/(over) provided in prior years	(117,870)	(193)
Total deferred tax expense/(benefit)	(313,605)	160,953
Income tax expense	532,550	646,099
B. NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit before income tax	2,507,198	2,341,494
Tax at the Australian rate of 26% (2020 - 27.5%)	651,872	643,911
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Deferred tax expense relating to change in tax rate	31,000	-
Non-assessable income	(13,001)	(13,750)
Non-deductible expenses	5,576	16,131
Temporary differences – superannuation	(25,027)	-
Under/(over) provision in prior year	(117,870)	(193)
	532,550	646,099
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	23,956	(2,717)
	23,956	(2,717)

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Note 4. Current and Deferred Taxes

DEFERRED TAX ASSETS (LIABILITIES)	2021	2020
	\$	\$
NON CURRENT		
The balance comprises temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT & LOSS		
Contract assets	(615,030)	(719,773)
Contract liabilities	-	139,269
Right of use assets	(722,341)	(519,665)
Lease liabilities	724,910	535,872
Employee benefits	1,075,404	880,953
Provision for make good	62,043	54,826
Other operating expenditure payable	191,002	184,444
Workers' compensation prepayment	(4,612)	(4,881)
Depreciation	53,696	164,169
Unrealised tax foreign currency (gain)/loss	(1,019)	(46)
Unearned income	-	(146,850)
	764,053	568,318
AMOUNTS RECOGNISED IN OTHER COMPREHENSIVE INCOME		
Superannuation actuarial gains/(losses)	23,956	(2,717)
	23,956	(2,717)
MOVEMENTS:		
Opening balance at 1 July	568,318	729,464
Other items charged/(credited) to the income statement	195,735	(161,146)
Closing balance at 30 June	764,053	568,318

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2021

Note 5. Dividends Provided For or Paid

	2021	2020
	\$	\$
ORDINARY SHARES		
Opening balance	-	-
Add dividend declared	716,760	-
Less dividend paid	(716,760)	-
	<u>-</u>	<u>-</u>
Dividend per share	\$0.18	-
FULLY PAID REDEEMABLE 12% CUMULATIVE PREFERENCE SHARES		
Opening balance	-	-
Add dividend declared	-	94,000
Less dividend paid	-	(94,000)
	<u>-</u>	<u>-</u>
Dividend per share	-	\$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.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Note 6. Cash and Cash Equivalents

	2021	2020
	\$	\$
Cash at bank and on hand	4,679,992	4,143,992
Foreign currency account	511,187	61,350
	<u>5,191,179</u>	<u>4,205,342</u>

BANK OVERDRAFT FACILITY

The Company has a bank overdraft facility available to the extent of \$1,000,000. As at 30 June 2021, 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

	2021	2020
CURRENT	\$	\$
Trade receivables	4,905,124	3,046,442
Other current receivables	-	138
Prepayments	548,450	481,232
Accrued income	-	534,000
Security deposits	1,572	408
	<u>5,455,146</u>	<u>4,062,220</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 for 2020 relates to the JobKeeper payments due to the company for May and June 2020 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 2021

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 2021

Note 8. Plant and Equipment

Plant and equipment comprise the following at depreciated historical cost:

	Plant & Equipment	Leasehold Improvements	Total
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>
At 30 June 2021			
At cost	1,648,461	1,959,774	3,608,235
Accumulated depreciation	<u>(1,030,891)</u>	<u>(1,379,472)</u>	<u>(2,410,363)</u>
Net carrying amount	<u>617,570</u>	<u>580,302</u>	<u>1,197,872</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:

	2021	2020
	\$	\$
RECONCILIATION - PLANT & EQUIPMENT		
Net carrying amount at start of the year	405,956	351,424
Additions	395,645	214,297
Depreciation expense	<u>(184,031)</u>	<u>(159,765)</u>
Net carrying amount at end of the year	<u>617,570</u>	<u>405,956</u>

	2021	2020
	\$	\$
RECONCILIATION - LEASEHOLD IMPROVEMENTS		
Net carrying amount at start of the year	628,320	818,191
Additions	237,994	-
Disposals	(122,110)	-
Depreciation expense	<u>(163,902)</u>	<u>(189,871)</u>
Net carrying amount at end of the year	<u>580,302</u>	<u>628,320</u>

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2021

Note 9. Right of Use Assets

Right of use assets comprise the following at cost:

	2021	2020
	\$	\$
Gross carrying amount	3,117,791	2,503,801
Accumulated depreciation	(339,557)	(614,110)
Net carrying amount	2,778,234	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:

	2021	2020
	\$	\$
RECONCILIATION – RIGHT OF USE ASSETS		
Net carrying amount at start of the year	1,889,691	-
AASB16 adjustment at start of the year	-	2,306,351
Additions – new lease contracts	2,804,617	197,450
Termination of lease contracts	(1,305,950)	-
Depreciation expense	(610,124)	(614,110)
Net carrying amount at end of the year	2,778,234	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.

During the year, the Company signed a new five-year lease over the Newcastle office and cancelled the existing lease that was due to expire on 13 November 2023. The new lease provides for additional office space and expires on 31 March 2026. There is no option to extend included in the current lease.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Note 10. Intangible Assets

Intangible assets comprise the following at cost:

	2021	2020
	\$	\$
Gross carrying amount	1,130,621	996,206
Accumulated amortisation	<u>(1,020,668)</u>	<u>(976,231)</u>
Net carrying amount	<u>109,953</u>	<u>19,975</u>

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

	2021	2020
	\$	\$
RECONCILIATION - SOFTWARE		
Net carrying amount at start of the year	19,975	31,727
Additions - other	133,102	6,578
Amortisation expense	<u>(43,124)</u>	<u>(18,330)</u>
Net carrying amount at end of the year	<u>109,953</u>	<u>19,975</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 2021

Note 11. Trade and Other Payables

	2021	2020
CURRENT	\$	\$
Trade payables	995,584	812,010
Accrued Employee Related Expenses	976,942	839,857
GST	281,327	143,977
Other payables	242,392	186,221
	<u>2,496,245</u>	<u>1,982,065</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 2021

Note 12. Lease Liabilities

	2021	2020
Amounts recognised in statement of financial position	\$	\$
Current	597,186	562,226
Non-current	2,190,930	1,386,399
	<u>2,788,116</u>	<u>1,948,625</u>

	2021	2020
Amounts recognised in statement of comprehensive income	\$	\$
Interest expense on lease liabilities	79,614	85,861
Depreciation charge of right of use assets	610,124	614,110
	<u>689,738</u>	<u>699,971</u>

	2021	2020
Amounts recognised in statement of cash flows	\$	\$
Payments of principal on leases	543,144	555,150
Payments of interest on leases	79,614	85,861
Total cash outflow for leases	<u>622,758</u>	<u>641,011</u>

	Within 1 year	1-2 years	2-3 years	After 3 years	Total
Future minimum lease payments at 30 June 2021 were as follows	\$	\$	\$	\$	\$
Lease payments	597,186	588,598	562,868	1,039,464	2,788,116
Finance charges	(101,130)	(76,772)	(53,901)	(38,522)	(270,325)
Net present values	<u>496,056</u>	<u>511,826</u>	<u>508,967</u>	<u>1,000,942</u>	<u>2,517,791</u>

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Note 13. Provisions

	2021	2020
CURRENT	\$	\$
Employee benefits	2,539,486	2,298,922
	<u>2,539,486</u>	<u>2,298,922</u>
NON-CURRENT		
Employee benefits	1,505,172	732,874
Make good - Steel River premises	238,627	199,366
	<u>1,743,799</u>	<u>932,240</u>

Reconciliations

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

	2021	2020
	\$	\$
RECONCILIATION - MAKE GOOD - STEEL RIVER PREMISES - NON-CURRENT		
Net carrying amount at start of the year	199,366	188,260
Increase/(decrease) in provision	39,261	11,106
Net carrying amount at end of the year	<u>238,627</u>	<u>199,366</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 March 2026. The previous Make Good provision was cancelled during the year and a new five-year lease commenced. 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 \$737,786 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 2021 amounts to \$1,271,018.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2021

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 2021

Note 14. Contributed Equity

	2021	2020
	\$	\$
Fully paid ordinary shares	4,002,500	4,002,500
	<u>4,002,500</u>	<u>4,002,500</u>

RECONCILIATION – FULLY PAID ORDINARY SHARES

	2021	2020
Balance at start of the year	4,002,500	3,949,000
New shares issued	-	53,500
Balance at end of the year	<u>4,002,500</u>	<u>4,002,500</u>

RECONCILIATION – FULLY PAID REDEEMABLE SHARES

	2021	2020
Balance at start of the year	-	1,000,000
Shares cancelled	-	<u>(1,000,000)</u>
Balance at end of the year	<u>-</u>	<u>-</u>

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

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.

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2021 superannuation position:

Member Numbers	SASS	SANCS	
Contributors	1	1	

	SASS	SANCS	2021
Superannuation Position	\$	\$	\$
Accrued liability (Note 1, below)	827,461	118,903	946,364
Estimated reserve account balance	(758,380)	(96,473)	(854,853)
Deficit/(surplus)	69,081	22,430	91,511
Future service liability (Note 2, below)	28,344	51,693	80,037
Net (asset)/liability to be recognised in statement of financial position	69,081	22,430	91,511

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 2021

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	2020/2021
	\$	\$	\$
Present value of funded defined benefit obligation	827,461	118,903	946,364
Fair value of plan assets	(758,380)	(96,473)	(854,853)
Net defined benefit liability/(asset) at end of year	69,081	22,430	91,511

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

	SASS	SANCS	2020/2021
	\$	\$	\$
Employer contributions	20,424	1,584	22,008
Contributions by fund participants	10,810	-	10,810

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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 2021

Asset Category	Total (A\$'000)	
Short term securities	5,108,370	12.2%
Australian fixed interest	903,816	2.2%
International fixed interest	1,755,026	4.2%
Australian equities	8,310,657	19.9%
International equities	13,889,679	33.2%
Property	3,287,730	7.9%
Alternatives	8,529,710	20.4%
Total	41,784,988	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 2021 include \$41.4 million in NSW government bonds.

F. Significant Actuarial Assumptions at the Reporting Date

As at	30 June 2021
Discount rate	2.98% pa
Salary increase rate (excluding promotional increases)	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Rate of CPI increase	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter
Pensioner mortality	The pensioner mortality assumptions are those to be used for the 2021 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 2021

Note 16. Contingent Liabilities and Assets

Contingent Liabilities

At the reporting date, the company has issued financial guarantees of \$299,328 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.

A claim for damages was lodged against the Company in July 2021 in relation to alleged non-performance under a service contract. The company has disclaimed liability and is defending the action. The claim is approximately \$850,000 but it is not practical to estimate the potential effect of this claim. Legal advice indicates that it is not probable that a material liability will arise.

Contingent Assets

The Company has lodged claims against two clients for damages by delay. Both matters remain unresolved and having received legal advice, the Directors believe that a favourable outcome is probable on one claim (claim is approximately \$410K) with the other claim expected to be not as favourable (claim is approximately \$400K). These contingent assets have not been recognised as receivable at 30 June 2021 as receipt of these amounts may be dependant on the outcome of an adjudication process.

Note 17. Auditors' Remuneration

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

	2021	2020
	\$	\$
Audit review of financial reports (exclusive of GST)	<u>26,450</u>	<u>27,000</u>
	<u>26,450</u>	<u>27,000</u>

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

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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	2021	2020
		\$	\$
PURCHASES			
Consultancy Services	Australian Water Association	39,450	24,132
Consultancy Services	Local Government Procurement	24,404	27,066
Training Services	Verity Training	-	682
Superannuation Contributions	State Super SAS Trustee Corporation	30,694	32,886
Total purchases		<u>94,548</u>	<u>84,766</u>
DIVIDENDS PAID			
Franked Dividend	Valome Pty Ltd	22,500	-
Unfranked Dividend	Valome Pty Ltd	-	5,875
Total dividends		<u>22,500</u>	<u>5,875</u>

OUTSTANDING BALANCES AT YEAR END

PAYABLES			
Sales and purchases		<u>3,581</u>	-
Total payables		<u>3,581</u>	-

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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

	2021	2020
	\$	\$
Compensation to directors and key management personnel – short-term	1,918,566	1,730,206
Compensation to directors and key management personnel – long-term	737,786	409,314
Dividends paid to directors and key management personnel as company shareholders	136,774	5,875
	<u>2,793,126</u>	<u>2,145,395</u>

Note 20. Events Occurring After Balance Date

No matters or circumstances have arisen since the end of the financial year ended 30 June 2021 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	2021	2020
		\$	\$
FINANCIAL ASSETS			
Cash and cash equivalents	6	5,191,179	4,205,342
Trade and other receivables (excluding prepayments and security deposits)	7	4,905,124	3,580,580
		<u>10,096,303</u>	<u>7,785,922</u>
FINANCIAL LIABILITIES			
Trade and other payables	11	2,496,245	1,982,065
		<u>2,496,245</u>	<u>1,982,065</u>

HUNTER H2O HOLDINGS PTY LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Note 22. Other Accounting Policies

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For Profit and Not-for-Profit Tier 2 Entities (effective 1 July 2021)

AASB 1060 sets out a new separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 Application of Tiers of Australian Accounting Standards. The Standard has been developed based on a new methodology and principles to be used in determining the Tier 2 disclosures that are necessary for meeting user needs, to replace the current Reduced Disclosure Requirements (RDR) framework.

When these amendments are first adopted for the year ending 30 June 2022, there will be no material impact on the financial statements. The changes are disclosure based only and will not impact the figures presented for the financial performance or position of the Company.

Other Standards and Interpretations in issue not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 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 2021 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:



Dr K Molloy
Chair



Mr P Thompson
Director

Dated: 24 September 2021

Newcastle