

# DELIVERING TODAY SECURING TOMORROW

ANNUAL REPORT 2009-10



MAKING WATER WORK

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### Communication Objective

This annual report is a summary of programs and activities undertaken to meet key performance indicators as set out in SunWater's Statement of Corporate Intent 2009–10 (SCI) and summarised on page 68 of this report.

The report chronicles the performance of the organisation and describes SunWater's initiatives, achievements and the organisation's future plans and prospects as a leader in water infrastructure development and management. It also communicates significant events impacting the organisation that have occurred after the reporting period.

This annual report aims to provide accurate information to meet the needs of SunWater stakeholders. SunWater is committed to open and accountable governance and welcomes your feedback on this report.

The annual report can be accessed on SunWater's website: [www.sunwater.com.au](http://www.sunwater.com.au).

Hard copies are also available on request:  
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SunWater Limited is a registered water service provider under the *Water Act 2000*.

## DELIVERING TODAY

1,347,339ML of water was delivered by SunWater during 2009–10, 13% more deliveries to customers than the previous financial year > pages 14 to 15, 74 to 76

## SECURING TOMORROW

SunWater is planning regional bulk water infrastructure projects worth more than \$2B > pages 16 to 19

## ENVIRONMENT

5,900kg of steel and 4,000kg of timber recycled during SunWater's construction of the Cloncurry Pipeline was made available for re-use > pages 20 to 21

## SAFETY

Through a strong focus on injury prevention, training and enhanced awareness of safety risks and hazards, SunWater's Lost Time Injuries were reduced from 11 in 2008–09 to zero in 2009–10 > pages 22 to 23

## COMMUNITY

SunWater's construction projects completed in 2009–10 resulted in \$7.8M in subcontracts going to Queensland based businesses, \$5.7M of which went to North Queensland based firms > pages 24 to 25

## OUR PEOPLE

SunWater has partnered with the QUT Business School to equip 26 emerging leaders for future senior management roles > pages 32 to 33

## OUR FINANCIAL PERFORMANCE

SunWater's 2009–10 net profit before tax of \$59.2M is a 35% increase on the previous year adjusted for abnormal items > pages 8 to 11, 42 to 67

# SUNWATER – MAKING WATER WORK

Leading the way in total bulk water infrastructure solutions, SunWater has built an exceptional track record of achievement, placing us among the most successful water infrastructure companies in Australia.

Our reputation not only comes as a result of 80 years of expertise and experience, but also by placing our clients' needs first – whether they are for reliable water supply delivery or water infrastructure solutions.

## Customer Base

With a focus on water infrastructure solutions, SunWater owns and manages a regional network of bulk water infrastructure to support around 5,000 customers across the resources, energy, urban and irrigation sectors.

## Asset Base

With an asset base of 19 dams and 63 weirs and barrages, our full storage capacity is over 6.7M ML, of which around 2.18M ML is available as water allocations for delivery to customers.

Our water storage and distribution network includes:

- 19 major dams
- 63 weirs and barrages
- 80 major pumping stations
- 2,500km of pipelines and channels, and
- 730km of drains.

A pull-out map at the back of this report shows SunWater's extensive regional presence in Queensland and demonstrates our existing water infrastructure network and the location of our proposed infrastructure developments.

## OUR SERVICE SPECTRUM

Plan > Design > Develop > Manage > Maintain

SunWater provides bulk water infrastructure solutions and services in a customised package to suit the specialised needs of each industry sector.

From design to construction, operation and management, we have the experience and skills in delivering the right solutions and services for every customer.

## OUR EXPERTISE

From designing and building dams, managing and operating bulk water infrastructure, to finding new ways to deliver water to remote locations, we are the specialists that industry, mining and government turn to when they need the right solution for their complex water needs.

SunWater's expertise and service spectrum is specific to bulk water infrastructure:

- Dams and weirs
- Major pumping stations
- Bulk water pipelines
- Irrigation channels and drainage systems
- Water treatment facilities.

This proven infrastructure development and management experience has led to our expansion as a national water solutions provider, offering innovative ways of securing water for the future and providing business a sustainable solution for asset growth and management.

SunWater is a bulk water infrastructure developer, owner and manager playing a key role in the future development of the resources, energy, industrial, urban and irrigation sectors across Australia.



#### OUR VISION

To be a modern, customer focused water utility business providing outstanding solutions for our customers and the community.

#### OUR MISSION

To enhance the value of the corporation by providing cost-effective and commercial water services that add value for our customers.

#### OUR VALUES

SunWater's organisational values provide a framework to guide our decisions and business dealings internally and externally to ensure the organisation achieves success.

Our values are:

- Delivering outstanding service and results
- Working safely
- Taking responsibility
- Working together
- Being open to change
- Respecting others

Ensuring optimum performance of Ned Churchward Weir near Bundaberg is key to delivering on our customer service commitments.

# CEO'S REVIEW

In addition to the day to day work of managing water infrastructure and investigating new water infrastructure for our clients, in 2009–10 SunWater has been focused on delivering upon its commitments to customers, stakeholders and staff by improving business effectiveness, improving productivity and reducing business overheads.

## RESHAPING AS A CONTEMPORARY UTILITY COMPANY

A major focus for SunWater in 2009–10 was the completion of a comprehensive efficiency review of the business. The Smarter, Lighter, Faster Initiative (SLFI) involved all staff and sought to identify improvements to organisational structures, processes and systems. The key words 'Smarter, Lighter, Faster' have been the theme for identifying and removing duplication and building a more responsive and cost-effective organisation.

In keeping with our business transformation, SunWater's corporate vision was adjusted in 2009 to reflect its potential as a modern, customer-focused water utility business. The SLFI explored our previous business model with the new vision acting as a catalyst for change. This allowed the development of a fresh approach to business that better aligned organisational responsibilities, accountabilities and future business outcomes.

In December 2009, SunWater announced a business restructure that has more clearly defined the core functions of infrastructure development and management within the business. This has resulted in some business activities moved to different locations within the organisation and has seen a number of staff positions change.

While duplicated functions have been consolidated, regional links have also been strengthened with our teams located closer to key infrastructure growth areas so they can respond better to customers' developing needs. Over time, these changes will reduce organisational overhead and further improve organisational efficiency and effectiveness.

Organisational restructures can be challenging, and sometimes require tough decisions, however during this process I believe the understanding and cooperation of SunWater's staff has been vital to its success. SunWater's people are committed to ensuring the organisation delivers on its commitments to customers and stakeholders.

Our succession planning and our investment in developing leaders' skills have complemented the restructure in positioning the organisation to meet its future challenges and opportunities.

## IRRIGATION WATER PRICING REVIEW UNDERWAY

The Queensland government is continuing to move towards a full cost pricing approach for the irrigation sector, and on 19 March 2010 the state government issued a Direction for the Queensland Competition Authority (QCA) to undertake a review and recommend new prices for that sector for the five year period commencing 1 July 2011.

As part of this process SunWater will develop and submit forecast costs for the 30 service contract areas that provide services to the irrigation sector. These will be documented within Network Service Plans (NSPs) and published by the QCA. The QCA will consult with stakeholders and invite submissions on the NSPs and a range of other matters relevant to the price setting process. The QCA review process is timetabled for completion by 30 April 2011, with prices finalised by the state government prior to the commencement of the 2011–12 financial year.

## REALIGNING OUR THINKING

During 2009–10 three significant management actions were progressed to improve SunWater's safety performance, and to further improve the safety of our people, contractors and the general public.

Firstly, we made safety a core value for the company, and restructured the safety group to establish an organisation wide Health Safety and Environment Team that looks across business group boundaries, with a direct line to the CEO and to the Board through the Industry Regulation, Safety and Environment Committee.





Secondly, we accelerated safety related upgrades of our existing infrastructure across the state and undertook local risk assessments at all sites with a view to identifying and subsequently eliminating all high potential risks.

Thirdly, we have embarked upon an ongoing organisation wide education, awareness, and behavioural change agenda that will place SunWater at the forefront of safety performance.

While I am pleased to report that we reduced our Lost Time Injuries (LTIs) from 11 in 2008–09 to zero in 2009–10, this achievement was over shadowed by the tragic drowning of a contractor's employee at Marian Weir in June 2010. This incident reinforces the importance of ensuring that safety extends to those beyond our direct employment, including our commercial contractors and the general public.

## RESPONDING TO INDUSTRY NEEDS

Water security and providing the vital infrastructure and management capabilities to support Queensland's and Australia's industrial and resource sectors growth are at the heart of SunWater's mission.

In 2009–10, we continued to progress a number of major infrastructure projects including:

- Cloncurry Pipeline project – completed ahead of schedule in March 2010
- Tinaroo Falls Dam Safety Upgrade – construction commenced March 2010
- Connors River Dam and Pipeline – EIS and engineering completed
- Moranbah to Galilee Basin Pipeline – desktop studies commenced
- Nathan Dam and Pipelines – EIS underway, engineering well progressed
- Fitzroy River weirs – business case progressing with the Gladstone Area Water Board
- Water for Bowen project – EIS and engineering completed

## RECOGNISING OUR STAFF

SunWater's extensive program of infrastructure development and ongoing management of water infrastructure would not be possible without the dedication, commitment and skill of our employees.

In 2009–10, SunWater's employees also had the added challenges of a post Global Financial Crisis business environment, business efficiency reviews and restructuring while continuing to deliver services to clients. I thank them for their cooperation with all the demands of the changing operating environment and for their continuing contribution to SunWater's success.

As one measure of this appreciation, SunWater introduced a new Service Recognition Program, which in June 2010, recognised the extended continued service of a total of 185 employees.

As a team, we look forward to an expanding program of work in 2010–11 and to growing the business further to provide water infrastructure development and water infrastructure management services to industry and communities both in Queensland and in other regions of Australia.

**Peter Boettcher**

Chief Executive  
SunWater Limited

# CHAIRMAN'S OUTLOOK

SunWater's growth potential focuses on its strategic expansion with two underlying objectives: supporting Queensland's economic development through reliable regional water supplies, particularly in the areas of mining and industrial development, and extending water infrastructure development and management expertise to other areas of Australia.

## A YEAR OF ADAPTATION

Since being appointed Chairman in 2009, I have worked with the Board, CEO and management team to meet the challenges of the present, but at the same time focusing on SunWater's future goal of becoming a leading water infrastructure developer and manager on a national level.

Throughout the year, SunWater has adapted and adjusted to the changing circumstances initiated by the Global Financial Crisis of the previous year. In the latter part of the year, uncertainties about government tax policy by the mining industry also affected some planned projects.

For SunWater, these challenges required constant vigilance and prudent decisions on current expenditure while maintaining plans for anticipated growth and strengthening our ability to respond to the emerging needs of our customers and the community.

Our ability to continue with planning and preparations in expected development areas will enable us to move quickly to provide the necessary infrastructure as major projects are confirmed.

## PROGRESS ON MANY FRONTS

The major infrastructure project that was constructed by the business in 2009–10 included the 38km Cloncurry Pipeline, which was completed in March, ahead of schedule and budget, and seven further projects that are in various stages of investigation, design and construction (more details page 16).

The year also saw SunWater make significant progress into its investigations of more than \$2B worth of bulk water infrastructure projects, with more detail on these projects located on pages 16 to 19 of this report.

As well as making progress on these vital infrastructure projects, SunWater has delivered 1,347,338 ML of water – a 13% increase on the previous year.

While managing these core responsibilities for the present and the future, SunWater has also enhanced its efficiency and undertaken significant initiatives to make the company leaner and more responsive. These initiatives are all part of our ongoing drive to remain competitive and to position ourselves to make the most of new opportunities in water infrastructure, water asset management and water treatment.

Investing in people has also been an ongoing priority to ensure we have the leadership capabilities to take us forward in competitive markets.

A high-profile aspect of all SunWater's operations is the determination that safety is integral to everything it does and that it will reach its objective of 'no harm'. New safety initiatives this financial year have focused on comprehensive awareness and behaviour, and not just on procedural compliance.

Also, our ongoing commitment to the environment is becoming more proactive and innovative. A feature project this financial year was recovering steel and timber used during the construction of Cloncurry Pipeline – 5,900kg of steel and 4,000kg of timber have been saved for reuse.

## IMPROVED GOVERNANCE ARRANGEMENTS

SunWater continually reviews its governance procedures to reinforce strengths and to protect against potential vulnerabilities.

In the 2009–10 year, we restructured committee memberships to maximise our awareness, responsiveness and control in evolving regulatory and industry environments. This included changing the Regulatory and Environment Committee to a broader-based Industry, Regulation, Safety and Environment Committee.



## ACHIEVING STRONG RESULTS

While SunWater's core business is the development and management of bulk water infrastructure that meet all stakeholders' expectations, it must also meet business productivity and efficiency targets within a financially sustainable model.

The initiatives of the last few years are already bearing commendable results with solid returns and increasing shareholder value.

Consolidated after tax profit in 2009–10 was \$44.7M. It was pleasing to note that a major contributor to the continuing strong performance in 2009–10 was cost reductions.

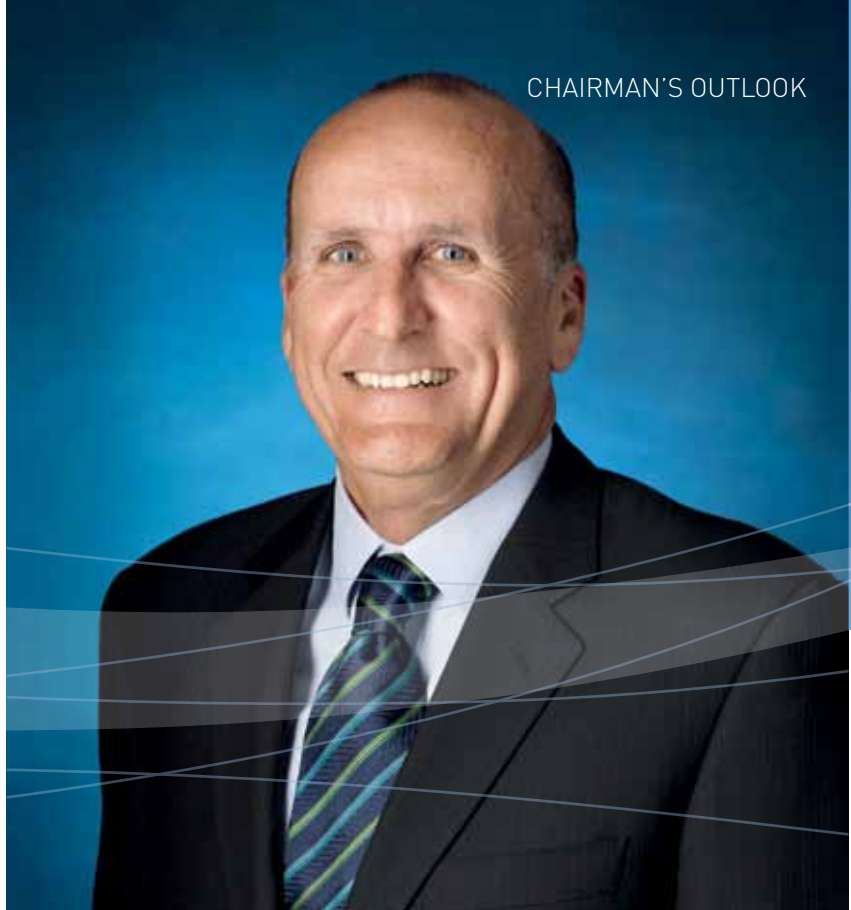
SunWater's combined tax and dividend payments to the State are expected to increase to \$13.8M.

SunWater's credit rating, rate of return targets and investment hurdle rate have all been reviewed in 2009–10 in consultation with Queensland Treasury Corporation.

Our expenditure on project development was over \$30M this year and SunWater is expecting to deliver over \$2B in new infrastructure in the decade ahead.

## SECURING THE FUTURE

As we begin the 2010–11 financial year, we have some exceptional new business opportunities in front of us with the potential to establish our infrastructure development and management credentials in Western Australia and the ACT, as well as consolidating our commitment to Queensland through further major projects for new and existing customers.



The coal and coal seam gas sectors are likely to generate increasing demand for water infrastructure and management expertise and SunWater has already begun customer negotiations on Connors River Dam, Connors to Moranbah Pipeline and Moranbah to Galilee Pipeline.

As a multi-faceted, contemporary utility company with extensive expertise in all aspects of delivering innovative bulk water solutions to industry and the community, SunWater looks forward to continuing to support the state's and nation's vital development programs through innovative, efficient and competitive water supply, water treatment and water facilities management.

At this time, I want to thank SunWater's previous Chairman, Mr. Phil Hennessy, for his tremendous service as a board member for the past nine years and Chairman for the past four years. He has been an enormous strength in recognising the need for change and enabling its delivery. Mr Hennessy is a respected colleague and I know that following in his footsteps will be no easy task.

I would like to sincerely thank the SunWater Board and management for their commitment to taking the company forward and for their insight and vision in shaping the company to meet our long-term strategic goals while responding to substantial ongoing changes in our operating environment.

I also thank our shareholders, the Queensland Government, for their support in helping us to deliver both community benefits and corporate results.

### Scott Spencer

Chairman  
SunWater Limited

# FINANCIAL SUMMARY

SunWater declared a dividend to Shareholders of \$10.6M for the 2009–10 financial year, an increase of 39% on the previous year.

## CONSOLIDATED PERFORMANCE

The 2009–10 net profit before tax of \$59.2M is \$15.3M above the previous year's result after adjusting for the abnormal impact of the gain on disposal of assets to Seqwater of \$48.9M in 2008–09.

Overall, revenue from continuing operations of \$196.0M was \$2.0M below the 2008–09 result. Consulting and facility management revenues were lower by \$11.1M, mainly due to consulting projects concluding. This was largely offset by irrigation revenue increases of \$7.0M resulting from higher water availability and sales, and additional industrial and urban revenue of \$1.3M.

Expenses, excluding financing charges, decreased by \$26.5M from \$150.0M in 2008–09 to \$123.5M in 2009–10. The largest reduction was a fall of \$16.0M in impairment expense due to forecast improved net cash flows. In addition, the use of external contractors reduced significantly when engineering staff became available for internal work as external consulting projects concluded.

## INCOME TAX

Income tax expense was up \$7.5M from \$6.9M in 2008–09 to \$14.4M for 2009–10. The main reason being that the 2008–09 Seqwater transaction was ruled to be tax neutral thus reducing the 2008–09 prima facie tax expense by \$14.7M. The 2009–10 tax expense also benefitted from available federal investment allowances attributable to eligible construction projects during the year.

## ASSET PERFORMANCE

As part of the regulated water price, funds are set aside to meet future asset refurbishment requirements. In 2009–10, SunWater spent \$21.5M on asset refurbishments (2008–09: \$11.0M).

The majority of the refurbishment and enhancement program for the year was undertaken with emphasis on the continuing Intersafe program.

SunWater continued with its dam safety program during the financial year, with a further \$14.0M investment in the Tinaroo Falls Dam spillway upgrade (\$2.6M in 2008–09). This project is scheduled to be completed in December, 2010 at a total project cost of \$22.7M

## FUNDS MANAGEMENT

SunWater's funds management strategy is directed towards ensuring that sufficient cash resources are available for investigating, evaluating and constructing approved infrastructure projects from a portfolio of potential projects that are under active consideration.

SunWater's consolidated cash position at 30 June 2010 was \$216.5M (2008–09: \$135.1M). The \$81.4M increase reflects an equity contribution of \$60.0M and net cash inflows of \$21.4M after operating, investing and other financing activities.

## DIVIDENDS

In accordance with SunWater's established dividend process, dividends are based on profits but recognise the need to provide cash for asset refurbishment and other future commitments. On this basis, a dividend of \$10.6M was declared for the 2009–10 financial year (2008–09: \$7.6M).

SunWater has achieved a strong financial performance with a net profit before tax figure of \$59.2M.

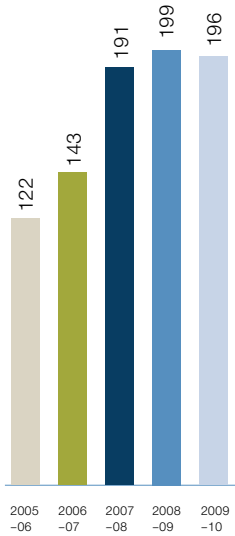
## SUNWATER CONSOLIDATED RESULTS SUMMARY 2005-06 TO 2009-10

	2005-06 [\$M]	2006-07 [\$M]	2007-08 [\$M]	2008-09 [\$M]	2009-10 [\$M]
Revenue	129.7	142.8	190.6	259.7	200.0
Excess of fair value over cost upon acquisition of subsidiary	7.9	-	-	-	
Gain on sale of assets to Seqwater				48.9	
Proceeds from bank guarantee				11.5	
Revenue (excluding excess of fair value, Seqwater sale and Bank Guarantee)	121.7	142.8	190.6	199.3	200.0
Net Profit (after tax)	1.3	28.2	17.8	37.1 *	44.8
Net Profit (after tax) (excluding excess of fair value)	-6.6	28.2	17.8	37.1 *	44.8
Dividends declared	-	6.2	5.9	7.6	10.6
EBIT (earnings before interest and tax)	-5.4	24.9	40.7	60.4 *	76.1
Impairment	29.6	5.8	16.3	19.0	3.0
EBITDA (EBIT before depreciation, amortisation and impairment)	36.4	45.4	79.6	103.8 *	103.5
Total assets	577.0	788.8	795.5	863.8	975.6
Total liabilities	157.3	347.2	335.7	325.7	332.7
Net assets	419.6	441.6	459.8	538.1	642.8
Cash balance	25.6	22.3	40.0	135.1	216.5
Borrowings	92.5	272.9	265.6	248.9	248.8
Contributed Equity	282.5	282.5	288.7	288.7	359.3
Cashflows from operating activities	31.0	57.9	86.6	94.3	106.5
Refurbishment and backlog expenditure (\$M)	11.2	9.8	9.7	11.0	21.5
Total water deliveries (million megalitres)	1.3	1.2	1.0	1.1	1.3
Full time equivalent employees at 30 June	561.0	569.0	573.0	562.0	494.0

\* Figures exclude gain on sale of assets to Seqwater (\$48.88M)

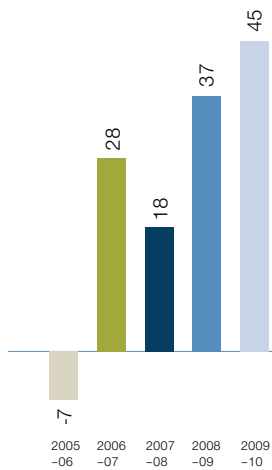
SUNWATER CONSOLIDATED RESULTS SUMMARY 2005-06 TO 2009-10 (CONTINUED)

Revenue (\$M)



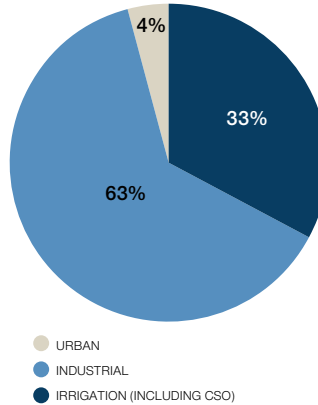
Revenue across all sectors of SunWater continues to show positive trends except external consultancies which has been negatively impacted as a result of redirection of engineering expertise to internal projects. Revenue from the 2008-09 Seqwater transaction has been excluded from these graphs.

Net Profit (after tax and excluding excess of fair value) (\$M)

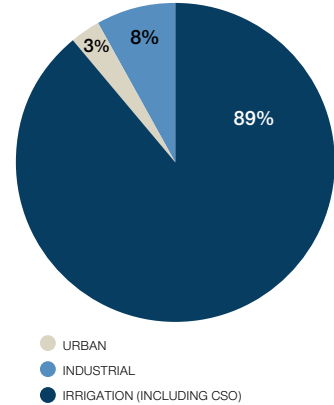


SunWater's net profit for 2009-10 is a 22% increase on 2008-09 and a 150% increase on 2007-08 levels. This growth has been significantly impacted by reductions in asset impairment.

Water Revenue by sector (%)

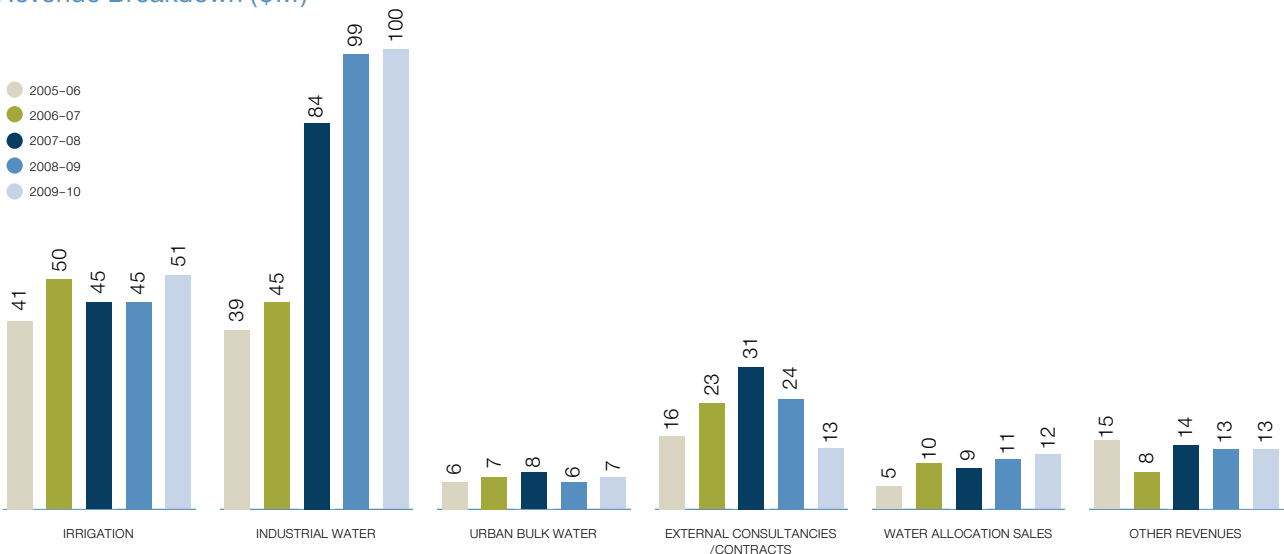


Water Deliveries by sector (%)



Industrial customers account for 63% of water delivery revenue and 8% of the actual water delivered. Urban customers account for 4% of revenue and 3% of deliveries whilst the irrigation sector accounts for most water delivered at 89% and 33% of revenue.

Revenue Breakdown (\$M)

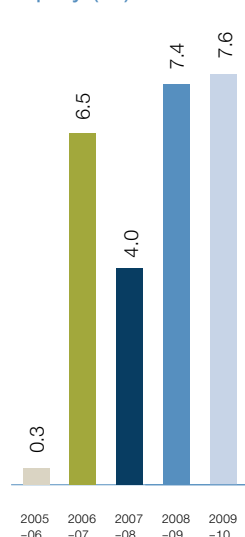


Irrigation, urban and industrial revenue continues to increase mainly as a result of increased water deliveries, existing commercial contracts and with the commencement of new contracts.



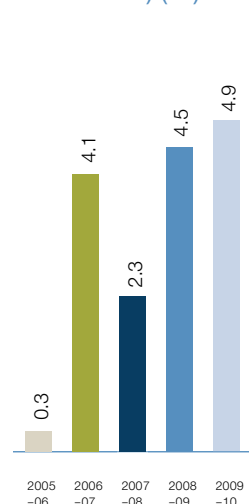
### PROFITABILITY INDICATORS

Return on Equity (%)



SunWater's return on equity increased by 3% to 7.6%.

Return on Total Assets (written down value) (%)



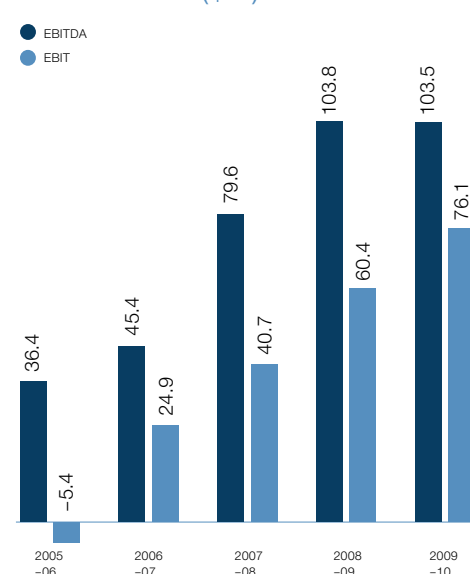
The ongoing improvement of return on total assets (written down value) is being driven by the increasing profitability with the NPAT increasing 22% on 2008-09 levels.

Return on Total Assets (replacement value) (%)



Return on the replacement value of assets in 2009-10 increased from 0.53% to 0.63% inline with the 22% increase to NPAT.

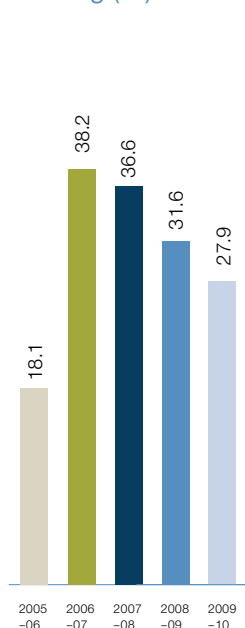
EBITDA & EBIT (\$M)



EBITDA is largely unchanged from 2008-09 as reductions in operating revenues have been offset by reductions in operating costs. The \$16M increase to EBIT is the result of the reduction in impairment of \$16M from 2008-09 levels.

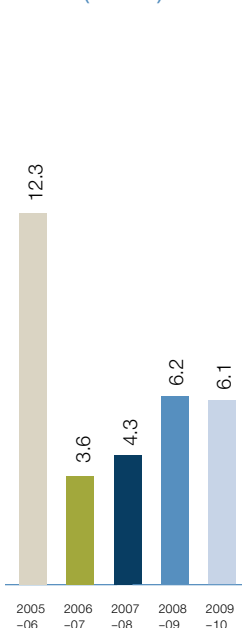
### FINANCIAL LEVERAGE INDICATORS

Market Gearing (%)



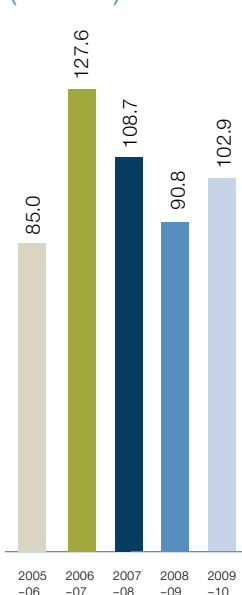
Market gearing improved during the year as no new borrowings were required.

EBITDA Interest cover (times)



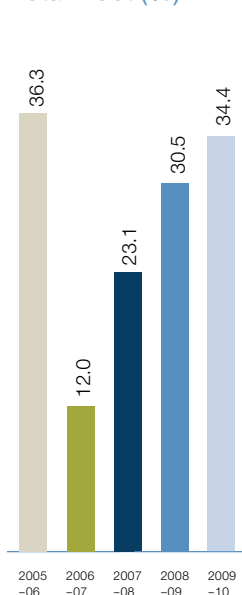
EBITDA interest cover is largely unchanged from 2008-09 in line with the constant result on EBITDA and the lack of new borrowings.

Operating Cashflow to Earnings (%) (EBITDA)



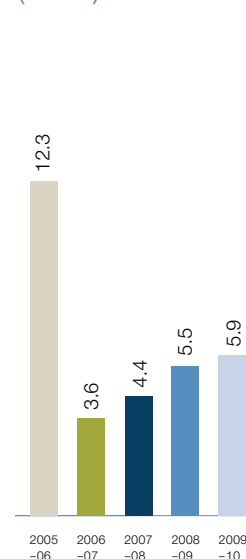
Operating cash flows strengthened over the past 12 months to 103%.

Funds from operations to Total Debt (%)



Increased earning combined with stable debt has resulted in a further improvement in the funds from operations to total debt.

Funds from operations interest cover (times)



Stable interest costs and debt levels combined with improving profitability has resulted in improvements in the funds from operations interest cover.

# KEY PERFORMANCE MEASURES

## REVENUE GROWTH

### We have continued to ensure delivery of essential infrastructure including:

- ✔ Completion of the Cloncurry Pipeline Project. Construction of the pipeline was completed in March 2010 ahead of schedule. The full scope of works for the year included pipeline construction, connection to the water treatment plant, pressure testing and commissioning activities.
- ✔ Planning, approval or construction of water infrastructure development projects progressed, supported by state government.
  - Investigations have progressed for:**
    - ✔ Connors River Dam and Pipeline – EIS completed, business case due December 2010.
    - ✔ Surat Dawson Integrated Water Project – Establishing a sustainable Beneficial Use plan for treated CSG Water.
    - ✔ Nathan Dam and Pipeline – EIS and engineering recommenced, business case due September 2011.
    - ✔ Moranbah-Galilee Pipeline – Desktop investigations and foundation customer discussions commenced.
    - ✔ Water for Bowen – EIS and engineering completed.
    - ✔ Bowen Basin Water Service Framework – Investigation concluded.
    - ✔ Water for Proserpine – Investigations concluded.
    - ✔ Fitzroy River weirs business case (with the Gladstone Area Water Board – GAWB) significant progress with engineering, cultural heritage and environmental assessments.

## OPERATING MARGIN

### We have improved our operating margin.

- ✔ Implementation of the findings and recommendations arising from SunWater's review of business services and indirect and overhead costs. SunWater has undertaken a detailed review of business processes and structure with a view to significantly reducing overhead and indirect costs.
 

The Smarter Lighter Faster Initiative was delivered through the first half of the year, with detailed business reviews of all areas of the business.

Revised business structure implemented from December 2010, with over \$5M in annual cost savings locked in by year end.

## EXTERNAL STAKEHOLDER RELATIONS

### We continue to maintain strong relations with customers, the community, industry, regulators and government.

- ✔ Achieved agreed scheme service standards for irrigation customers and delivery of contract obligations for other customers. We have achieved agreed scheme service standards for irrigation customers in most areas and delivery of contract obligations for other customers. There were 20 reported exceptions to the achievement of service standards across all SunWater schemes during 2009–10 year (further details under Scheme Service Standards) down from previous years.
- ✔ Developed products and services aimed at improving outcomes in water supply schemes. We continue to investigate new technologies and transactional products, in addition to our existing suite of products and services to improve outcomes in water supply schemes.
- ✔ Provided timely and relevant reporting to government on issues of significance to SunWater's existing and future business. SunWater continues to fulfil its reporting obligations to government through the provision of government owned corporation Quarterly Scorecard reports and from this year, submission and public release of its 2009–10 Interim Report. We provide regular updates to government on matters of significance through specific briefings, scheduled meetings and direct advice as required.

## CORPORATE RESPONSIBILITY

We are achieving alignment between SunWater's workforce and organisational goals.

- ✔ Collective agreement initiatives implemented and performance monitored.

SunWater's 2009-2012 Enterprise Agreement was approved by Fair Work Australia on 13 November 2009. The Agreement has, as one of its specific objectives, a requirement for all employees to commit to delivery of efficiency improvements, support for growth in the business and improving service quality and returns to the organisation and its employees and customers.

We are working towards achieving the 'no harm' safety objective for the workplace and general public.

- ✔ Programs and initiatives implemented to work towards achieving the no harm objective in the workplace and for the general public.

We have undertaken a variety of substantive measures, which have included reviews of our management procedures, safety systems and infrastructure. SunWater maintains a forward thinking focus on injury prevention and workplace safety through a range of initiatives, aimed at better managing our Occupational Health and Safety responsibilities in accordance with legislative obligations and our strong commitment to continuous improvement in safety outcomes.

## ORGANISATIONAL EFFECTIVENESS

SunWater's business systems, processes and capabilities effectively support the achievement of organisational goals and the identification and management of business risks.

- ✔ Updating of SunWater's Water Information Management System (SWIMS) suite commenced.

We are currently developing a replacement strategy for SWIMS to ensure the continued quality of service to our customers and other stakeholders, as well as to be in line with new water accounting standards and compliance requirements such as the national Bureau of Meteorology water information initiatives.

We are complying with regulatory and corporate governance obligations.

- ✔ Continue to maintain and implement a significant Dam Safety Program that ensures industry standards for public safety are met or exceeded.

We are maintaining SunWater's Dam Safety Program and ensuring continued compliance with dam safety conditions and standards. The upgrade of SunWater's dam portfolio is prioritised on overall risk with each dam's upgrade requirement considered on a case by case basis.

## CAPITAL EFFICIENCY

We are continuing to work with government to optimise planned capital expenditure in the current financial climate.

- ✔ SunWater's credit rating, rate of return targets and investment hurdle rate reviewed in consultation with Queensland Treasury Corporation.

QTC has undertaken a credit review, capital structure review and has advised SunWater on rate of return targets and investment hurdle rates. QTC conducted a review of SunWater's Project Evaluation Model to provide assurance of integrity.

- ✔ Obtain a confidential, stand-alone credit rating of SunWater.

Standard & Poors were engaged and carried out a confidential, stand alone credit rating. SunWater's credit rating improved from the previous review in 2006.

We have identified and assessed surplus, non-performing assets and non-core assets for their potential to be monetised.

- ✔ Surplus housing properties and surplus Paradise Dam land disposed of in accordance with schedule.

We are in the process of identifying land surplus to operational requirements. Current projects include subdividing land holdings at Rocklea which will be placed for sale, selling surplus housing properties across the state – currently 11 properties have been listed for sale and we are progressing the disposal of surplus land at Paradise Dam.

# DELIVERING TODAY

## SunWater is building a portfolio of facility management services for other water infrastructure owners.

The major facilities management projects undertaken during 2009–10 are outlined below.

### Infrastructure Management Service Contracts

ORGANISATION	SERVICE	YEARS
<b>BHP Mitsubishi Alliance (BMA)</b>	Operate and maintain six major pipelines, pump stations and storage facilities for BMA's coal mines in the Bowen Basin.	8
<b>Department of Infrastructure and Planning</b>	Operate and maintain the water supply for five communities located at the northern tip of Cape York.	8
<b>Department of Environment and Resource Management</b>	Read and maintain of 4,122 water meters in 11 groundwater areas and one industrial pipeline. Control and distribute water to irrigators in the Border Rivers area.	10
<b>National Capital Authority</b>	Facility management and flood operations for Scrivener Dam in Canberra, ACT.	10
<b>Border Rivers Commission</b>	Facility management under the control of Border Rivers Commission including Glenlyon Dam and Boggabilla Weir.	10
<b>Seqwater</b>	Flood operations, dam instrumentation and gauging station services.	14
<b>Townsville City Council</b>	Facility management and flood operations for Ross River Dam	3

### SERVICE TARGETS

In 2009–10 SunWater standardised service targets so that the approach is consistent for the 21 water supply schemes that have service targets. SunWater achieved its customer service targets across most schemes with the 20 exceptions outlined in the following table.

### SunWater Water Supply Scheme Service Target Exceptions

SCHEME	NO.	DESCRIPTION OF EXCEPTION
<b>Mareeba Dimbulah</b>	1	Complaint was not actioned within the agreed 21 day period
<b>St George</b>	1	Duration exception on an unplanned shutdown
<b>Lower Mary River</b>	1	Duration exception on an unplanned shutdown
	1	Complaint not actioned within the agreed 21 day period
	1	Notification exception on a planned shutdown
	1	Number of customers exceeding greater than 6 interruptions
<b>Bundaberg</b>	1	Notification exception on an unplanned shutdown
	3	Duration exceptions on unplanned shutdown
	8	Exceptions on the number of customers exceeding greater than 10 interruptions, largely as a result of unplanned shutdowns.
<b>Nogoa Mackenzie</b>	1	Notification exception on a planned shutdown
	1	Complaint not actioned within the agreed 21 day period

See [www.sunwater.com.au](http://www.sunwater.com.au) for more information on scheme water supply arrangements and service level targets.

### REFURBISHMENT AND ENHANCEMENT (R&E) PROGRAM

SunWater continues to provide infrastructure management services to ensure existing assets remain in good condition.

Refurbishments and enhancements for 2009–10 included:

- Completion of the Irrigation Modernisation Planning Project with the financial assistance of the Commonwealth Government.
- Investment of \$21.51M in the refurbishment and replacement of existing infrastructure.
- Replacement of the fishway on the Bowen River Weir through reinvestment of dividends by the Queensland Government and funding from commercial customers.
- Investment of \$9.8M to improve safety of irrigation distribution infrastructure.

The size of the R&E Program was reduced by approximately \$9.8M during the year due to:

- The Commonwealth-funded Healthy Headwaters Program not proceeding, and
- Investigations into the replacement of inflatable rubber bags on weirs being deferred.

Network service plans are being developed as part of the future price path process to outline service standards and investigation programs for customers. These plans will detail the future R&E Program for each scheme.



SunWater customises its bulk water infrastructure solutions and services to suit the specialised needs of each industry sector.

## INFRASTRUCTURE CONSULTANCY SERVICES

SunWater's expertise continues to be sought by various organisations, government departments and agencies to provide specific water infrastructure consulting activities. These activities include design, planning, engineering, investigation and documentation activities. During 2009–10 SunWater has provided these services to organisations including:

- North Burnett Regional Council
- LandCorp Western Australia
- Seqwater
- Department of Environment and Resource Management
- Queensland Water Commission
- Tarong Energy
- Fitzroy Water
- Stanwell Corporation
- Border Rivers Commission
- Country Energy NSW
- Watersecure
- Queensland Water Infrastructure

## CONTINUOUS SHARING

The Continuous Sharing (CS) system provides customers with a more efficient way to individually monitor and manage their water, allowing them to plan further ahead with greater confidence. As part of the cooperative approach agreed with the regulator, SunWater has been modelling aspects of CS in the Burdekin Haughton Water Supply Scheme in 2009–10 to support its introduction into that scheme.

## EFFICIENCY IMPROVEMENTS

SunWater reviewed its state-wide business functions to ensure it was delivering the best value for money to its customer base. SunWater is taking proactive steps targeting business efficiency and effectiveness, which will lead to a more streamlined business that can better service its customers and remain competitive in today's marketplace.

## IRRIGATOR ADVISORY COMMITTEES

In addition to direct customer communication, SunWater liaises with 18 Irrigator Advisory Committees to discuss operational matters associated with scheme performance.

*See [www.sunwater.com.au](http://www.sunwater.com.au) for further information, including meeting outcomes.*

**“Our long-standing relationship with SunWater for a secure and reliable water supply is crucial to the success of our operations.”**

**Graham Dawson,  
Stanwell Power Station Manager,  
Stanwell Corporation Limited**

# SECURING TOMORROW

SunWater is planning more than \$2B worth of regional bulk water infrastructure projects to provide water security for the future.

As a leading water infrastructure solutions provider, SunWater is investigating and delivering long-term strategic water infrastructure developments that will enable future growth for its customers within the mining, industrial, commercial and agribusiness sectors. Currently SunWater has a number of major infrastructure projects under investigation or in the process of business case development.

## WATER INFRASTRUCTURE DEVELOPMENTS COMPLETED IN 2009–10 INCLUDE:

### Cloncurry Pipeline Project

Plan > Design > Develop > Manage > Maintain

The newly constructed Cloncurry Pipeline connects the town of Cloncurry to Lake Julius Dam via connection to SunWater's 110km North West Queensland Water Pipeline (NWQWP). The new pipeline is 38km in length and can deliver up to 900ML of water to Cloncurry's water treatment plant each year. The \$31M project (delivered under budget by \$11.5M) was designed and developed by SunWater to provide a secure water supply and service future population and industrial growth in the Cloncurry region.

**Progress:** SunWater completed construction in March 2010. SunWater was responsible for all stages of the project – planning, design and construction – and is now managing and maintaining the infrastructure.

## PROPOSED WATER INFRASTRUCTURE DEVELOPMENTS INVESTIGATED IN 2009–10 INCLUDE:

### Connors River Dam and Pipeline Project

Plan > Design > Develop > Manage > Maintain


The Connors River Dam and Pipeline Project comprises the development of a new dam on the Connors River in Central Queensland and a pipeline from the dam to Moranbah.

The proposed project is a long-term water supply solution to meet future water demands in both the Bowen and Galilee Basin regions. Water from the proposed dam will supply the Bowen Basin and surrounding areas as well as potentially supplying communities close to the proposed pipeline route. Additional pipelines and pipeline spurs will likely be required to service areas around Moranbah as the demand locations for delivery of the project's water supply become known.

**Location:** Connors River, near Mount Bridget, approximately 110km due east of Moranbah and 70km south of Sarina. A pipeline from the dam – around 133km long – will deliver water to a smaller holding storage near Moranbah, where it will then be distributed to customers.

**Expected Storage Capacity:** 373,662ML.

**Progress:** Preliminary designs of dam and pipeline and the Environmental Impact Statement (EIS) are complete. The Supplementary EIS is expected to be completed by October 2010.



SunWater is actively investigating strategic water supply solutions to underpin industrial development and the continued growth of Queensland.

### Nathan Dam and Pipelines Project

Plan > Design > Develop > Manage > Maintain

The Nathan Dam and Pipelines Project comprises of the development of a new dam on the Dawson River (Nathan Dam) and a water supply pipeline from the dam through the Surat Coal Basin, potentially extending as far as Dalby (Nathan Pipeline).

While the Nathan Pipeline is primarily being constructed to transport water from the Nathan Dam to customers in the Surat Coal Basin, it will also have the ability to accept the treated coal seam gas (CSG) water and deliver it to customers along the route.

**Location:** The proposed Nathan Dam site is located just upstream of Nathan Gorge on the Dawson River, approximately 75km upstream of the confluence of the Dawson River with the Fitzroy River.

**Expected Capacity:** Approximate dam storage is expected to be up to 888,000ML.

**Progress:** Feasibility studies and the Environmental Impact Assessment are underway with the EIS likely to be complete, ready for submission to the Coordinator General by November 2010 and released for public comment in February 2011.

“QGC is working with SunWater to develop a long-term, commercially and environmentally viable solution for the management of treated water from coal seams.”

David Maxwell,  
QGC Senior Vice President

## Surat Dawson Integrated Water Project

Plan > Design > Develop > Manage > Maintain

Surat Dawson Integrated Water Project comprises two major components – the Nathan Dam and Pipelines Project and the Associated Water Pipelines Project. The water pipelines will connect extracted, treated water from CSG production with the Nathan Pipeline and enable treated CSG water to be used by customers drawing water from the Nathan Pipeline.

The Surat Dawson Integrated Water Project concept presents an opportunity for beneficial use of treated associated water to satisfy demand in the Surat Coal Basin and Dawson-Callide sub-region until these demands grow to a point where they exceed this available water supply. At that time Nathan Dam will be constructed in order to supplement treated associated water supplies and maintain contracted supply volumes, supplying long-term security required by water users that is not offered by stand-alone associated water supplies.

**Location:** The main water supply pipeline (Nathan Pipeline) is expected to extend from a new dam on the Dawson River (Nathan Dam) through the Surat Coal Basin, potentially extending as far as Dalby (Nathan Pipeline). Pipelines will be developed from the CSG leases in the Surat area to collect the treated water and deliver it to either a watercourse (short-term) or to the Nathan pipeline (long-term) for subsequent sale.

**Progress:** Commercial discussions are currently under way with major CSG production companies regarding the availability of treated water for distribution to water users via the Nathan Pipeline.

## The Moranbah to Galilee Pipeline Project

Plan > Design > Develop > Manage > Maintain

The proposed Moranbah to Galilee Basin Common User Pipeline will transport water from the Connors River Dam pipeline terminus at Moranbah to the coal mines proposed for the Galilee basin. The thermal coal mines in the basin are expected to be operational within the next few years and will require up to 30,000ML per annum of water to the region.

**Location:** Moranbah to Alpha, Central Queensland.

**Expected Capacity:** This 280km buried pipeline will be capable of delivering up to 30,000ML per annum (subject to final sizing) of water to the coal mines in the Galilee basin.

**Progress:** Concept design investigations have been completed and preliminary engineering design and environmental assessments have commenced. SunWater is expected to have completed construction and be operating the pipeline by the start of 2014.

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SunWater's successful delivery of key water projects and infrastructure has enabled regional growth and has opened the door to water security for both business and the community.

## The Fitzroy River Infrastructure Project

Plan > Design > Develop > Manage > Maintain

In cooperation with Gladstone Area Water Board, SunWater is investigating water storage infrastructure options on the Fitzroy River.

The Fitzroy River weirs business case encompasses two sites – Eden Bann Weir (raising) and Rookwood Crossing. The assessment of the proposed new water infrastructure at these sites is focusing on identifying the best development sequence to satisfy the future water supply needs for the Rockhampton and Gladstone regions.

**Purpose:** The Fitzroy River Infrastructure Project is linked to meeting future demand for water in the region. If the project is deemed feasible, this would provide a means to supply up to 76,000ML per annum of water for future demands in the region.

**Location:** The Fitzroy River Infrastructure Project is investigating new water storage infrastructure, specifically weirs, on the Fitzroy River, in the Rockhampton Regional Council area.

**Progress:** Environmental Impact Assessments are complete and the preliminary design is due for completion in November 2010. The EIS is expected to be submitted to DEWHA late 2010.




## The Water for Bowen Project

Plan Design **Develop** Manage Maintain

The Water for Bowen Project investigated the feasibility of a water transport system to provide up to 60,000ML of water per annum for urban, industrial and agricultural use in the Burdekin and Bowen regions.

**Progress:** The Supplementary EIS is likely to be submitted late 2010, and a decision as to whether the project will proceed is expected by end 2010.



SunWater's stronghold in bulk water infrastructure development and management has led to our expansion as a national water solutions provider.

# PROTECTING OUR ENVIRONMENT

SunWater integrates environmental management into all aspects of its business processes and operates in line with community expectations.

## EIS INVESTIGATIONS

To ensure that the environmental impact of our future water infrastructure operations are minimised, SunWater continued to manage the project feasibility investigations, including Environmental Impact Assessments for the following major projects in 2009–10:

- Connors River dam and Pipeline
- Nathan Dam and Pipelines
- Water for Bowen, and
- Fitzroy River Infrastructure Project

During 2009–10, SunWater also conducted the relevant Environmental Impact Assessments and contributed to the development of Xstrata Coal's Glebe Weir EIS as part of the Wandoan Coal Project.

*For further information regarding these projects, refer to pages 16 to 19 or visit the SunWater website [www.sunwater.com.au](http://www.sunwater.com.au)*

## CHEMICAL MANAGEMENT

SunWater has pioneered a copper sulphate dosing system that delivers continuous precise dosing to control filamentous algae in closed irrigation supply channels.

This system allows reductions in the amount of chemical being used and the effort in labour, as well as reduced costs. This new dosing system is being progressively implemented in all closed schemes that use copper sulphate.

## RECYCLING

SunWater trialled the government's Recycling Policy for Buildings and Civil Infrastructure on the Cloncurry Pipeline Project and the organisation's asset refurbishment program. Recycling achievements during the year include:

- 100% of steel strapping used to secure the packaged 450mm DICL pipe used on the Cloncurry Pipeline project (an estimated weight of 5,900kg) – which would have otherwise been buried in landfill as waste – was successfully recycled through a Mt Isa metal recycling company.

- 100% of timber pipe supports used in the packaging of the 375mm PVC pipe was returned to Vinidex Pipelines for re-use. This resulted in approximately 4,000kg of timber that would otherwise have been wasted, being re-used.
- 100% of pipe offcuts (DICL and PVC), of varying lengths, were acquired by local landholders and as such will be re-used throughout the local community as opposed to being disposed of as waste.
- An estimated 700kg of scrap steel resulting from the replacement of a number of handrails and walkways at SunWater facilities in the North Region (Eton/Mackay) will be made available for recycling in early 2010–11, as part of the recycling effort within the Intersafe Project and asset refurbishment program.

## DIVIDEND REINVESTMENT

Since the formation of SunWater in 2000, shareholding Ministers have reinvested SunWater dividends for non-commercial beneficial projects that have included dam safety, environmental and community projects.

As part of this program, SunWater recently installed a new advanced fishway at the Bowen River Weir to help ensure natural breeding cycles continue, native fish numbers are maintained and the river's ecosystem continues to be balanced.

“SunWater worked with Xstrata Coal to provide a raw water supply solution for our proposed Wandoan Coal Project and ensured the proposal met best-practice environmental standards by developing a comprehensive Environmental Impact Statement.”

Xstrata Coal

SunWater has processes in place which aim to minimise the organisation's environmental footprint.

## NATIONAL GREENHOUSE AND ENERGY REPORTING

The following table summarises the greenhouse gas emissions and energy information reported for the 2009–10 financial year.

GREENHOUSE GAS (GHG) EMISSIONS AND ENERGY CONSUMPTION	ENERGY CONTENT (GJ)	SCOPE 1 EMISSIONS (TCO2-E)	SCOPE 2 EMISSIONS (TCO2-E)
* Fuel Combustion/Energy (Transport)	37,650	2,626	
* Other Fuel Consumption (Energy commodities)	650,160		164,346
<b>Total</b>	<b>687,810</b>		

**SCOPE 1** The release of greenhouse gas into the atmosphere as a direct result of an activity, or series of activities (including ancillary activities) that constitutes a facility. (i.e. Petrol use in cars)

**SCOPE 2** The release of greenhouse gas as a result of one or more activities that generate electricity, heating, cooling or steam that is consumed by the facility but that do not form part of the facility. (i.e. Electricity used by a water pump)

ENERGY PRODUCTION	ENERGY CONTENT (GJ)
Electricity (water generation)	28,612

The amount of electricity and greenhouse gas emissions created by SunWater activities is dependent on the amount of water pumped to meet customer demand. The greenhouse gas emissions were higher in 2009–10 than the previous year's figure of 550,565 GJ due to increased customer demand for water.

## COMPLIANCE

SunWater complies with all relevant AS/NZS ISO 14001 environmental management legislation, related standards, codes of practice, stakeholder agreements and other requirements. SunWater sets measurable objectives and targets for continual improvement and reports annually on its environmental performance.

During 2009–10 SunWater achieved compliance in all areas except for one instance with respect to monitoring conditions for the augmented sewage treatment works at one of its major storages. SunWater has liaised with the regulator seeking the amendment of approval conditions to better reflect the actual design and operations of the new works. SunWater is currently awaiting formal amendment of the conditions.

# SAFETY IS OUR PRIORITY

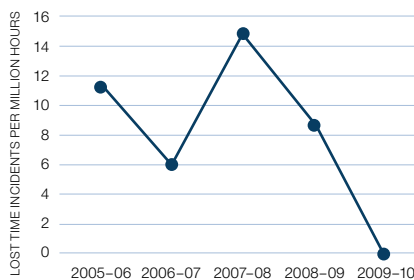
In 2009–10 SunWater has undertaken a variety of substantive measures, including reviews of management procedures, safety systems and infrastructure.

SunWater maintains a strong focus on injury prevention and workplace safety through a range of initiatives to improve our Occupational Health and Safety (OH&S) results. The Safety Management System is certified to AS/NZS 4801:2001, and was audited by SAI Global with no non conformances recorded during the year. The vastly improved safety result this year of zero Lost Time Injury Frequency Rate represents SunWater's best ever performance. This result has been achieved through training and enhanced staff awareness of safety risks and hazards, culminating in increased focus on identifying, rectifying and reporting of identified issues.

## WORKPLACE SAFETY STATISTICS

### Lost Time Injury Frequency Rate

The Lost Time Injury Frequency Rate has continued to trend down to zero. The combination of zero LTI's and responsible injury management has contributed to this positive lag indicator.\*



### Total Recordable Injury Frequency Rate

SunWater's positive safety performance continues to trend down with at least a 50% improvement over two years to our current Total Recordable Injury Frequency Rate (TRIFR) of 16.9, per million hours worked\*\*.



\*These statistics do not include non-pay roll contractors and sub contractors.

\*\*TRIFR includes fatalities, lost-time cases, restricted work cases and medical treatment cases.

“SunWater has been marvellous during the whole flood event, virtually on the dam bank 24 hours a day during the peak, monitoring and protecting my community which was facing the prospect of 80% of the town being inundated.”

Email from Cr Donna Stewart, Mayor Balonne Shire Council in reference to the St George record flood event, March 2010.

## MANAGING OH&S RISKS

SunWater has engaged a range of professional services and contractors from organisations such as the Intersafe Group Pty Ltd, Parson Brinckerhoff Australia Pty Ltd, and Steve Picket Pty Ltd. These services were sought to identify and report on a range of potential risks and hazards that SunWater operators may be exposed to. One of the improvement strategies included a \$14.4M project which aims to upgrade infrastructure to improve control measures for risks when working at heights and remove risk associated with manual handling injuries.

## EMERGENCY ACTION PLAN

When a flood event occurs, SunWater implements its Emergency Action Plan (EAP). The EAP puts into place monitoring procedures and systems to ensure the community remains safe and aware of imminent flood levels. During 2009–10 SunWater activated EAPs for the following dams:

- Paradise Dam
- Eungella Dam
- Fairbairn Dam
- Julius Dam
- Burdekin Falls Dam
- Kroombit Dam
- Teemurra Dam
- Beardmore Dam



## DAM SAFETY MANAGEMENT PROGRAM

SunWater's Dam Safety Management Program uses industry standards to ensure that dams under its management are maintained and operated to a safe standard. The program includes:

- Employment of specialist dam safety staff
- Training programs and competency assessments of operators
- Annual inspections of every dam
- Five year comprehensive inspections and audits
- 20 year design reviews
- Emergency preparedness, and
- Maintenance and monitoring of instrumentation.

## DAM SAFETY UPGRADES

SunWater has completed a comprehensive risk assessment (CRA) program for all dams in the portfolio. The CRAs have identified some areas where particular dams do not meet required standards with regard to extreme weather events.

SunWater's Dam Safety Upgrade Program is a progressive program of capital upgrades. Highlights from the 2009–10 program of works included:

- The \$21M, three year dam safety upgrade of Tinaroo Falls Dam progressed well with the project due for completion by the end of 2010
- The \$30M, three year dam safety upgrade of Kinchant Dam west of Mackay commenced.



Staff training and enhanced awareness has enabled SunWater to record a vastly improved safety result this year.

## COMMUNITY SAFETY

SunWater recognises that its infrastructure and surrounding property is regularly visited by the community, and undertakes regular programs to advise the community about staying safe when visiting SunWater's publicly accessible infrastructure.

The number of public incidents on SunWater land has increased, including a fatality of a member of the public involving a private vehicle.

In June 2010 an incident involving a coffer dam at Marian Weir occurred resulting in the sudden inflow of water into the coffer dam. A fatality involving an employee of the contractor engaged to design and construct the coffer dam occurred. This matter is now subject to a Workplace Health and Safety Queensland investigation.

In November 2008 one of the two inflatable rubber dams on top of Bedford Weir failed. In the ensuing unexpected release of water downstream, a fatality occurred. The court actions commenced during the 2009–10 year regarding this incident are ongoing.

These incidents have reinforced the importance of ensuring that SunWater's safety programs continue to extend to those beyond our direct employment, including commercial contractors and the general public. SunWater will continue to impose its safety culture, behaviours and values on our contractors and will also actively maintain its public safety awareness campaign targeting visitors at its water infrastructure sites.

## COMMUNITY SAFETY AWARENESS CAMPAIGNS

SunWater delivers two state-wide public safety awareness campaigns aimed at educating the general public and primary school children about potential hazards present at SunWater dams, weirs and waterways. An independent survey of community awareness of safety around dams and weirs undertaken during the year showed that the campaigns were extremely effective in raising public understanding of these hazards and the need to take care around SunWater infrastructure.

*More information is available on [www.sunwater.com.au](http://www.sunwater.com.au)*

# ACTIVELY SUPPORTING OUR COMMUNITY

Operating the business in a manner that aligns with community values is an important element of SunWater's corporate objectives.

As part of this commitment to support regional communities, SunWater has local purchasing policies in place, provides recreational facilities, supports local industry events and sponsors community events.

## LOCAL INDUSTRY PLAN OUTCOMES

Two major projects, the Cloncurry Pipeline Project and the Tinaroo Falls Dam Safety Upgrade Project, provided the following economic and social benefits for Queensland and more specifically, local industry.

The Cloncurry construction contract – awarded to Queensland based construction company Moody Civil and Pipe – generated the following benefits:

- Subcontracts estimated at \$5.6M for supply and construction services to Queensland based companies (including \$3.7M to North Queensland based companies)
- \$2.3M of supply and service contracts awarded to Cloncurry-based businesses and a further \$780,000 of supply and service contracts awarded to Mt Isa-based businesses (accommodation, materials, fuel and plant maintenance, etc)
- In excess of 30 indigenous people employed on pre-construction cultural surveys and monitoring of excavation activities, and
- Eight personnel (three indigenous), new to the industry were employed for a period of six months and participated in on-site training in pipeline construction, including Blue Card competencies – an estimated 17% of the total on-site hours.

The Tinaroo Falls Dam Spillway Upgrade contract was awarded to an Australian company, Structural Systems Limited, giving rise to:

- an estimated \$2.8M worth of supply and construction services currently subcontracted to local Queensland based companies
- an estimated \$4.8M to be spent with regional business by the completion of the project
- an estimated \$3M to be spent with local small businesses on the Atherton Tablelands and Cairns area, and
- 20% indigenous employment in Sunwater's direct labour hire workforce.

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“SunWater's construction of the Cloncurry pipeline created employment for about 20 people locally, sustained employment for approximately 40 project contractors and injected around \$3M into the local economy,”

Betty Kiernan, MP Mt Isa.



Water infrastructure projects carried out by SunWater throughout regional Queensland have resulted in major economic injections into communities and increased employment opportunities.

## SPONSORSHIP

SunWater has a strong commitment to the regional communities it operates within. Each year SunWater invests more than \$70,000 into community events as part of its ongoing sponsorship program.

SunWater's philosophy is to make a lasting contribution within our communities through financial or in-kind support in the areas of youth, arts, environment, safety and education. Throughout the reporting year SunWater supported approximately 60 community and industry events including:

- SunWater Burdekin Water Festival
- Mareeba Wheelbarrow Race
- St George Christmas Fireworks, and
- SunWater and Stanwell Winter Music School.

In October 2009, Southern Cross Soloists were awarded the 2009 APRA/Australian Music Centre Classical Music Award for its "... Contribution to Australian Music in Education for the SunWater and Stanwell Winter Music School. The Southern Cross Soloists were recognised by the judging panel for the considerable time and effort

*spent in educational activities, particularly for emerging music artists in regional areas of the state".* Southern Cross Soloists were nominated for the award by Arts Queensland.

## RECREATIONAL AREA MAINTENANCE

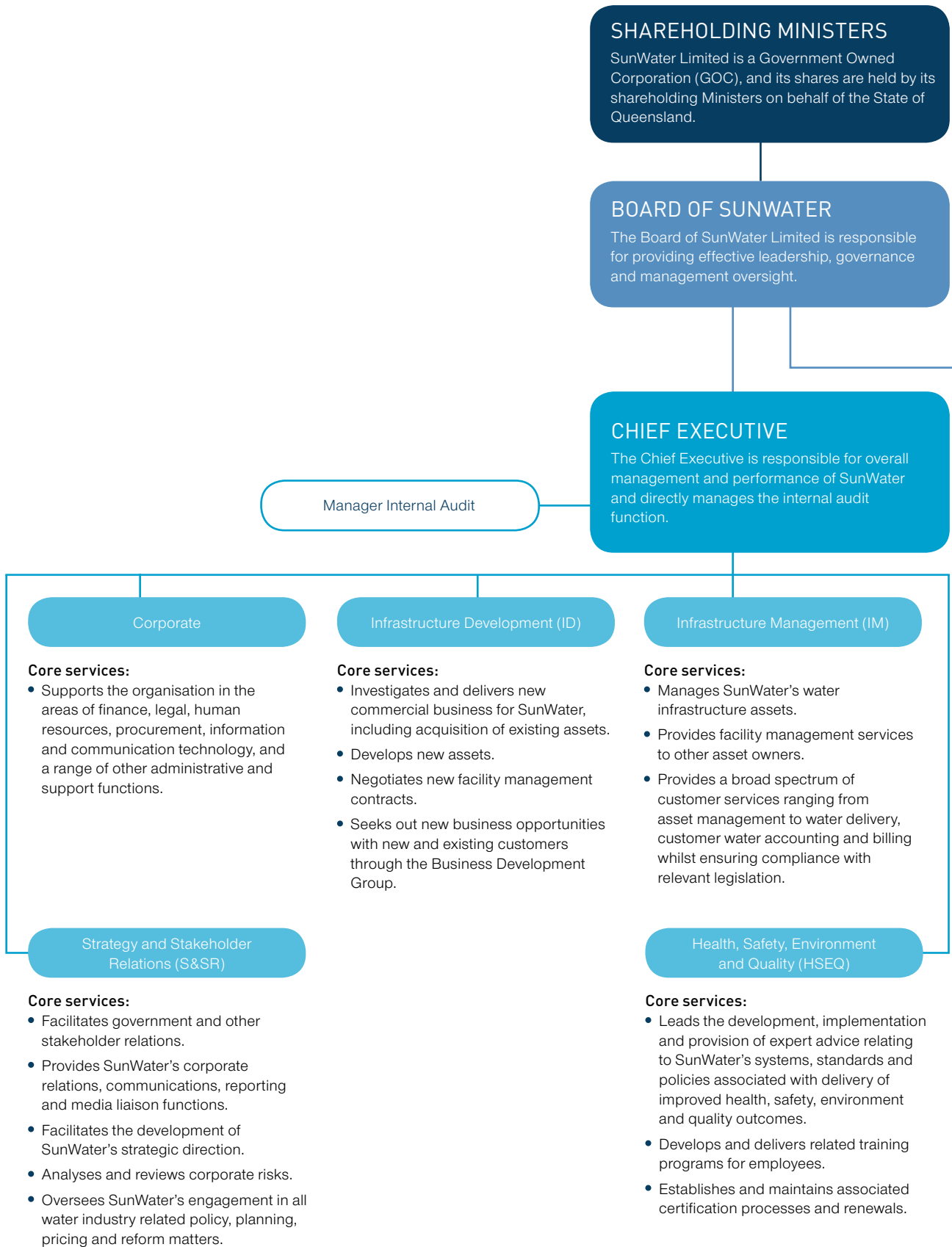
SunWater recognises the community benefit of having facilities that allow the public to appreciate the lakes and parks surrounding our dams, and as such maintains limited areas for the enjoyment of the local community and for visitors. However, SunWater also recognises that further development of these areas can be of great benefit to the local community and is working with local councils to transfer recreation management to them where there is opportunity to do so. Local councils are generally better placed to own community recreational facilities, as they already successfully manage a variety of parks and other community spaces in their respective regions. At a number of SunWater dams, local councils have successfully taken over the recreational areas for the benefit of the community.

## COMMUNITY CONSULTATION

SunWater holds locally-based public information sessions to give interested community members the opportunity to access project information and discuss the project with project representatives. As part of the comprehensive stakeholder and public consultation program, SunWater has also established Community Liaison Groups for major projects such as Nathan Dam and Pipelines, and Connors River Dam and Pipeline projects. These groups provide a forum for the identification and discussion of issues associated with the EIS and facilitates feedback to SunWater on matters related to the EIS. Membership includes key interest groups in the local area including business, environmental, community, customer and local government representatives as well as other special interest groups as required. SunWater's consultation database includes almost 3,000 individuals and organisational representatives state-wide, allowing a cross-section of stakeholders to keep abreast of project specific developments and proposals.

See [www.sunwater.com.au](http://www.sunwater.com.au) for more information.

# ORGANISATIONAL STRUCTURE



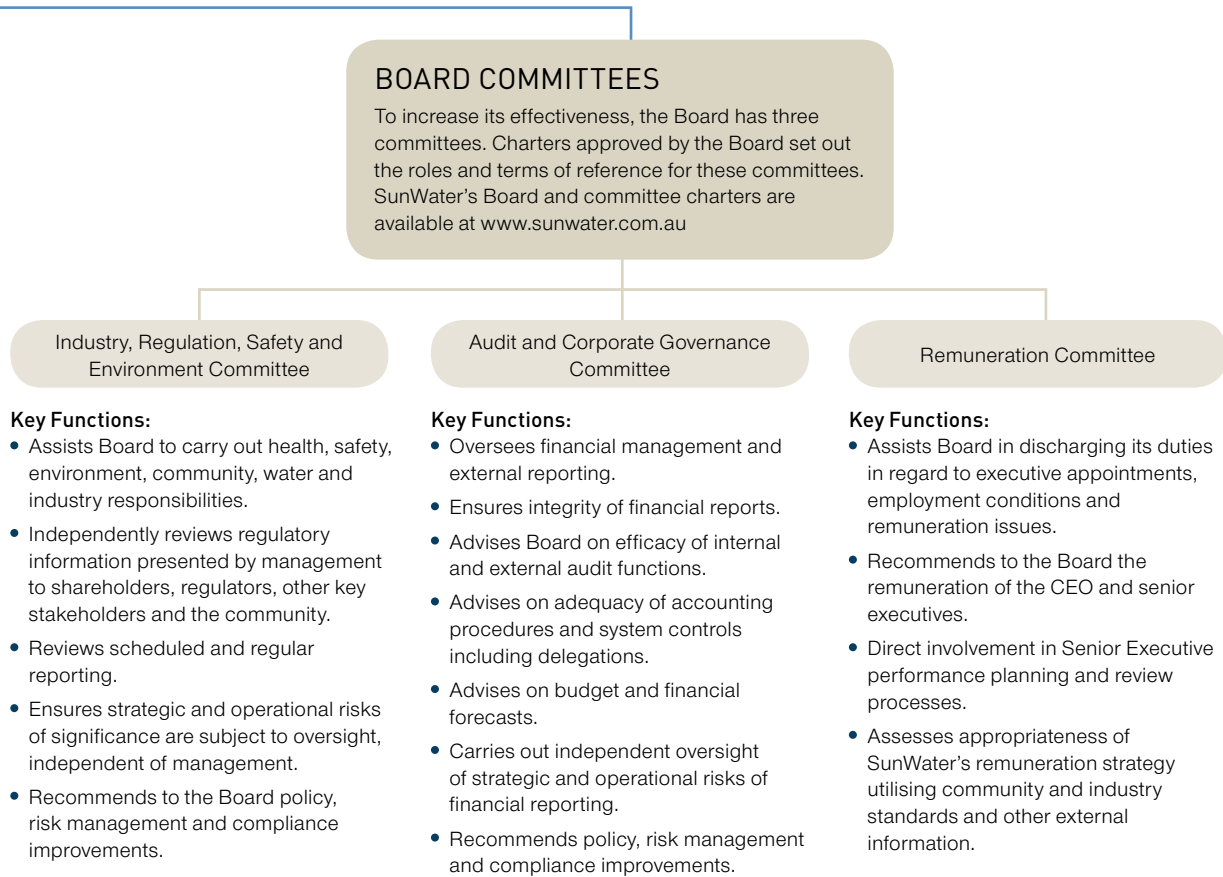


**Shareholding Ministers:**

SunWater’s Shareholding Ministers were, at the time of preparing this report, the Honourable Andrew Fraser, Treasurer and Minister for Employment and Economic Development and the Honourable Stephen Robertson, Minister for Natural Resources, Mines and Energy and Minister for Trade.

**The Board’s functions include:**

- responsibility for SunWater’s commercial policy and management,
- ensuring that, as far as possible, SunWater acts in accordance with its SCI and achieves its stated objectives,
- accounting to SunWater’s shareholding Ministers, and
- ensuring that SunWater otherwise performs its functions in a proper, effective and efficient way.



# OUR LEADERS

## SunWater Board



**SCOTT SPENCER**

*BEc (Hons)*

**Chair**

Initial Appointment 01.10.2009  
Current Term 01.10.2009 – 01.10.2012

**SunWater Board Committee Membership**  
Audit & Corporate Governance

**Skills, experience and expertise**

Former Director General of the Department of Natural Resources and Water. More than 32 years experience within the resources sector, extensive knowledge of water resource management, economic policy reforms and infrastructure development in Queensland.

Helped shape Queensland's water and vegetation reform over the past 13 years. While Director General he led the management of the state's land, water, vegetation, native title, cultural heritage and science and spatial information. He also played an integral role in Queensland's first comprehensive drought policy in 1990-91 which led to the state's involvement in the National Drought Policy.

**Other interests**

Continued involvement in the development of positive change for Queensland through his ongoing or past appointments with other high level boards, authorities and committees including Acting Director of Economic Policy with the Office of the Cabinet, Commissioner of the Murray Darling Basin Commission and Chair of the Natural Resources Policy and Programs Committee of Standing Committee. Government Member on most Queensland statutory agricultural marketing boards, Chair of the National Vertebrate Pest Committee, and currently as Council Member of the CSIRO Water for a Healthy Country.



**JANE BERTELSEN**

*BSc, MSBA*

**Deputy Chair**

Initial Appointment 01.10.2000  
Current Term 01.07.2008 – 30.09.2011

**SunWater Board Committee Membership**  
Industry Regulation Safety & Environment

**Skills, experience and expertise**

Manager of Intergovernmental Relations in the Brisbane City Council, Secretary of the South East Queensland Regional Organisation of Councils.

Bachelor of Science and a Master of Science in Business Administration from Boston University and is a graduate of the National Institute of Dramatic Art.

**Other interests:**

Extensive experience in project analysis, policy development and economic research while working in Rome for the United Nations' Food and Agriculture Organisation (FAO) and World Food Council (WFC). Participation in international United Nations' missions and conferences in Africa, Asia and Europe. Member of the Board of Trustees of Queensland Performing Arts Council, ex-Chair of the State Library of Queensland.



**TOM CONNOR AO**

*BE(Civil), MEngSc, PhD, Hon Fellow IEAust, MASCE, FTSE, CPEng(Civil), RPEQ Dire*

**Director**

Initial Appointment 01.08.2003  
Current Term 01.07.2007 – 30.09.2010

**SunWater Board Committee Membership**  
Industry Regulation Safety & Environment (Chair)

**Skills, experience and expertise**

Director of Engineering Technology and Sustainability of the Government and Infrastructure Division of the Asia Pacific operations of the global engineering and construction firm, Kellogg Brown and Root Pty Ltd. Over 30 years' experience in engineering and project management in the water sector in Australia and internationally.

**Other interests:**

Chair of the Queensland Sustainable Energy Advisory Council which advises the Queensland Government on innovation fund applications in energy and water. Past National President of the Institution of Engineers Australia (now Engineers Australia). Past Chair of the Australian Council of Building Design Professions.



### KIRSTIN FERGUSON

*BA (Hon), LLB (Hon), FAIM, MAICD*

#### Director

Initial Appointment 01.10.2008

Current Term 01.10.2008 – 30.09.2011

#### SunWater Board Committee Membership

Audit & Corporate Governance, Industry Regulation Safety & Environment, Remuneration

#### Skills, experience and expertise

Chief Executive Officer of Sentis, a global safety consultancy providing the Zero Incident Process (ZIP) cognitive-based safety training to the utilities, mining and resources industries. Admitted as a solicitor in Queensland and NSW. Previously the COO & Director of Corporate Services at the national law firm Deacons. Administration Manager in London with the law firm Ashurst Morris Crisp.

#### Other interests:

Officer in the Royal Australian Air Force, graduated with the Air Force Prize from the Australian Defence Force Academy. Previously named Brisbane Young Manager of the Year by the Australian Institute of Management. Awarded a Churchill Fellowship in 2003.



### JOHN GIBSON

*BCom, MBA(Melb), FCPA, FAIM, FAICD*

#### Director

Initial Appointment 01.08.2003

Current Term 01.07.2007 – 30.09.2010

#### SunWater Board Committee Membership

Audit & Corporate Governance (Chair), Remuneration

#### Skills, experience and expertise

Extensive experience at senior executive, Managing Director, and Board level in a wide range of primary industries and agribusiness. Positions held include Chairman, Queensland Market Corporation; Deputy Chairman, Australian Horticultural Corporation; Chairman, Queensland Horticulture Institute; Managing Director, Australian Dairy Corporation; Managing Director, Austdairy Ltd; Director, Thai Dairy Industry Co Ltd; Chairman, National Brucellosis and Tuberculosis Eradication Campaign; and Deputy Secretary, Commonwealth Department of Primary Industries.

Particular expertise has been in the areas of financial management, corporate strategy, leadership of highly qualified multi-disciplinary workforces, and domestic and export marketing.

#### Other interests:

Previously Chairman and now Board Member of community care services organisation Newlife Care Inc.

Membership of government advisory boards which have included Queensland Horticulture Industry Development Council and Biosecurity Council of Queensland.



### GREG MOYNIHAN

*BCom, GradDipSIA, ASA, Fellow FINSIA, MAICD*

#### Director

Initial Appointment 09.08.2007

Current Term 09.08.2007 – 30.09.2010

#### SunWater Board Committee Membership

Audit & Corporate Governance, Remuneration (Chair)

#### Skills, experience and expertise

Majority of career spent within the broad finance sector with general management roles in a wide range of disciplines. Responsibilities included financial and capital management, investment management, corporate strategy and marketing, and having primary accountability for business operations covering general insurance, business banking, retail banking and wealth management. Former Chief Executive Officer of Metway Bank Limited. Held senior executive positions in Citibank Australia, Metway Bank and Suncorp Metway Limited.

#### Other interests:

Currently a Director of Ausenco Limited, Calbridge Ltd, UAP Holdings Pty. Ltd., GRG Residential Pty Ltd and a number of private investment companies. Held directorships with Cashcard Australia Ltd, LJ Hooker Ltd, RACQ Insurance Ltd, Hedge Funds of Australia Ltd (Chair), Suncorp Metway Ltd (various subsidiaries), and First Base Pooled Development Fund.

# OUR LEADERS

## SunWater Board



### NEIL TURNER

#### Director

Initial Appointment 01.10.2008  
Current Term 01.10.2008 – 30.09.2011

#### SunWater Board Committee Membership

Industry Regulation Safety & Environment

#### Skills, experience and expertise

Neil is a former Speaker of the Legislative Assembly (Queensland) and the former Minister for Transport and Primary Industries. Prior to his Parliamentary roles Neil was a primary producer, Shire Councillor and member of UGA.

Neil is a Justice of the Peace.

#### Other interests:

Holder of the Centenary of Federation Medal.

### PHIL HENNESSY

*BBus (Accountancy), FCA*

#### Former Chairman

Initial Appointment 01.10.2000  
Term 01.07.2008 – 30.09.2009 (retired)  
SunWater Board Committee Membership  
Audit & Corporate Governance

## SunWater Management



### PETER BOETTCHER

*BE(Agric), MBA*

#### Chief Executive

Appointment April 2008

#### Skills, experience and expertise

As CEO, Peter is charged with providing leadership and overall business management to SunWater. Peter is a water industry professional with over 21 years experience in the development, management and commercial operations of bulk water infrastructure. Prior to his appointment as CEO in 2008, Peter held the positions of Chief Operating Officer and General Manager Water Supply Services.

#### Business Direction

Peter believes that as the industry moves to a more commercial model the importance of professional and capable water infrastructure services in the areas of both development and ongoing management is being recognised as critical enablers to economic growth. This emerging environment provides exciting opportunities for SunWater in the areas of business growth, improvements to water infrastructure management, improved services that enable customers to reach their business goals, and the provision of key water infrastructure for the resources and energy sector. He is focused on ensuring that SunWater delivers dependable and reliable infrastructure services to all its customers, whether they are other bulk water assets owners, commercial industries, local governments, or irrigation water users.

#### Career History

Peter has worked as an Engineer and Manager with SunWater and its predecessor organisations for over 21 years. Immediately prior to his appointment as CEO in 2008, Peter held the positions of Chief Operating Officer and General Manager Water Supply Services Division within SunWater.



### MARK BROWNE

*BBus(BusMgt), DipEng(Elec), MBA, Dip PM, CPPD, MAICD*

#### General Manager

#### Infrastructure Development

Appointment September 2007

#### Skills, experience and expertise

Mark is responsible for the delivery of SunWater's project portfolio and business development activities. He has more than 20 years' experience in project management, business development and business management in the infrastructure construction and defence industries.

#### Business Direction

Mark uses his broad industry experience to focus on ensuring that SunWater continues to deliver project services to its entire customer base, existing and newly developed.

#### Career History

Prior to joining SunWater, Mark held senior positions in large infrastructure construction companies and delivered multimillion-dollar projects throughout Queensland under a variety of contracting arrangements including alliances and traditional delivery mechanisms. His strategy and business development experience includes his role as Chief Strategist and Manager of Business Development for Boeing Australia's systems group and Business Development Manager for ABB Engineering Construction.





### BARRY JEPPESEN

*Assoc Diploma Eng (Civil), MBA, MAICD*

General Manager Infrastructure Management

Appointment November 2009

#### Skills, experience & expertise

Barry has more than three decades of experience in all aspects of the operation, maintenance, construction and management of water and wastewater infrastructure at the bulk and retail level, and brings to SunWater a wealth of expert knowledge and experience.

He has been involved directly with helping shape and implement regional drought proofing reforms and policy, developing the Queensland Water Industry Training & Development Centre of Excellence, and contributing to sustainable water practices in the form of asset maintenance and planning and contracts management.

#### Business Direction

Barry provides the necessary leadership to support the Infrastructure Management team and continues SunWater's drive to become a modern, customer-focussed water utility business.

#### Career History

Having commenced as a cadet with Brisbane Water in the late 1970s, Barry progressed through to an executive level before moving on to Ipswich Water as Chief Operating Officer in 2006.



### GEOFF WHITE

*BCom, FCA*

General Manager Corporate and Company Secretary

Appointment June 2004

#### Skills, experience and expertise

Geoff has substantial commercial experience in all aspects of business and financial management, as well as audit and corporate governance.

#### Business Direction

Geoff's primary focus at SunWater is to refine systems and processes, and ensure that best-practice corporate support is provided to the operational business units to assist them in achieving effective customer service.

#### Career History

Geoff has previously been involved with a wide range of organisations including public and private companies, joint ventures and not-for-profit organisations. He was a partner in a leading accounting firm for 14 years. In addition, he has significant practical experience in the management of client relationships, human resources, information technology and financial administration.

### RENEE BUTTERFIELD

*LLB, BA*

Alternate Company Secretary

Renee Butterfield joined SunWater in December 2008 as Corporate Counsel and was appointed Alternate Company Secretary in May 2009. Renee is responsible for legal compliance and the provision of legal services for all areas of the business by SunWater's in-house legal team.

Prior to joining SunWater, Renee worked both as a private practitioner and in corporate roles for ASX listed companies.

# OUR PEOPLE

During the financial year, SunWater delivered a range of employee initiatives that support professional growth and development.

## LEADERSHIP DEVELOPMENT

To build and enhance leadership capability, SunWater is partnering with QUT Business School to deliver Compass, a senior leader development program. The program has been designed to meet the leadership development needs of SunWater's existing senior management team and identified emerging leaders to equip them for senior management roles in the future. The first program commenced in July 2010 and will be completed over an 18 month period.

## ACCOUNTABILITY AND PERFORMANCE CULTURE

SunWater is reinforcing and enhancing our performance culture through improvement of the performance management and development system. Key to the revised system is ensuring that, where appropriate, strategic and business objectives are cascaded from executives, to senior managers, to supervisors and employees. We are also conducting training to enhance the skills of all managers and staff in the development of more robust performance objectives and key performance indicators.

## ORGANISATIONAL RESTRUCTURE

During the year SunWater implemented changes to its organisational structure to better align organisational responsibilities, accountabilities and future business outcomes.

These changes are being implemented over an 18 month period to provide time for SunWater to work with affected personnel through this transition process. In accordance with the SunWater Enterprise Agreement 2009–12, SunWater is committed to employee retraining and redeployment to allow affected employees to take up suitable permanent positions. As part of this commitment, SunWater is working with the affected personnel to identify suitable, permanent employment opportunities, discuss career options, skill development and redeployment options, and provide these staff with access to DBM Australia's career support programs, including career transition workshops that were delivered to all affected employees.

## EMPLOYEE SERVICE RECOGNITION

SunWater launched its Employee Service Recognition Program to highlight that the success of SunWater has largely been the result of a major life investment on the part of long serving employees. The program recognises, through local ceremonies, the loyalty of our permanent full-time and part-time employees who have been with SunWater for 10 years or more.

## TRAINING AND DEVELOPMENT

Learning and development plans are established for each of our people to develop essential skills and competencies within the organisation.

Entry level programs are offered for apprentices, cadets, trainees and graduates that enable SunWater to build its internal capability to cater for current and future business needs.

Training and development program outcomes in 2009–10 are as follows:

- 13 staff are enrolled in SunWater's three year Graduate Program. Four staff graduated and seven are in their final year.
- Seven staff are enrolled in the four year Cadet Program. Five cadets from the first intake in 2008 are expected to graduate at the end of 2011.
- 38 staff are enrolled in the two-year Water Industry Training (WIT) program, 14 in Certificate III in water treatment and 24 in bulk water. Of the 38 participants, 30 were new enrolments during the year, and the other eight participants are expected to graduate in 2011.

The SunWater training curriculum will be expanded to include mentoring and coaching programs, project management training and first line supervisor training.

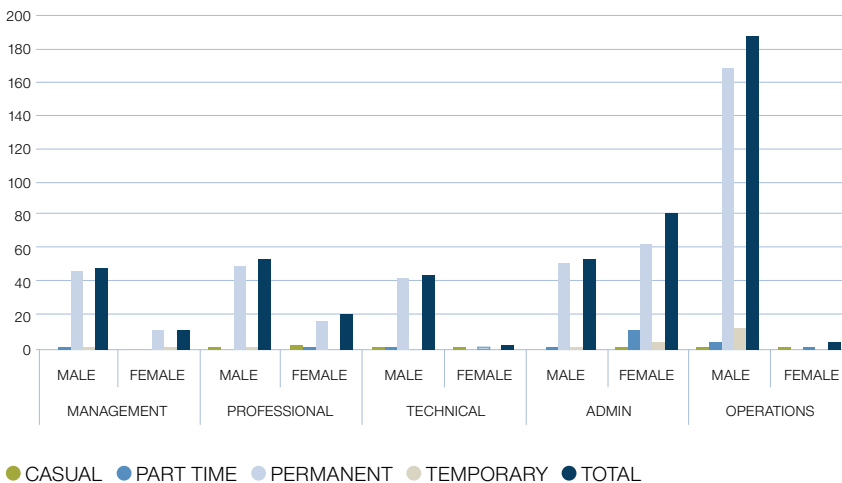


Ongoing development of staff through strategic training programs enables SunWater to deliver effective services to its customers.

### EQUAL EMPLOYMENT OPPORTUNITIES

SunWater is committed to providing development and career opportunities for all employees. This includes initiatives that address diversity and gender equity. Strategic initiatives include mentoring and coaching programs, promoting leadership development programs and succession planning that encourages diversity and equal opportunity and the development and implementation of career and capability frameworks that promote career growth within and across business groups.

#### Occupational group by employment status and gender



### ENTERPRISE AGREEMENT

SunWater's 2009–12 Enterprise Agreement was approved by Fair Work Australia on 13 November 2009. Productivity initiatives included in the agreement are:

- staff participation in the Smarter Lighter Faster Initiative including commitment to implementation of the initiative
- staff commitment to OH&S training to achieve our 'no harm' policy
- staff commitment to completion of annual Achievement Development Plans to ensure performance and development issues are addressed.

The base salary increases are 3.25% for each year with productivity increases equalling 1.25%, 1% and 1% across the three years of the Enterprise Agreement.

# CORPORATE GOVERNANCE

On 1 July 2008, SunWater transitioned to become a public company under the *Corporations Act 2001* (Cth) and continued trading as SunWater Limited ACN 131 034 985 (the Company).

SunWater was established as a statutory Government Owned Corporation (GOC) on 1 October 2000 under the *Government Owned Corporations Act 1993 (Qld)* (GOC Act). SunWater is wholly owned by the Queensland Government.

SunWater's corporate governance practices and frameworks have been established in compliance with the governance requirements set out in relevant legislation, including the GOC Act and the *Financial Accountability Act 2009* (Qld), and having regard to the Queensland Government's *Corporate Governance Guidelines for GOCs*.

SunWater has implemented significant processes to ensure its internal policies, guidelines and practices remain aligned with the wider legislative and GOC policy framework relevant to the Company and its subsidiaries. Through regular monitoring, reporting and disclosure, SunWater is able to demonstrate that its corporate governance practices are adequate and appropriate.

## PRINCIPLE 1 FOUNDATIONS OF MANAGEMENT AND OVERSIGHT

To ensure that the Board is able to effectively fulfil the requirements of section 88 of the GOC Act and relevant provisions of the *Corporations Act 2001* (Cth):

- The Board Charter defines the roles and responsibilities of the Board and matters which are delegated to management. *The Board Charter is published on SunWater's website [www.sunwater.com.au](http://www.sunwater.com.au) as part of SunWater's release of information publication scheme.*
- The Audit and Corporate Governance Committee, the Industry, Regulation, Safety and Environment Committee, and the Remuneration Committee have specific committee charters. *These Charters are published on SunWater's website [www.sunwater.com.au](http://www.sunwater.com.au) as part of SunWater's release of information publication scheme.*
- A register of committees and their functions is maintained by SunWater.
- The Board Handbook is available to facilitate Board operations and induction and self-evaluation processes.
- There is a formal induction process in place for new Board members in relation to their Board and committee functions and responsibilities.

- Management's responsibilities are defined and documented in formal position descriptions and performance plans.
- A performance evaluation for the CEO and Senior Executives took place as part of SunWater's annual achievement development system. The evaluation process and results are overseen by the Remuneration Committee.
- Separately, the Board undertakes a process of self-evaluation every 18 months.


## PRINCIPLE 2 STRUCTURE THE BOARD TO ADD VALUE

There is a range of procedures and controls in place to ensure that the interests of shareholding Ministers and the public are properly protected.

The Board is appointed by the Governor-in-Council in accordance with the GOC Act.

- The Board comprises seven non-executive Directors, all of whom are considered to be independent and have no business or other relationships that could compromise their ability to exercise unfettered and independent judgement. The skills, experience and expertise of each Director are set out on pages 28 to 30 of this report.
- Work undertaken for SunWater by any business in which a Director has an interest is recorded and assessed against materiality thresholds to ensure ongoing director independence. Depending on the nature and amount of work undertaken, SunWater has defined the materiality threshold for:





Regular monitoring, reporting and disclosure ensures SunWater's Corporate Governances are not only adequate but appropriate.

- a supplier of SunWater at 40% or more; and
- a customer of SunWater at 5% or more, of the total of the relevant expenditure or revenue category or categories in any rolling 12-month period.
- Amounts paid by SunWater to professional advisory firms of which Directors are principals are reported to the Board on a quarterly basis as they occur.
- Directors declare their business interests and any business or other relationships annually and must notify the Board of changes to business interests and appointments.
- The Board generally reviews all Director independence information on a monthly basis and Directors are required to disclose at the commencement of every Board and Committee meeting any matters relevant to their independence.
- The Board and Committees regularly review their information needs to ensure the information received is appropriate for the effective discharge of their charters.
- While the Chair continuously monitors the performance of individual Directors, the Board and Committees, a formal self-evaluation process is undertaken every 18 months. The last self-evaluation process was completed in May 2010.
- The evaluation process considered the effectiveness of the Directors, Board and Committees, including Board and Committee structure and roles, strategy and planning, Board dynamics and relationship with management, internal processes, organisational performance, risk assessment and external communication. The results of these assessments are communicated to shareholding Ministers in writing.
- The Board has established and administers an ongoing performance evaluation and reporting process. As part of the process, training and development requirements are identified to ensure that Directors have appropriate skills and knowledge of water industry and corporate governance issues. Directors may seek independent professional advice at the Company's expense.

### PRINCIPLE 3 PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

SunWater holds all Directors and employees to the highest standards of ethical behaviour. SunWater is committed to corporate practices which recognise the interests of employees, clients and the community as a whole and obligations of corporate social responsibility:

- SunWater has implemented a Code of Conduct outlining practices necessary to maintain confidence in SunWater's integrity which applies to all employees and Directors. The Board Handbook also outlines the Directors' ethical obligations to ensure SunWater's integrity is maintained. *The Code of Conduct is available on SunWater's website: [www.sunwater.com.au](http://www.sunwater.com.au)*

- SunWater has established a Trading in Securities Policy which applies to regulate any situation where Directors, officers or employees may in the course of their duties have access to inside information about any securities or where dealings in securities may create a conflict of interest. *The Trading in Securities Policy is available on SunWater's website [www.sunwater.com.au](http://www.sunwater.com.au)*
- From 1 July 2010 SunWater is within the jurisdiction of the Crime and Misconduct Commission (CMC) and is committed to renewing and updating its integrity framework with guidance from the CMC.
- SunWater has established an Accountability Referrals Committee (ARC) to respond to any allegations of misconduct against SunWater employees. The ARC advises the CEO on how to deal with misconduct matters and also assists the CEO in liaising with the CMC and, if necessary, appointing appropriate experts or independent parties to investigate misconduct matters. Any allegations of misconduct against the CEO or a Director are referred by the ARC directly to the Chair.
- SunWater has established a dedicated email address and complaints forms on its website to facilitate reporting of allegations of unethical behaviour, misconduct and fraud. The email address is [reportfraud@sunwater.com.au](mailto:reportfraud@sunwater.com.au).

#### PRINCIPLE 4 SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

SunWater has appropriate structures and rigorous procedures and controls in place to ensure complete and accurate reporting of its financial position:

- SunWater has established an Audit and Corporate Governance Committee to oversee preparation of financial statements and to confirm that accounting methods applied are consistent and comply with applicable accounting standards and concepts. The Committee also advises the Board on the efficacy of the internal and external audit functions, the adequacy of accounting procedures and system controls (including delegations), and budget and financial forecasts. In addition, the Committee monitors significant business areas including capital structure, asset values, taxation and solvency.
- The Audit and Corporate Governance Committee comprises four independent non-executive Director members who have appropriate financial experience and understand the water industry. The Audit and Corporate Governance Committee ensures that strategic and operational risks of significance are subject to review by independent management and makes recommendations to the Board about policy, risk management and compliance improvements.
- The CEO, General Manager Corporate and Manager Finance have confirmed in writing that the 2009–10 financial statements present a true and fair view and are in accordance with accounting standards.

#### PRINCIPLE 5 MAKE TIMELY AND BALANCED DISCLOSURES

As a GOC, SunWater is accountable to its shareholding Ministers who are in turn accountable to Parliament. SunWater is committed to maintaining a level of disclosure that provides shareholding Ministers with timely and complete access to information:

- SunWater submits detailed Quarterly Scorecards to its shareholding Ministers on its performance against the annual Statement of Corporate Intent (SCI) and comprehensive information on operations, financial performance and financial position. This information is publicly released through annual and interim reports, as required.
- SunWater immediately informs its shareholding Ministers of any matter that impacts upon its ability to achieve the objectives in SunWater's SCI and Corporate Plan.
- SunWater adopts a broad approach to disclosure by regularly providing submissions and briefing notes to shareholding Ministers on specific matters.
- To ensure that SunWater meets its disclosure requirements, SunWater regularly assesses the key information needs of stakeholders.
- SunWater also maintains a publication scheme on its website, in accordance with its obligations under the *Right to Information Act 2009* (Qld). *See [www.sunwater.com.au](http://www.sunwater.com.au)*

## PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS

SunWater is committed to providing balanced and comprehensive information to shareholding Ministers to ensure that the requirements of open and accountable government are met:

- Shareholding Ministers are advised in a timely manner of all issues that have a significant financial, operational, employee, community or environmental impact.
- SunWater engages with stakeholders through a range of communication strategies to ensure effective and active consultation.
- SunWater seeks to actively engage with shareholding Ministers to meet legislative and regulatory requirements and promote integrity and confidence.

## PRINCIPLE 7 RECOGNISE AND MANAGE RISK

SunWater has in place a comprehensive framework and procedures for the identification, monitoring and management of key risks associated with its business activities:

- The Board and its Committees monitor management's performance in identifying areas of risk and implementing effective strategies to manage and mitigate identified risks.
- A risk management methodology and process based on AS/NZS ISO 31000:2009 is being used across SunWater. The Company maintains a number of specific project and operational risk management registers which use (as much as practicable) common processes, categories and assessment criteria. Management of SunWater's business risks includes the use of a hierarchy of registers which elevate risks

of higher importance to the management team, committee and Board consideration as required.

- SunWater has implemented and maintains systems, policies and procedures which ensure:
  - Integration and alignment of risk management systems with corporate and operational objectives;
  - Clear communication throughout SunWater of the Board and senior management's position on risk;
  - Common risk management terminology across the Company;
  - Risk management forms part of normal business practice and is not undertaken as a separate task at set times; and
  - Information systems for reporting on risk are integrated to enable aggregation and reporting at a corporate level.
- SunWater has implemented policies and procedures to address the risks of fraud which include:
  - Staff responsibilities in relation to fraud prevention and identification;
  - Responsibility for fraud investigation once a fraud has been identified;
  - Processes for reporting on fraud-related matters to management;
  - Reporting and recording processes to be followed to manage and finalise allegations of fraud;
  - Requirements for staff training to be conducted on fraud prevention and identification;
  - Active programs to detect fraud in key risk areas;
  - A reference to the Code of Conduct for ethical behaviour; and
  - A fraud control plan for ongoing monitoring and coordination of fraud control activities which sets out responsibilities and accountabilities for fraud control at all levels of the Company.
- The CEO, General Manager Corporate, and Manager Finance confirm to the Board that the statement given under recommendations applying to Principle 4 is founded on a sound system of risk management and internal compliance and control which implements Board policies, and that the risk management and control system is operating effectively in all material respects.
- At the highest level of risk consideration, SunWater has established a strategic issues log and corporate risk register which are regularly reported to the Board (monthly) and Committees (every two months). Risks are assigned by the Board to the Committees based on their impact on the business and their external consequences. The Audit and Corporate Governance Committee oversees general business risk management issues and the Industry, Regulation, Safety and Environment Committee oversees risks in the water, regulatory and environmental management areas.
- Higher risks are aligned with established business priorities and assessed against a comprehensive risk intelligence framework developed by an external advisor. Identified risks are typically categorised under the areas of governance, strategy and planning, operations and infrastructure, compliance and reporting.
- Internally, SunWater has dedicated internal audit, legal and governance resources to oversee management of risk identification, planning, mitigation and review processes and, additionally, sources external advice as required.

## PRINCIPLE 8 REMUNERATE FAIRLY AND RESPONSIBLY

- SunWater has established a Remuneration Committee which meets at least four times each year and assists the Board in discharging its duties in regard to executive appointments, executive performance, staff remuneration and industrial relations matters. It considers and recommends to the Board the remuneration

and terms of employment for the CEO and senior executives and is directly involved in the associated performance planning and review processes. It also oversees the SunWater Enterprise Agreement renewal process.

- The appropriateness of SunWater's remuneration strategy is assessed utilising community and industry standards and other external information.

## THE BOARD OF SUNWATER AND BOARD COMMITTEES

(See Organisational Structure Chart pages 26 to 27)

### Meetings attended by directors

	BOARD OF SUNWATER	COMMITTEES		
		AUDIT AND CORPORATE GOVERNANCE	INDUSTRY, REGULATION, SAFETY AND ENVIRONMENT	REMUNERATION
<b>Total Meetings</b>	<b>10</b>	<b>6</b>	<b>6</b>	<b>5</b>
<b>Phil Hennessy*</b>	2/3	1/1		
<b>Scott Spencer**</b>	7/7	5/5		
<b>Jane Bertelsen</b>	10		6	
<b>Tom Connor</b>	9		6	
<b>John Gibson</b>	10	6		5
<b>Greg Moynihan</b>	9	6		5
<b>Kirstin Ferguson***</b>	8	6	0/1	5
<b>Neil Turner</b>	10		5	

\* Phil Hennessy retired on 30/09/09.

\*\* Scott Spencer appointed Chair 01/10/09.

\*\*\* Kirstin Ferguson appointed to IRSE Committee 01/04/10.

### Subsidiary Companies

Each subsidiary company has a Board of Directors drawn from the SunWater Board, and meets on average three times per year to overview the management, operations, performance and financial reporting activities of that company (refer to page 41).

### Remuneration of Directors

Remuneration of Directors is determined by the Governor-in-Council. Total remuneration levels for individual Directors are reported on page 64.

### Senior executive and staff remuneration

The Remuneration Committee of the Board oversees all employee remuneration. SunWater remuneration policies for the majority of SunWater staff, excluding staff members on individual contract, are determined by an Enterprise Agreement in accordance with the Queensland Government approved negotiating framework. SunWater does not have a performance payment scheme for employees covered by the Enterprise Agreement.

Senior executive remuneration is set by the Board in accordance with Queensland Government policy for the Governance Arrangements for Chief and Senior Executives. Their remuneration is based on external independent advice on position evaluation and having regard to Queensland Government policy. Remuneration levels are set on the basis of Total Fixed Remuneration, which are inclusive of all payments and benefits. Senior executive remuneration and conditions for new appointments are based on Queensland Government's preferred



outer limit employment agreements. Existing senior positions are based on a mix of outer limit and tenured employee arrangements.

A Performance Pay Scheme for chief and senior executives based on agreed targets set by the Board and CEO was in place during 2009–10. The scheme was reviewed in accordance with Queensland Government guidelines.

### Dividend

SunWater's dividend policy, as stated in the 2009–10 SCI, takes into account the return its shareholders expect on their investment.

SunWater's Board declared a 2009–10 dividend of \$10.640M based on a dividend payout ratio of 70% of the group's forecast adjusted consolidated operating profit after tax for the 2009–10 financial year.

## COMPLIANCE IN KEY AREAS

### Dam safety

SunWater has in place a comprehensive dam safety program that meets or exceeds dam safety guidelines set by the dam safety regulator (DERM), and monitors dam safety as required by the *Water Supply (Safety and Reliability) Act 2008* and in accordance with the Australian National Committee on Large Dams (ANCOLD) guidelines. Annual updates are provided to SunWater's insurance broker to comply with insurance policy disclosure requirements. In recognition of revised maximum probable flood estimates and relevant ANCOLD and Queensland Government regulatory Guidelines on Acceptable Flood Capacity for Dams, SunWater has established and is implementing a program of dam safety upgrades.



SunWater regards quality management systems as a high priority in all business areas.

### Quality management

The Quality Management Systems for operations and maintenance and project development are certified under ISO9001:2008 and ensure that best-practice quality management and compliance is achieved across the business.

### Environmental management

The SunWater Environmental Management System is certified under AS/NZS ISO14001:2004 and ensures that best-practice environmental management and compliance is achieved across the business.

### Workplace Health and Safety Management

The SunWater Workplace Health and Safety Management System is certified under AS/NZS 4801:2001 and ensures that best-practice WH&S management and compliance are achieved across the business.

### Financial management

SunWater complied with the relevant requirements of the *Financial Accountability Act 2009* (Qld), *Corporations Act 2001* (Cth) and the GOC Act.

### Local industry policy

SunWater complies with the Queensland Government's Local Industry Policy and supports competitive local industry access to tender for work on relevant infrastructure and resource-based projects and major procurements in Queensland.

Among other commitments to the Queensland Government's Local Industry Policy, SunWater, in its planning for works, ensures work packages are developed so as to offer opportunities for capable local suppliers.

SunWater reports on local industry involvement in these projects as required by submitting local industry participation plans and outcome reports to the Department of Employment, Economic Development and Innovation in line with the Queensland Government's policy and guidelines.

### Right to Information

In compliance with the *Right to Information Act 2009* (Qld), SunWater publishes (and regularly updates) its publication scheme and disclosure log on its website.

### Sunwater Compliance Program

SunWater has implemented a compliance program aimed at achieving best-practice compliance management, monitoring and reporting. The program includes a compliance action system to alert staff of new legal obligations. Staff are required to respond to action these alerts in a timely manner and management monitors these responses to ensure compliance objectives are achieved.

### Internal Audit

Internal Audit is a key component of SunWater's corporate governance. It operates under a Charter approved and regularly reviewed by the Audit and Corporate Governance Committee.

The Internal Audit capability is governed by a three-year strategic audit plan, which is approved by the Audit and Corporate Governance Committee. The function is performed independently using an objective, systematic, disciplined and proactive approach and in conformance with the International Standards of Professional Practice of Internal Auditing. The audit programs have a strong focus on areas of high risks, critical controls, compliance and governance processes with consideration of industry trends and other external factors affecting the business.

### Monitoring Activities and Evaluating Performance

The Audit and Corporate Governance Committee monitors the status of Internal Audit projects and management actions on previous audit recommendations on a regular basis.

The Quality Improvement and Assurance Program for internal auditing was established in 2006 and includes a periodic external assessment by a qualified assessor and quality reviews by respective auditees at the end of each engagement.

### Resourcing

For the 2009–10 financial year, Internal Audit outsourced technical projects to Deloitte Touche Tohmatsu.

In the 2010–11 financial year, staff members who have technical expertise in SunWater's certified management systems will assist in carrying out specialist and system audits.

### Completed Audits

SunWater's Internal Audit has increased its focus this year on risks associated with capital expenditures, accounts payable and payroll, fraud, project management, contract management and public safety.

### Corporate planning and reporting

SunWater produces a Corporate Plan with a five-year outlook, and an SCI that is the annual performance agreement between the Board and shareholding Ministers. Quarterly Scorecards provide shareholding Ministers with details of SunWater's progress towards key undertakings and financial performance against targets and budgets documented in the SCI. Consolidated business and group performance reports are provided to the Board on a monthly basis.

SunWater also releases an Interim Report each February to provide progress against performance targets with the Annual SCI, and a Forecast Report at the start of each financial year (commencing the 2010–11 financial year) to communicate SunWater's intentions for the coming year.

### Directions and notifications from Shareholding Ministers

SunWater received no directions or notifications from shareholders during the 2009–10 financial year.

### Subsidiary reporting

SunWater's subsidiaries – North West Queensland Water Pipeline Pty Ltd, Eungella Water Pipeline Pty Ltd and Burnett Water Pty Ltd – being small proprietary companies, are not required to prepare separate special purpose financial statements. For public reporting purposes, the subsidiaries are consolidated into SunWater's financial report.

### Going concern declaration

In the Directors' opinion, at the date of this declaration, there are reasonable grounds to believe that SunWater will be able to pay its debts as and when they become due and payable.

*Further information regarding SunWater's Corporate Governance can be found at [www.sunwater.com.au](http://www.sunwater.com.au)*

## SUBSIDIARY BUSINESSES

### North West Queensland Water Pipeline Pty Ltd

North West Queensland Water Pipeline Pty Ltd (NWQWP) is a wholly owned subsidiary of SunWater. Its original assets include low-lift and high-lift pump stations, 113km of pipeline and control systems. It was designed as a multi-user pipeline deriving raw water from Lake Julius and transporting it to the Ernest Henry Mine Reservoir and a number of minor rural users along the route. The existing stage one is designed to deliver 7,000ML per annum – sufficient to supply additional users in the future. The pipeline design allows for a future upgrade depending on user demand.

NWQWP also owns and operates the Cloncurry Pipeline, a 38km extension pipeline from the NWQWP to the township of Cloncurry for domestic and industrial supply. This pipeline was constructed in response to the township's exposure to drought. The construction of the pipeline extension was completed in March 2010, and it ensures that a long-term secure and reliable water supply is available for both the township of Cloncurry and the wider region.

### Eungella Water Pipeline Pty Ltd

Eungella Water Pipeline Pty Ltd (EWP) is a wholly owned subsidiary of SunWater. The company's original assets comprise 123km of pipeline and associated pumping equipment with the capacity to deliver up to 15,000ML per annum of water from Eungella Dam to the Goonyella Balancing Storage and 10,000ML per annum to the Moranbah Terminal Storage.

The 116km of Eastern and Southern Spur pipelines that take water from the Eungella Water Pipeline and the new Burdekin-Moranbah Pipeline to coal mines and related users in the northern Bowen Basin commenced delivering water in the first quarter of 2008–09.

### Burnett Water Pty Ltd

Burnett Water Pty Ltd (BW) is a wholly owned subsidiary of SunWater. The company's assets comprise Paradise Dam and Kirar Weir on the Burnett River, and the unsold portion of the 164,000ML of water allocations made available for sale/lease as a result of these new storages. These allocations can be utilised in the Bundaberg and Upper Burnett Water Supply Schemes. The mini hydro power station at Paradise Dam has been commissioned and is generating electricity for distribution into the local grid.

SunWater has developed a comprehensive marketing strategy to realise the commercial value of the company's water allocations in the marketplace. Uptake of the new allocations has been slow partly due to low storage levels and subsequent low Announced Allocations until recently, although the ability to source high priority water has been well received.

On 7 October 2008 the Wide Bay Burnett Conservation Council commenced an action in the Federal Court against BW seeking orders in relation to the fishways at Paradise Dam. The parties are awaiting judgement in this matter. The SunWater group is committed to building, managing and operating all storages in an environmentally sustainable manner.

In June 2007 the DEWHA conducted an audit of BW's compliance with the conditions of approval for Paradise Dam granted under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth). The findings of the audit were released in March 2008.

BW has continued to work with the DEWHA to address the outcomes of the audit. It is anticipated that this will be resolved following the decision of the Federal Court in the Wide Bay Burnett Conservation Council action.



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## GENERAL INFORMATION

These financial statements cover both SunWater Limited as the parent entity and the consolidated entity consisting of SunWater Limited and its controlled entities.

The financial statements were authorised for issue by the directors at the date of signing of the Director's Declaration. The directors have the power to amend and reissue the financial statements.

On 1 July 2008, SunWater transitioned to a company government owned corporation (GOC).

SunWater's head office and principal place of business is:

Level 10, 179 Turbot Street  
BRISBANE QLD 4000



# DIRECTORS' REPORT

Your directors present their report together with the financial report of SunWater Limited and its subsidiaries ("SunWater") for the financial year ended 30 June 2010 and the auditor's report thereon.

## DIRECTORS

The following persons were directors of SunWater Limited during the whole of the financial year and up to the date of this report:

Ms J Bertelsen  
Mr T Connor  
Ms K Ferguson  
Mr J Gibson  
Mr G Moynihan  
Mr N Turner

Mr P Hennessy was a director from the beginning of the financial year until his resignation on 30 September 2009.

Mr S Spencer was appointed as a director and chairman on 1 October 2009.

Further information about directors' qualifications, experience, term of appointment and attendance at meetings are detailed in the "Our Leaders" and "Corporate Governance" sections of the Annual Report on pages 28 to 30 and page 38 respectively. (Information about the qualifications and experience of the company secretaries of SunWater Limited is detailed in the "Our Leaders" section of the Annual Report on page 31.)

## PRINCIPAL ACTIVITY

SunWater owns and operates bulk water supply and distribution infrastructure located throughout regional Queensland and provides water-related engineering and facilities management services. Water is supplied to mining companies, industrial companies, power stations, manufacturing companies, irrigators, water boards and local governments.

## FINANCIAL PERFORMANCE

The consolidated after tax profit for the financial year amounted to \$44.761M (2009: \$85.979M profit). Further details of SunWater's financial performance are provided in the "Financial Summary" section of the Annual Report.

## DIVIDENDS

In respect of the financial year ending 30 June 2010, a dividend of \$10.640M was declared to the holders of fully paid ordinary shares (2009: \$7.625M declared for the full reporting period ending 30 June 2009 and paid in December 2009).

## REVIEW OF OPERATIONS

Information on the operations of SunWater and the results of those operations are detailed in the "Operational Performance" section of the Annual Report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Contributed equity increased by \$70.609M as a result of further Queensland Government investment in the company. \$60.000M was contributed as balance sheet support following the 2008-09 capital structure review conducted by Queensland Treasury Corporation. \$10.609M was contributed by the Queensland Government to fund the required dam safety upgrade to the Tinaroo Falls Dam.

During the year, the Queensland Government released its policy on how SunWater's future irrigation water prices are to be determined for the five year period from 1 July 2011 to 30 June 2016. The policy continues the transition towards full cost recovery, where practicable, to achieve full cost recovery within 15 years from 1 July 2011. The Queensland Competition Authority (QCA) has been appointed to conduct an independent review and make recommendations to government on future water pricing in early 2011. The QCA report is expected to be completed in April, 2011 and new prices will be set by June, 2011.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

- (a) SunWater's operations in future financial years,
  - (b) the results of those operations in future financial years, or
  - (c) SunWater's state of affairs in future financial years;
- except as set out elsewhere in this report and the financial statements.

## LIKELY DEVELOPMENTS

An outline of the likely developments in SunWater's operations is included in the "Securing Tomorrow" section of the Annual Report on page 16.

## ENVIRONMENTAL REGULATION

SunWater's operations are subject to significant environmental regulation under both Commonwealth and State legislation. SunWater aims to achieve a high standard of care for the natural environment in all its activities. In order to achieve this goal, SunWater has implemented an Environmental Management System, consistent with the requirements of AS/NZS ISO14001:2004 and which is third party certified, across all levels and functions of the organisation.

The SunWater Environmental Management System covers the following:

- development and ongoing management of SunWater's existing and future water supply schemes;
- provision of strategic and routine operations and maintenance services to both internal SunWater clients and external water infrastructure owners;
- planning and design of water distribution and supply infrastructure – this includes project planning, feasibility studies, geotechnical investigations, site surveys, facility design, development of project specifications and performance criteria, and project management; and
- refurbishment and construction of water distribution and supply infrastructure.

Further information in relation to environmental issues is disclosed in the "Environment" section of the Annual Report on page 20 and in note 29 to the financial statements.

# DIRECTORS' REPORT

## SAFETY

SunWater's water infrastructure assets are located throughout Queensland. The increasing age profile of the assets continues to focus attention on the safety of SunWater's employees, customers and the public. During the year, SunWater's safety program included the ongoing construction of the Tinaroo Falls Dam upgrade, the implementation of a wide-ranging upgrade program for the safe operation of the assets and the continuation of a media campaign to encourage positive safety behaviours on and around SunWater's infrastructure by members of the public.

## INSURANCE OF OFFICERS

During the financial year, SunWater paid a premium of \$72,253 (exclusive of GST) to insure the directors and secretaries of SunWater Limited and its wholly owned subsidiary companies, and the executive officers of SunWater.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as officers of entities in SunWater, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to SunWater. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## 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 following this Directors' Report.

## INCLUSION OF PARENT ENTITY FINANCIAL STATEMENTS

SunWater has elected, under Class Order 10/654 issued by the Australian Securities and Investments Commission, to continue to include parent entity financial statements in the financial report because the parent entity financial statements provide information that is relevant to the users of SunWater's financial report.

## ROUNDING OF AMOUNTS

The Corporation is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## AUDITOR

The Auditor-General of Queensland continues in office in accordance with section 327 of the *Corporations Act 2001*. No non-audit services are provided to SunWater by the Auditor-General. Further information is set out in note 25 to the financial statements.

This report is made in accordance with a resolution of directors.

S N Spencer  
Chairman  
Brisbane, Qld  
27 August 2010

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 46 to 66 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the financial statements also comply with International Financial Reporting Standards as disclosed in note 1(a).

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

S N Spencer  
Chairman  
Brisbane, Qld  
27 August 2010

## AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of SunWater Limited

This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

### INDEPENDENCE DECLARATION

As lead auditor for the audit of SunWater Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been –

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

G G POOLE FCPA  
Auditor-General of Queensland

Queensland Audit Office  
Brisbane

# STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	NOTES	CONSOLIDATED		PARENT	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue from continuing operations	4	196,442	198,568	207,701	198,185
Other income	5	3,605	61,156	3,579	61,156
<b>EXPENSES FROM CONTINUING OPERATIONS:</b>					
Employee benefits expense		(39,431)	(39,251)	(40,970)	(40,843)
Depreciation and amortisation expense		(24,377)	(24,433)	(17,702)	(18,110)
Impairment expense		(3,041)	(19,003)	(1,916)	(19,003)
Contracted services expense		(10,760)	(19,399)	(26,904)	(20,245)
Electricity expense		(18,783)	(14,549)	(18,079)	(13,837)
Materials expense		(3,124)	(5,249)	(6,884)	(9,932)
Plant hire expense		(2,763)	(4,946)	(2,876)	(4,971)
Motor vehicle operating leases expense		(2,556)	(2,484)	(2,556)	(2,484)
IT charges		(1,160)	(1,152)	(1,160)	(1,152)
Travel expense		(1,438)	(1,992)	(1,509)	(2,089)
Accommodation expense		(2,706)	(2,930)	(2,776)	(2,931)
Insurance expense		(5,202)	(4,979)	(4,758)	(4,627)
Legal expense		(2,820)	(2,569)	(982)	(1,574)
Rates and land tax expense		(1,352)	(1,189)	(1,213)	(1,076)
Telephone, facsimile and data lines expense		(1,580)	(2,012)	(1,576)	(2,007)
Cost of water allocations sold		(739)	(862)	-	-
Other expenses		(1,638)	(2,970)	(1,719)	(2,873)
Finance costs	6	(17,413)	(16,911)	(15,583)	(15,114)
<b>Profit before income tax equivalents</b>		<b>59,164</b>	<b>92,844</b>	<b>62,117</b>	<b>96,473</b>
Income tax equivalents expense	7	(14,403)	(6,865)	(13,627)	(3,715)
<b>Profit for the year</b>		<b>44,761</b>	<b>85,979</b>	<b>48,490</b>	<b>92,758</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>44,761</b>	<b>85,979</b>	<b>48,490</b>	<b>92,758</b>
<b>Profit/comprehensive income attributable to owners of SunWater Limited</b>		<b>44,761</b>	<b>85,979</b>	<b>48,490</b>	<b>92,758</b>

The above statements of comprehensive income should be read in conjunction with the accompanying notes.



# BALANCE SHEETS

As at 30 June 2010

	NOTES	CONSOLIDATED		PARENT	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	8	216,517	135,101	202,806	120,316
Receivables	9	8,076	8,646	8,062	9,439
Inventories	10	2,572	2,639	2,572	2,639
Other current assets	11	16,499	19,252	11,740	19,104
		243,664	165,638	225,180	151,498
Non-current assets classified as held for sale	12	-	1,916	-	1,916
<b>Total current assets</b>		<b>243,664</b>	<b>167,554</b>	<b>225,180</b>	<b>153,414</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	9	126	110	27,529	2,666
Other financial assets	13	-	-	81,296	72,668
Property, plant and equipment	14	667,288	621,418	553,859	522,752
Intangible assets	15	54,843	56,772	5,895	7,085
Deferred tax assets	16	9,636	17,920	7,536	15,419
<b>Total non-current assets</b>		<b>731,893</b>	<b>696,220</b>	<b>676,115</b>	<b>620,590</b>
<b>Total assets</b>		<b>975,557</b>	<b>863,774</b>	<b>901,295</b>	<b>774,004</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Payables	17	20,932	22,390	19,477	19,813
Provisions	18	18,042	12,513	18,042	12,513
Borrowings	19	2,839	3,557	21,034	11,003
Other	20	7,362	9,523	7,362	9,523
<b>Total current liabilities</b>		<b>49,175</b>	<b>47,983</b>	<b>65,915</b>	<b>52,852</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	18	1,173	1,161	1,173	1,161
Borrowings	19	245,977	245,311	230,273	230,273
Other	20	2,226	-	2,226	-
Deferred tax liabilities	21	34,166	31,209	18,717	15,186
<b>Total non-current liabilities</b>		<b>283,542</b>	<b>277,681</b>	<b>252,389</b>	<b>246,620</b>
<b>Total liabilities</b>		<b>332,717</b>	<b>325,664</b>	<b>318,304</b>	<b>299,472</b>
<b>Net assets</b>		<b>642,840</b>	<b>538,110</b>	<b>582,991</b>	<b>474,532</b>
<b>EQUITY</b>					
Contributed equity	23	359,320	288,711	359,320	288,711
Retained earnings		283,520	249,399	223,671	185,821
<b>Total equity</b>		<b>642,840</b>	<b>538,110</b>	<b>582,991</b>	<b>474,532</b>

The above balance sheets should be read in conjunction with the accompanying notes.

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

	NOTES	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
<b>CONSOLIDATED</b>				
Balance at 1 July 2008		288,711	171,045	459,756
Total comprehensive income for the year		-	85,979	85,979
Contributions of equity	23	-	-	-
Dividends	24	-	(7,625)	(7,625)
Balance at 30 June 2009		288,711	249,399	538,110
Total comprehensive income for the year		-	44,761	44,761
Contributions of equity	23	70,609	-	70,609
Dividends	24	-	(10,640)	(10,640)
<b>Balance at 30 June 2010</b>		<b>359,320</b>	<b>283,520</b>	<b>642,840</b>
<b>PARENT</b>				
Balance at 1 July 2008		288,711	100,688	389,399
Total comprehensive income for the year		-	92,758	92,758
Contributions of equity	23	-	-	-
Dividends	24	-	(7,625)	(7,625)
Balance at 30 June 2009		288,711	185,821	474,532
Total comprehensive income for the year		-	48,490	48,490
Contributions of equity	23	70,609	-	70,609
Dividends	24	-	(10,640)	(10,640)
<b>Balance at 30 June 2010</b>		<b>359,320</b>	<b>223,671</b>	<b>582,991</b>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

# STATEMENTS OF CASH FLOWS

For the year ended 30 June 2010

	NOTES	CONSOLIDATED		PARENT	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers (inclusive of GST and refunded GST)		206,458	208,745	179,373	186,654
Community service obligations received		2,354	2,476	1,125	2,476
Interest received		158	269	132	269
Intercompany taxes received		-	-	3,284	2,802
Payments to suppliers and employees (inclusive of GST)		(102,484)	(117,240)	(126,256)	(114,414)
<b>Net cash inflow (outflow) from operating activities</b>	<b>26</b>	<b>106,486</b>	<b>94,250</b>	<b>57,658</b>	<b>77,787</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment	12	2,480	78,083	2,443	78,083
Proceeds from term debtors		9	94	9	94
Payments from intercompany borrowings		-	-	3,162	-
Interest received		4,912	6,695	5,273	5,798
Dividends received		-	-	14,000	14,100
Payments for property, plant and equipment		(79,350)	(45,584)	(49,113)	(44,138)
<b>Net cash inflow (outflow) from investing activities</b>		<b>(71,949)</b>	<b>39,288</b>	<b>(24,226)</b>	<b>53,937</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Government grant received		266	680	-	-
Equity injection		70,609	-	70,609	-
Interest paid		(15,186)	(16,833)	(13,926)	(15,086)
Repayment of borrowings		(1,185)	(16,436)	-	(15,000)
Dividends paid		(7,625)	(5,897)	(7,625)	(5,897)
<b>Net cash inflow (outflow) from financing activities</b>		<b>46,879</b>	<b>(38,486)</b>	<b>49,058</b>	<b>(35,983)</b>
<b>Net increase (decrease) in cash held</b>		<b>81,416</b>	<b>95,052</b>	<b>82,490</b>	<b>95,741</b>
Cash at the beginning of the financial year		135,101	40,049	120,316	24,575
<b>Cash at the end of the financial year</b>		<b>216,517</b>	<b>135,101</b>	<b>202,806</b>	<b>120,316</b>

The above statements of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated. The financial report includes separate statements for SunWater Limited, the parent entity, and the consolidated entity consisting of SunWater Limited and its subsidiaries.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

The financial statements have been prepared on an accruals basis and are presented in Australian currency.

### Compliance with IFRS

The consolidated financial statements of SunWater and the separate financial statements of SunWater Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Historic cost convention

The historic cost convention has been applied except where otherwise stated.

### Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting assumptions. It also requires management to exercise its judgement in the process of applying SunWater's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in notes 3 and 14.

### Financial statement presentation

SunWater has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. As a consequence, SunWater has changed the presentation of its financial statements. Comparative information has been represented so that it is also in conformity with the revised standard.

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the parent entity as at 30 June 2010 and the financial results of all subsidiaries for the year then ended. The parent entity and its subsidiaries together are referred to in this financial report as the consolidated entity. Subsidiaries are those entities over which the parent entity has the power to govern the financial and operating policies. SunWater wholly owns all of its subsidiaries (refer note 13).

The balances and effects of all transactions between entities in the consolidated entity are eliminated in full. Where a subsidiary began or ceased to be controlled during the reporting period the results are included only from the date control commenced or up to the date control ceased. Accounting policies of all subsidiaries are consistent with the accounting policies of the parent entity. Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

The consolidated entity has no investments in associates or joint ventures.

### (c) Segment reporting

Neither SunWater Limited nor any of its subsidiaries are included in the scope of Accounting Standard AASB 8 *Operating Segments*. Also, SunWater and its subsidiaries form a single business segment, providing a range of water-related services that are subject to similar risks and returns. SunWater operates predominantly in one geographic segment, being Queensland. Operations outside Queensland are not material. Consequently, no segment information is presented in these general purpose financial statements.

### (d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates, trade allowances and amounts collected on behalf of third parties. Revenue from water operations is recognised when water has been delivered to customers or, in cases where no water has been delivered, is accrued in accordance with contractual provisions. Recognition of all other service revenue is based on work completed at the reporting date. Revenue from electricity generation is recognised on the amount of electricity generated and measured at the reporting date. Water allocations sales revenue is recognised at the point of sale. Interest income is recognised as interest accrues. Lease income from operating leases is recognised in revenue on a straight-line basis over the lease term.

### (e) Government grants

The parent entity received community service obligation (CSO) payments from the Queensland Government. The payments fund the Rural Water CSO in recognition of the current rural water pricing policies set by the government as well as certain other activities for which there are not any other revenue sources. These amounts are recorded as revenue from ordinary activities.

New rural water infrastructure assets or extensions to existing assets that are built by clear direction from government for other than commercial return may also incorporate a CSO component. These amounts are initially recorded as pre-paid revenue. Revenue is recognised on a systematic basis over the accounting periods in which the related assets' costs are recognised.

Water allocations are saleable rights that may be granted by the Crown, free of charge, in a Resource Operations Plan under the *Water Act 2000*. Interim water allocations (replacing water licences granted under previous legislation) and water allocations are recognised at nominal cost or deemed cost. All other water allocations granted free of charge are recognised, when granted, at fair value which is deemed to be cost.

### (f) Income tax

SunWater is exempt from income tax under section 24AM of the *Income Tax Assessment Act* but, in accordance with part 2 of the Manual for the National Tax Equivalents Regime, is required to comply with the National Tax Equivalents Regime in relation to income tax.

Income tax equivalents expense (or income) for the period is the tax payable on the current period's taxable income adjusted by deferred tax expenses (or income) representing 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.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. 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.

### Tax consolidation legislation

SunWater and its wholly owned Australian-controlled subsidiaries have implemented the tax consolidation legislation as of 1 July 2003. Under that legislation, the head entity, SunWater, and the subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax-consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, SunWater also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from subsidiaries in the tax-consolidated group.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by the head entity, SunWater. New subsidiaries will enter into a similar agreement as soon as practicable after acquisition.

SunWater and its subsidiaries have also entered into tax funding agreements under which the subsidiaries fully compensate SunWater for any current tax payable assumed and are compensated by SunWater for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SunWater under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the subsidiaries' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from SunWater, which is issued as soon as practicable after the end of each financial year. SunWater may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (refer notes 9 and 17).

### (g) Leases

Leases of property, plant and equipment where SunWater or a subsidiary, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Neither SunWater nor any of its subsidiaries has entered into any finance leases.

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The respective leased assets are included in the balance sheet based on their nature.

### (h) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, SunWater recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

### (i) Change in accounting policy

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

The consideration transferred is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under SunWater's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are now expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the group recognises previously acquired deferred tax assets after the initial acquisition accounting is completed, there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase SunWater's net profit after tax.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Impairment of assets

Goodwill, and intangible assets that have an indefinite useful life such as water allocations, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are assessed on an annual basis for indicators of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In the case of SunWater's water infrastructure assets, which are not traded in an active market, value-in-use is used as recoverable amount. For the purposes of assessing impairment, assets are grouped in cash generating units (CGU) which are the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Each of SunWater's water supply schemes is regarded as a cash-generating unit. Each hydro-electricity generating station is regarded as a cash-generating unit.

Non-financial assets (other than goodwill) that were impaired in a prior period are reviewed for possible reversal of the impairment at each reporting date.

### (j) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### (k) Receivables

#### (i) Current receivables

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the invoice date. Collectibility of receivables is assessed at balance date with adequate provision made for doubtful debts. All known bad debts are written off. A provision for impairment of trade receivables is established when there is objective evidence that all amounts due according to the original terms of the receivables will not be able to be collected. The amount of the impairment loss is recognised in the income statement. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the income statement.

#### (ii) Term trade debtors

Term trade debtors represent the term sale of water allocations. The settlement date on these debtors ranges from one to two years.

### (l) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

### (m) Inventories

Materials and stores are valued at the lower of cost and net realisable value. Costs have been assigned to individual items of stock primarily on the basis of weighted average cost.

### (n) Property, plant and equipment

Items of property, plant and equipment are carried at cost or deemed cost less accumulated depreciation and impairment losses. SunWater elected to exercise the option allowed under AASB 101 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to adopt the fair value of an item of property, plant and equipment as its deemed cost.

This means that all items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2005, the date of transition to AIFRS, were measured on the basis of deemed cost at that date. Subsequent acquisitions are carried at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items includes the direct cost of construction plus costs incidental to the construction, including all other costs incurred in preparing the assets ready for use, such as engineering design fees, an appropriate proportion of overheads and borrowing costs (refer note 1(s)). The cost also includes the initial estimate of the costs of decommissioning the items and restoring the site on which they are located where such estimate is relevant and reliable in the context of the very long life of most of these assets. Costs attributable to pre-feasibility activities and alternative approach assessments are expensed as incurred.

All items of property, plant and equipment acquired at a cost, or other value, in excess of \$1,000 are capitalised in the year of acquisition. Assets under construction are recorded at cost and are not depreciated until they are completed and held ready for use.

No threshold is applied to items within the infrastructure class of assets as these types of assets form a network. Adjustments or additions to existing infrastructure assets that are not in the nature

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of enhancements or replacements do not satisfy asset recognition criteria and are expensed on completion.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

### (o) Depreciation and amortisation

Depreciation and amortisation is calculated on a straight-line basis so as to write off the cost or deemed cost of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the entity. Useful life to the entity is determined after considering a number of factors such as manufacturer's specifications, engineering life, climatic conditions, geographic conditions and contractual life.

For each class of depreciable asset the following depreciation rates were used:

ASSET CLASS	DEPRECIATION RATES
Land	Land is not depreciated
Buildings and land improvements	1.25% to 20%
Plant and equipment	8% to 40%
Infrastructure	0.5% to 10%

### (p) Non-current intangible assets

#### (i) Water allocations

Water allocations not held for sale are intangible assets that are valued at cost or deemed cost. SunWater elected to exercise the option allowed under AASB 101 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to adopt the fair value of an intangible asset as its deemed cost. This means that all water allocations that had been revalued to fair value on or prior to 1 July 2005, the date of transition to AIFRS, were measured on the basis of deemed cost at that date. Subsequent acquisitions are recognised at cost which is a nominal amount (\$1) when water allocations are granted free of charge (note 1(e)).

After initial recognition, water allocations are carried at cost less any accumulated impairment losses. Water allocations have an indefinite life and are not amortised but are reviewed annually for indications of impairment. No recognition threshold is applied. Water allocations held for sale are recognised at the lower of cost and net realisable value.

#### (ii) Software

Software has a finite life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method. Amortisation rates for software vary from 20% to 33%.

#### (iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of SunWater's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to that entity. Where goodwill is less than \$50,000 it is expensed in the same period in which it arises.

### (q) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Any fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

SunWater's borrowings are discrete to each project. Therefore the amount of interest capitalised is the actual interest cost incurred on each loan account.

### (t) Provisions

Provisions are recognised when SunWater:

- has a present legal or constructive obligation as a result of past events; and
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Refurbishment annuity

A refurbishment annuity forms part of the approved irrigation price path for each water supply scheme, and is billed to irrigation customers as part of the normal water billing process. Under the irrigation price path, SunWater is obliged to set apart the annuity for the sole purpose of applying the funds to refurbishment activities on each particular water supply scheme. To give effect to this requirement, SunWater accounts for the annuity as unearned revenue until the funds have been applied to refurbishment activities at which point revenue is recognised. Expenditures applied to refurbishment activities are immediately matched by recognising available annuity (unearned revenue) as income for each water supply scheme. Any unspent annuity at year end (unearned revenue) is carried as a current liability on the balance sheet.

### (v) Employee benefits

#### (i) Wages and salaries and annual leave

Liabilities for wages, salaries and annual leave due but unpaid at the reporting date are recognised in payables at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, workers compensation premiums, long service leave levies and employer superannuation contributions.

#### (ii) Long service leave

SunWater is levied under the Queensland Government's long service leave scheme at rates determined by actuarial assessment. Levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken. No provision for long service leave entitlements is taken up in the financial statements as the liability is held on a whole-of-government basis.

#### (iii) Superannuation

Employer superannuation contributions are paid to Queensland Government superannuation schemes at rates determined by the State Actuary. Contributions are expensed in the period in which they are paid or payable. SunWater's obligation is limited to its contribution to the superannuation schemes. Therefore, no liability is recognised for superannuation benefits in these financial statements as the liability is held on a whole-of-government basis.

### (w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of SunWater, on or before the end of the reporting period but not distributed at balance date.

### (x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, unless GST is not recoverable from the Australian Taxation Office (ATO) in which case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

### (y) Rounding of amounts

Amounts in the financial report and these accompanying notes have been rounded to the nearest thousand dollars or in certain cases to the nearest dollar.

### (z) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. SunWater's assessment of the impact of these new standards and interpretations is set out below.

#### (i) AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share Based Payment Transactions (effective from 1 January 2010)

This standard does not impact SunWater because, as a government owned corporation, it is unable to make share-based payments to employees.

#### (ii) AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues (effective from 1 February 2010)

This standard does not impact SunWater because, as a government owned corporation, it does not issue rights.

#### (iii) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is not expected to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. SunWater is yet to assess its full impact and has not yet decided when to adopt AASB 9.

#### (iv) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standard from 1 July 2011.

#### (v) AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting treatment when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. SunWater will apply the interpretation from 1 July 2010. It is not expected to have any impact on the consolidated or the parent entity's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and SunWater has not entered into any debt for equity swaps since that date.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (vi) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

This interpretation will not apply to SunWater because it does not have a defined benefits scheme. (Refer note 1(v)(iii))

## NOTE 2 FINANCIAL RISK MANAGEMENT

SunWater's activities may, at certain times, expose it to a variety of financial risks being market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The objectives of SunWater's financial risk management policies are to focus mainly on counterparty risks and the unpredictability of the financial markets and to seek to minimise potential adverse effects on the financial performance of the consolidated entity. SunWater uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and aging analysis and counterparty risk analysis for credit risk. The Board has endorsed written principles for overall risk management, as well as policies covering specific areas, such as mitigating interest rate and credit risk, use of derivative financial instruments and investment of excess liquidity.

### (a) Market risk

#### (i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Although SunWater does not operate internationally, on occasion, SunWater may source plant and equipment or components of water infrastructure assets internationally and become exposed to foreign exchange risk. The SunWater Board has approved policies to manage foreign exchange risk. SunWater may elect to hedge foreign exchange risk on exposures arising from future commercial transactions and recognised assets and liabilities using approved derivative risk instruments on advice from, and transacted by, Queensland Treasury Corporation (QTC).

During 2009–10, SunWater had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

#### (ii) Price risk

Commodity price risk arises when future commercial supply agreements are subject to fluctuations in price movements.

During 2009–10, SunWater had no significant exposure to price risk.

#### (iii) Cash flow and fair value interest rate risk

SunWater's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose SunWater to cash flow interest rate risk, whereas borrowings issued at fixed rates expose SunWater to fair value interest-rate risk. SunWater manages its interest rate risk in consultation with QTC in accordance with policies approved by the SunWater Board. Interest rate risk is measured monthly through the monitoring of changes in yields over the debt duration profile.

The following interest rate sensitivity analysis assumes that the rate would be held constant over the financial year, with the change occurring at the beginning of the financial year. SunWater has assumed a movement of +/- 100 basis points in interest rates applicable to its borrowings as a reasonable expectation based on historical patterns for the type of debt facility held.

CONSOLIDATED	2010 INTEREST RATE RISK				
	CARRYING AMOUNT \$'000	-1% PROFIT \$'000	EQUITY \$'000	+1% PROFIT \$'000	EQUITY \$'000
<b>FINANCIAL INSTRUMENTS</b>					
Cash	216,517	(1,623)	(1,623)	1,623	1,623
QTC borrowings	248,816	2,481	2,481	(2,481)	(2,481)
<b>Overall effect on profit and equity</b>		<b>858</b>	<b>858</b>	<b>(858)</b>	<b>(858)</b>

CONSOLIDATED	2009 INTEREST RATE RISK				
	CARRYING AMOUNT \$'000	-1% PROFIT \$'000	EQUITY \$'000	+1% PROFIT \$'000	EQUITY \$'000
<b>FINANCIAL INSTRUMENTS</b>					
Cash	135,101	(1,286)	(1,286)	1,286	1,286
QTC borrowings	248,868	2,458	2,458	(2,458)	(2,458)
<b>Overall effect on profit and equity</b>		<b>1,172</b>	<b>1,172</b>	<b>(1,172)</b>	<b>(1,172)</b>

### (b) Credit risk

Credit risk largely arises from the potential failure of counterparties to meet their obligations under the respective contracts. Credit evaluations are performed on all customers requiring credit over a certain amount and on all counterparties to significant contracts. Exposure to credit risk is monitored on an ongoing basis. Cash is invested under the following approved policy conditions:

1. Deposits up to \$10M may be invested with an Australian institution that has a current credit rating of A- to A+, up to an aggregate cap of \$50M for all institutions in this rating category;
2. Deposits up to a cap of \$50M may be invested with an Australian institution that has a current credit rating of AA- or higher;
3. Deposits of any amount may be invested with QTC.

During 2009–10, SunWater had no transactions involving derivative financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 2 FINANCIAL RISK MANAGEMENT (CONTINUED)

At the balance sheet date there were no other significant concentrations of credit risk in respect to recognised financial instruments. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as represented in the following table:

MAXIMUM EXPOSURE TO CREDIT RISK CATEGORY	NOTE	2010 \$'000	2009 \$'000
<b>CONSOLIDATED</b>			
Cash at bank and short-term deposits invested in Australian institutions rated AA- or higher	8	74,975	119,210
Held-to-maturity investments in Australian institutions rated A- to A+	8	20,257	-
Held-to-maturity investments in Australian institutions rated AA- or higher	8	121,274	15,874
Other cash and cash equivalents	8	11	17
Receivables – current	9	8,076	8,646
Receivables – non-current	9	126	110
Advance to Burnett Dam Alliance	11	1,000	1,000
		<b>225,719</b>	<b>144,857</b>
<b>PARENT</b>			
Cash at bank and short-term deposits invested in Australian institutions rated AA- or higher	8	61,264	104,425
Held-to-maturity investments in Australian institutions rated A- to A+	8	20,257	-
Held-to-maturity investments in Australian institutions rated AA- or higher	8	121,274	15,874
Cash and cash equivalents	8	11	17
Receivables – current	9	8,062	9,439
Receivables – non-current	9	27,529	2,666
		<b>238,397</b>	<b>132,421</b>

Collateral in the form of insurance bonds is held as security for the advance to Burnett Dam Alliance.

No financial assets and financial liabilities have been offset and presented net in the Balance Sheets.

The method for calculating any impairment for credit risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings.

### (c) Liquidity risk

Liquidity risk management within SunWater ensures sufficient cash is available to meet short-term and long-term financial commitments. SunWater has policies in place to manage liquidity risk. SunWater manages liquidity risk by monitoring forecast cash flows to ensure that sufficient cash and short-term borrowing facilities are maintained, so that adequate funds are available at all times to meet SunWater's commitments as they arise.

The following table sets out the liquidity risk of financial liabilities held by SunWater. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows.

	CARRYING AMOUNT \$'000	LESS THAN 1 YEAR \$'000	1 – 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CASH FLOWS (CONTRA- CTUAL) \$'000
2010					
<b>CONSOLIDATED</b>					
Payables	20,932	20,932	-	-	20,932
Borrowings – QTC	248,816	19,314	77,298	242,565*	339,177
Deposits payable	392	14	25	353	392
Other	18	18	-	-	18
	<b>270,158</b>	<b>40,278</b>	<b>77,323</b>	<b>242,918</b>	<b>360,519</b>
<b>PARENT</b>					
Payables	19,477	19,477	-	-	19,477
Borrowings – QTC	217,530	15,757	63,069	212,963*	291,789
Intercompany loan	33,777	19,901	13,876	-	33,777
Deposits payable	392	14	25	353	392
Other	18	18	-	-	18
	<b>271,194</b>	<b>55,167</b>	<b>76,970</b>	<b>213,316</b>	<b>345,453</b>
2009					
<b>CONSOLIDATED</b>					
Payables	22,390	22,390	-	-	22,390
Borrowings – QTC	248,868	18,058	72,173	247,978*	338,209
Deposits payable	372	14	25	333	372
Other	11	11	-	-	11
	<b>271,641</b>	<b>40,473</b>	<b>72,198</b>	<b>248,311</b>	<b>360,982</b>
<b>PARENT</b>					
Payables	19,813	19,813	-	-	19,813
Borrowings – QTC	216,397	14,501	57,944	217,013*	289,458
Intercompany loan	24,879	11,003	13,876	-	24,879
Deposits payable	372	14	25	333	372
Other	11	11	-	-	11
	<b>261,472</b>	<b>45,342</b>	<b>71,845</b>	<b>217,346</b>	<b>334,533</b>

\* Cash flows over 5 years are based on estimated market value.

## NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

SunWater makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (i) Estimated impairment of assets

Under the government's regulated irrigation price path which governs SunWater's irrigation water supply revenue, SunWater does not currently recover full costs. This is an "indication of impairment" of the water infrastructure assets used to generate that revenue. In assessing the value-in-use (recoverable amount) of the water infrastructure assets using the net present value of future cash flows derived from each cash-generating unit, key assumptions and estimates concerning the future are made.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Significant factors influencing the assessment of value-in-use include the following:

- The Queensland Government has released its policy on how SunWater's future irrigation water prices are to be determined for the five year period from 1 July 2011 to 30 June 2016. The policy continues the transition towards achieving full cost recovery, where practicable, within 15 years from 1 July 2011. The Queensland Competition Authority (QCA) has been appointed to conduct an independent review and make recommendations to government on future irrigation water pricing in early 2011. The QCA report is expected to be completed in April, 2011 and new prices will be set by June, 2011 for application from 1 July, 2011.

Due to the long life of SunWater's water infrastructure assets, the calculation of recoverable amount, which is carried out using SunWater's detailed 25 year financial model, is highly sensitive to variations in the key assumptions. Significant assumptions underpinning the modelling process include assumptions about the 2011–15 price path, which is subject to the outcome of QCA's independent review and subsequent determination of prices. These include:

- transitioning prices to full cost recovery, where practicable, over a period of up to 15 years,
- opening regulated asset base, and
- capacity of irrigation customers to pay price increases.

In the absence of an approved future pricing structure after 1 July 2011, estimates of future irrigation cash inflows have been based on conservative assumptions aligned as closely as possible with the government's announced irrigation pricing policy. Estimates of future cash outflows have been based on SunWater's Network Service Plans that, at balance date, were being prepared for each water supply scheme.

However, as outcomes from SunWater's model are highly sensitive to small variations in the above key assumptions, possible outcomes, subject to QCA determination, range from the recognition of an impairment expense to significant recoupment of prior period impairment expense (revenue).

Overall, a conservative approach has been taken to minimize the risk of material differences attributable to the uncertainty in the assumptions made during this transitional period to the new price path. Having due regard to the inherent uncertainty underlying the key assumptions that arises from the as yet unknown outcome of the QCA pricing determination, over which management has no control, the accounting estimate of impairment/reversal of impairment so derived has not been recognised in the accounts.

- SunWater applied its pre-tax weighted average cost of capital (WACC) as the discount rate. WACC includes a market-determined rate that reflects the risks associated with operating the business. The risk-free component of WACC takes into account the forward-looking long-term average expected gross domestic product growth, and the forward-looking long-term average expected inflation.
- There is not an open market for the sale of water infrastructure owned by SunWater.
- The cash flow projections assume water availability equals expected customer usage over the long term.
- The cash flow projections anticipate that business efficiencies will be achieved over time to meet benchmarked efficient costs.

### (ii) Useful life of property, plant and equipment

Many of SunWater's water infrastructure assets have extremely long lives. Factors considered in estimating the useful life of assets are set out in note 1(o).

### (iii) Non-current intangible assets

Under AASB 138 *Intangible Assets*, water allocations are assessed as having an indefinite life. In determining this position, SunWater has assumed that the current Resource Operating Licence conditions will continue in perpetuity.

## NOTE 4 REVENUE

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>REVENUE FROM ORDINARY ACTIVITIES</b>				
Industrial water charges	99,919	99,162	74,272	75,506
Irrigation water charges	49,815	42,782	48,863	41,963
Urban water charges	6,855	6,250	6,855	6,250
Drainage charges	1,287	1,251	1,287	1,251
Water allocations revenue	11,991	11,401	9,151	8,967
Consulting and facilities services revenue	13,259	24,402	41,453	37,784
Electricity generation	684	634	587	633
Community service obligation	3,290	3,174	2,128	3,174
Other fees and charges	367	502	367	502
Grants	736	482	736	482
Interest	7,250	6,976	7,089	6,079
Dividends received	-	-	14,000	14,100
Rent received	240	966	240	966
Other	749	586	673	528
<b>Total revenue from ordinary activities</b>	<b>196,442</b>	<b>198,568</b>	<b>207,701</b>	<b>198,185</b>

## NOTE 5 OTHER INCOME

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>OTHER INCOME</b>				
Gain on disposal of non-current assets	1,423	49,119	1,397	49,119
Gain on settlement of loan	-	289	-	289
Proceeds from bank guarantees	-	11,500	-	11,500
Proceeds from insurance settlement	2,182	248	2,182	248
<b>Total other income</b>	<b>3,605</b>	<b>61,156</b>	<b>3,579</b>	<b>61,156</b>

## NOTE 6 FINANCE COSTS

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Interest and finance charges paid/payable	17,413	17,277	15,583	15,480
Amount capitalised (actual)	-	(366)	-	(366)
<b>Finance costs expensed</b>	<b>17,413</b>	<b>16,911</b>	<b>15,583</b>	<b>15,114</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 7 INCOME TAX EQUIVALENTS

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(a) Income tax equivalents expense</b>				
Current tax equivalents expense	11,012	10,625	10,063	7,593
Deferred tax equivalents expense	3,825	2,347	3,998	2,229
Over-provided in prior years	(434)	(6,107)	(434)	(6,107)
	<b>14,403</b>	<b>6,865</b>	<b>13,627</b>	<b>3,715</b>
Income tax equivalents expense is attributable to:				
Profit from continuing operations	14,403	6,865	13,627	3,715
Deferred tax equivalents expense included in income tax equivalents expense comprises:				
Decrease/(increase) in deferred tax assets (note 16)	870	(243)	468	(718)
Increase in deferred tax liabilities (note 21)	2,955	2,590	3,530	2,947
	<b>3,825</b>	<b>2,347</b>	<b>3,998</b>	<b>2,229</b>
<b>(b) Numerical reconciliation of income tax equivalents expense to prima facie tax equivalents payable</b>				
Profit from continuing operations before income tax equivalents expense	59,164	92,844	62,117	96,473
Tax at 30%	17,749	27,854	18,635	28,942
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Entertainment expenses	23	22	23	22
Disposal of assets to Seqwater	-	(14,664)	-	(14,664)
Dividends from subsidiaries	-	-	(4,200)	(4,230)
Sundry items	44	(203)	55	(211)
Prior year over provision	(434)	(6,107)	(434)	(6,107)
Investment allowance	(2,979)	(37)	(452)	(37)
<b>Income tax equivalents expense</b>	<b>14,403</b>	<b>6,865</b>	<b>13,627</b>	<b>3,715</b>

## NOTE 8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash on hand	11	18	11	18
Cash at bank	1,878	2,477	1,384	663
Deposits on call	73,097	116,732	59,880	103,761
Term deposits	141,531	15,874	141,531	15,874
	<b>216,517</b>	<b>135,101</b>	<b>202,806</b>	<b>120,316</b>

### (a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	2010	2009	2010	2009
Balances as per statement of cash flows	216,517	135,101	202,806	120,316

### (b) Risk exposure

SunWater's risk exposure is reported in note 2.

## NOTE 9 RECEIVABLES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>CURRENT</b>				
Trade debtors	9,138	9,697	4,424	6,405
Term trade debtors	38	49	38	49
Intercompany receivables	-	-	1,460	801
Intercompany taxation receivables	-	-	3,240	3,284
	<b>9,176</b>	<b>9,746</b>	<b>9,162</b>	<b>10,539</b>
Less: Provision for impairment of receivables	1,100	1,100	1,100	1,100
	<b>8,076</b>	<b>8,646</b>	<b>8,062</b>	<b>9,439</b>
<b>NON-CURRENT</b>				
Term trade debtors	126	110	126	110
Intercompany receivables	-	-	27,403	2,556
	<b>126</b>	<b>110</b>	<b>27,529</b>	<b>2,666</b>

### (a) Impaired receivables

The ageing of trade receivables is as follows:

	GROSS RECEIVABLE		GROSS RECEIVABLE	
	2010 \$'000	2010 \$'000	2009 \$'000	2009 \$'000
<b>CONSOLIDATED</b>				
Not past due	6,272	256	6,937	350
Past due 0 - 30 days	805	125	837	33
Past due 31 - 60 days	930	102	1,530	165
More than 60 days	1,131	617	552	552
	<b>9,138</b>	<b>1,100</b>	<b>9,856</b>	<b>1,100</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 9 RECEIVABLES (CONTINUED)

### (b) Foreign exchange and interest rate risk

Information about SunWater's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is discussed in note 2.

### (c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. For more information on SunWater's risk management policies, refer to note 2.

## NOTE 10 INVENTORIES

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>Materials and stores</b>	<b>2,572</b>	<b>2,639</b>	<b>2,572</b>	<b>2,639</b>

### Inventory expense

Inventories recognised as expense during the year ended 30 June 2010 amounted to \$1.765M (2009 – \$1.542M). There were no write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2010 (2009 – nil). Inventory to the value of \$0.341M was written off during the year (2009: \$0.072M). There were no reversals of previous write-downs (2009: nil).

## NOTE 11 OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
GST receivable	1,054	1,562	961	1,401
Prepayments	1,172	1,167	1,172	1,167
Advance to Burnett Dam Alliance	1,000	1,000	-	-
Other debtors	-	50	-	50
Accrued revenue <sup>(1)</sup>	13,273	15,473	9,607	16,486
	<b>16,499</b>	<b>19,252</b>	<b>11,740</b>	<b>19,104</b>

<sup>(1)</sup> Includes water delivered to 30 June but not invoiced.

## NOTE 12 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>Water infrastructure</b>	<b>-</b>	<b>1,916</b>	<b>-</b>	<b>1,916</b>

## NOTE 13 OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>Shares in controlled entities – at cost</b>	<b>-</b>	<b>-</b>	<b>81,296</b>	<b>72,668</b>

Information relating to the controlled entities is set out below.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2010 %	2009 %
North West Queensland Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Eungella Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Burnett Water Pty Ltd*	Australia	Ordinary	100	100

\* During the year, \$8.628M in additional equity was injected into Burnett Water Pty Ltd for working capital purposes.

## NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>Land<sup>(1)</sup></b>	<b>8,134</b>	<b>8,454</b>	<b>8,134</b>	<b>8,454</b>
Buildings and land improvements <sup>(1)</sup>	13,569	14,274	13,535	14,274
Less: accumulated depreciation	2,998	2,702	2,990	2,702
<b>Total buildings and land improvements</b>	<b>10,571</b>	<b>11,572</b>	<b>10,545</b>	<b>11,572</b>
Plant and equipment <sup>(1)</sup>	18,453	17,607	18,442	17,605
Less: accumulated depreciation	9,591	7,909	9,588	7,909
Less: accumulated impairment	365	365	365	365
<b>Total plant and equipment</b>	<b>8,497</b>	<b>9,333</b>	<b>8,489</b>	<b>9,331</b>
Water infrastructure <sup>(1)</sup>	749,922	694,280	596,643	570,248
Less: accumulated depreciation	86,656	66,318	51,040	37,367
Less: accumulated impairment	105,247	82,181	99,273	77,332
<b>Total water infrastructure</b>	<b>558,019</b>	<b>545,781</b>	<b>446,330</b>	<b>455,549</b>
<b>Assets under construction<sup>(1)(2)</sup></b>	<b>82,067</b>	<b>46,278</b>	<b>80,361</b>	<b>37,846</b>
<b>Total property, plant and equipment</b>	<b>667,288</b>	<b>621,418</b>	<b>553,859</b>	<b>522,752</b>

<sup>(1)</sup> At cost or deemed cost.

<sup>(2)</sup> Includes the costs of investigating feasibilities associated with the development of business cases for proposed water infrastructure projects that, at commencement, were deemed more likely to proceed to construction. If circumstances arise in the future whereby any of the business cases are unsuccessful, an impairment loss will be recognised at that time. No such circumstances were known at 30 June 2010, and no impairment losses of that nature were recognised.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of 2009–10 are set out below.

	BUILD- INGS & LAND IMPROVE- MENTS \$'000	PLANT & EQUIP- MENT \$'000	WATER & INFRA- STRUC- TURE \$'000	ASSETS UNDER CONSTR- UCTION \$'000	TOTAL \$'000
<b>CONSOLIDATED</b>					
Carrying amount at 1 July 2009	8,454	11,572	9,333	545,781	621,418
Additions	-	223	1,243	33,815	106,394
Disposals	(322)	(738)	(11)	(52)	(1,123)
Transfer between classes	2	27	8	(37)	(35,324)
Transfer from non-current assets held for sale (note 12)	-	-	-	1,916	1,916
Depreciation expense	-	(513)	(2,076)	(20,363)	(22,952)
Impairment loss (accumulated impairment)	-	-	-	(3,041)	(3,041)
<b>Carrying amount at 30 June 2010</b>	<b>8,134</b>	<b>10,571</b>	<b>8,497</b>	<b>558,019</b>	<b>667,288</b>
<b>PARENT</b>					
Carrying amount at 1 July 2009	8,454	11,572	9,331	455,549	522,752
Additions	-	223	1,243	4,514	54,519
Disposals	(322)	(738)	(9)	(42)	(1,111)
Transfer between classes	2	-	-	(2)	(6,024)
Transfer from non-current assets held for sale (note 12)	-	-	-	1,916	1,916
Depreciation expense	-	(512)	(2,076)	(13,689)	(16,277)
Impairment loss (accumulated impairment)	-	-	-	(1,916)	(1,916)
<b>Carrying amount at 30 June 2010</b>	<b>8,134</b>	<b>10,545</b>	<b>8,489</b>	<b>446,330</b>	<b>553,859</b>

### Impairment

Cash generating units in which material impairment losses were recognised or (reversed) during the financial year are:

	CONSOLIDATED (REVERSED) LOSS \$'000		PARENT (REVERSED) LOSS \$'000	
Goondicum Pipeline <sup>(1)</sup>	1,916	-	1,916	-
Kirar Weir <sup>(2)</sup>	1,125	-	-	-

<sup>(1)</sup> SunWater constructed the Goondicum Pipeline to provide water to a mining customer. During 2008–09, and prior to commissioning of the pipeline, the customer went into voluntary administration. SunWater signed a Pipeline Transfer Agreement on 1 May 2009 with another party who agreed to pay \$2.5M to SunWater on the later of 1 May 2013 and the date that the pipeline was legally transferred to them. At 30 June 2010, SunWater has formed the view that the amount is unlikely to be collected. Consequently, an impairment expense equal to the book value of the asset has been recognised.

<sup>(2)</sup> This CGU comprises the Kirar Weir water infrastructure asset owned by SunWater's subsidiary company, Burnett Water Pty Ltd. The impairment loss arises because of additional post commissioning expenditure required to bring the weir to operating condition. Recoverable amount is determined as value in use. The discount rate used was 11.28% (2009: 10.8%).

## NOTE 15 INTANGIBLE ASSETS

	CONSOLIDATED 2010 \$'000		PARENT 2009 \$'000	
Software <sup>(1)</sup>	13,939	13,704	13,939	13,704
Less accumulated amortisation	12,206	10,781	12,206	10,781
Less accumulated impairment	359	359	359	359
<b>Trade names</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
<b>Water allocations<sup>(1)</sup></b>	<b>53,461</b>	<b>54,200</b>	<b>4,513</b>	<b>4,513</b>
	<b>54,843</b>	<b>56,772</b>	<b>5,895</b>	<b>7,085</b>

<sup>(1)</sup> At cost or deemed cost.

### Reconciliations

Reconciliations of the carrying amounts of intangible assets at the beginning and end of 2009–10 are set out below.

	SOFTWARE \$'000	TRADE NAMES \$'000	WATER ALLOCATIONS \$'000
<b>CONSOLIDATED</b>			
Carrying amount at 1 July 2009	2,564	8	54,200
Additions – at cost	235	-	-
Disposals/retirements	-	-	(739)
Amortisation expense	(1,425)	-	-
<b>Carrying amount at 30 June 2010<sup>(1)</sup></b>	<b>1,374</b>	<b>8</b>	<b>53,461</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 15 INTANGIBLE ASSETS (CONTINUED)

	SOFTWARE \$'000	TRADE NAMES \$'000	WATER ALLOCATIONS \$'000
<b>PARENT</b>			
Carrying amount at 1 July 2009	2,564	8	4,513
Additions – at cost	235	-	-
Disposals/retirements	-	-	-
Amortisation expense	(1,425)	-	-
<b>Carrying amount at 30 June 2010<sup>(1)</sup></b>	<b>1,374</b>	<b>8</b>	<b>4,513</b>

<sup>(1)</sup> Net of retirements (fully written down)

## NOTE 16 DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
The balance comprises temporary differences attributable to:				
Provision for doubtful debts	330	330	330	330
Property, plant and equipment	2,083	2,485	-	-
Accrued payables	35	255	18	239
Accrued employee benefits	1,272	1,466	1,272	1,466
Revenue received in advance	936	1,006	936	1,006
Provision for Rocklea land commitment	352	348	352	348
Unearned renewal annuity	1,993	2,741	1,993	2,741
Rent incentive	761	-	761	-
Tax losses included in deferred tax assets	1,874	9,289	1,874	9,289
<b>Balance at 30 June</b>	<b>9,636</b>	<b>17,920</b>	<b>7,536</b>	<b>15,419</b>
<b>MOVEMENTS:</b>				
Opening balance at 1 July	17,920	22,194	15,419	19,217
Credited/(charged) to the income statement	(435)	6,337	(34)	6,813
Losses utilised to offset current tax payable	(7,849)	(10,611)	(7,849)	(10,611)
<b>Closing balance at 30 June</b>	<b>9,636</b>	<b>17,920</b>	<b>7,536</b>	<b>15,419</b>
Deferred tax assets to be recovered after more than 12 months	7,906	15,869	5,916	13,384
Deferred tax assets to be recovered within 12 months	1,730	2,051	1,620	2,035
<b>Closing balance at 30 June</b>	<b>9,636</b>	<b>17,920</b>	<b>7,536</b>	<b>15,419</b>

## NOTE 17 PAYABLES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade creditors	4,118	7,365	4,107	7,143
Intercompany taxation payables	-	-	2,291	252
Other creditors and accruals	16,814	15,025	13,079	12,418
<b>20,932</b>	<b>22,390</b>	<b>19,477</b>	<b>19,813</b>	

## NOTE 18 PROVISIONS

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>CURRENT</b>				
Employee benefits (note 22)	4,239	4,888	4,239	4,888
Income tax	3,163	-	3,163	-
Dividends	10,640	7,625	10,640	7,625
<b>18,042</b>	<b>12,513</b>	<b>18,042</b>	<b>12,513</b>	
<b>NON-CURRENT</b>				
Land commitment <sup>(1)</sup>	1,173	1,161	1,173	1,161
<b>1,173</b>	<b>1,161</b>	<b>1,173</b>	<b>1,161</b>	

<sup>(1)</sup> By way of an agreement between the former State Water Projects and the Department of Natural Resources and Water, SunWater is required to settle with the department, the disposition of certain surplus land.

### Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits and dividends, are set out below.

	INCOME TAX \$'000	LAND COMMITMENT \$'000
<b>CONSOLIDATED</b>		
Carrying amount at 1 July 2009	-	1,161
Provisions added/(written back)	3,163	12
Payments made during the year	-	-
<b>Carrying amount at 30 June 2010</b>	<b>3,163</b>	<b>1,173</b>
<b>PARENT</b>		
Carrying amount at 1 July 2009	-	1,161
Provisions added/(written back)	3,163	12
Payments made during the year	-	-
<b>Carrying amount at 30 June 2010</b>	<b>3,163</b>	<b>1,173</b>

## NOTE 19 BORROWINGS

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>UNSECURED<sup>(1)</sup></b>				
QTC loan	248,816	248,868	217,530	216,397
Intercompany loan	-	-	33,777	24,879
<b>248,816</b>	<b>248,868</b>	<b>251,307</b>	<b>241,276</b>	
Represented by:				
Current	2,839	3,557	21,034	11,003
Non-current	245,977	245,311	230,273	230,273
<b>248,816</b>	<b>248,868</b>	<b>251,307</b>	<b>241,276</b>	

<sup>(1)</sup> Borrowings by subsidiary company are secured by parent entity guarantee.

### (a) Financing arrangements

The loans from QTC are interest bearing. The borrowing arrangements are subject to annual review. Subject to the annual approval of the Queensland Treasurer, borrowings are sourced from the SunWater Client Specific Pool, except in the case of borrowings by SunWater's subsidiary companies which borrow externally from QTC's generic debt pool. SunWater may draw up to the amount of the approved borrowing program (in 2010: nil). On 14 July 2010, interim approval for borrowings of \$50M in 2011 was received.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 19 BORROWINGS (CONTINUED)

SunWater has a credit standby arrangement with QTC totalling \$15M (interim approval to increase to \$30M was received on 14 July 2010). This facility was unused at 30 June 2010 (2009: unused).

### (b) Fair value

2010		2009	
CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
\$'000	\$'000	\$'000	\$'000

The carrying amounts and fair values of interest bearing liabilities at balance date are:

Borrowings	248,816	258,828	248,868	253,077
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## NOTE 20 OTHER LIABILITIES

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>CURRENT</b>				
Deposits payable	392	372	392	372
Unearned annuity	6,642	9,140	6,642	9,140
Rent incentive	310	-	310	-
Other	18	11	18	11
	<b>7,362</b>	<b>9,523</b>	<b>7,362</b>	<b>9,523</b>
<b>NON-CURRENT</b>				
Rent incentive	2,226	-	2,226	-
	<b>2,226</b>	<b>-</b>	<b>2,226</b>	<b>-</b>

## NOTE 21 DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
The balance comprises temporary differences attributable to:				
Accrued interest receivable	95	5	79	5
Inventories	646	680	646	680
Accrued revenue	3,620	3,808	2,319	2,416
Water allocations	7,200	7,290	1,354	1,354
Property, plant and equipment	22,605	19,426	14,319	10,731
<b>Closing balance at 30 June</b>	<b>34,166</b>	<b>31,209</b>	<b>18,717</b>	<b>15,186</b>
<b>MOVEMENTS</b>				
Opening balance at 1 July	31,209	28,619	15,186	12,238
Charged/(credited) to the income statement	2,957	2,590	3,531	2,948
<b>Closing balance at 30 June</b>	<b>34,166</b>	<b>31,209</b>	<b>18,717</b>	<b>15,186</b>
Deferred tax liabilities to be settled after more than 12 months	29,805	26,716	15,673	12,085
Deferred tax liabilities to be settled within 12 months	4,361	4,493	3,044	3,101
<b>Closing balance at 30 June</b>	<b>34,166</b>	<b>31,209</b>	<b>18,717</b>	<b>15,186</b>

## NOTE 22 EMPLOYEE BENEFITS

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>EMPLOYEE BENEFITS LIABILITY</b>				
Provision for employee benefits (note 18)	4,239	4,888	4,239	4,888
Accrued salaries and wages	1,209	16	1,209	16
<b>Aggregate employee benefits liability</b>	<b>5,448</b>	<b>4,904</b>	<b>5,448</b>	<b>4,904</b>

### EMPLOYEE NUMBERS

<b>Number of employees (full time equivalents excluding casuals) as at 30 June</b>	<b>494</b>	<b>562</b>	<b>494</b>	<b>562</b>
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## NOTE 23 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000

### (a) Share capital

Issued and paid up capital:

<b>2 ordinary shares of \$179.660M each<sup>(1)</sup></b>	<b>359,320</b>	<b>288,711</b>	<b>359,320</b>	<b>288,711</b>
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<sup>(1)</sup> Shares have no par value.

	CONTRIBUTION		TOTAL
	NUMBER OF SHARES	PER SHARE \$'000	

### (b) Movements in ordinary share capital

Opening balance 1 July 2009	2	144,356	288,711
Equity injections		35,304	70,609
<b>Closing balance 30 June 2010</b>		<b>179,660</b>	<b>359,320</b>

### (c) Capital risk management

SunWater's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

SunWater monitors capital on the basis of the market gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as total equity plus total borrowings.

During 2010, SunWater's strategy, which was unchanged from 2009, was to maintain a gearing ratio within a 40% upper limit. The market gearing ratios at 30 June 2010 and 30 June 2009 were as follows:

	CONSOLIDATED		PARENT	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Total borrowings	248,816	248,868	217,530	241,276
Total equity	642,840	538,110	582,991	474,532
<b>Total capital</b>	<b>891,656</b>	<b>786,978</b>	<b>800,521</b>	<b>715,808</b>
<b>Market gearing ratio</b>	<b>28%</b>	<b>32%</b>	<b>27%</b>	<b>34%</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 24 DIVIDENDS

	PARENT	
	2010 \$'000	2009 \$'000
<b>ORDINARY SHARES</b>		
2009 first and final dividend of \$3.8125M per share declared <sup>(1)</sup>	-	7,625
2010 interim dividend of \$5.3200M per share declared <sup>(1)</sup>	10,640	-
	<b>10,640</b>	<b>7,625</b>

<sup>(1)</sup> *Franking does not apply to SunWater as an NTER entity because the shareholders represent the Queensland Government.*

## NOTE 25 REMUNERATION OF AUDITORS

During the year, fees of \$0.128M (2009: \$0.123M) were paid or payable for services provided by the auditor of the consolidated entity in relation to the audit of:

- the financial report of the parent entity and its subsidiaries; and
- SunWater's expenditure of grant monies in accordance with contractual arrangements between SunWater and the grant bodies.

No other services were provided.

## NOTE 26 RECONCILIATION OF PROFIT AFTER INCOME TAX EQUIVALENTS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit for the year	44,761	85,979	48,490	92,758
Depreciation and amortisation	24,377	24,433	17,702	18,110
Impairment	3,041	19,003	1,916	19,003
Bad and doubtful debts	11	2	11	2
Net (gain)/loss on sale or disposal of non-current assets	(1,358)	(48,529)	(1,331)	(48,529)
Interest income	(4,912)	(7,179)	(5,273)	(5,798)
Interest expense	16,791	17,317	15,035	15,086
Gain on loan settlement	-	(289)	-	(289)
Dividends received	-	-	(14,000)	(14,100)
Change in assets and liabilities:				
(Increase)/decrease in inventories and intangibles	807	586	67	(276)
(Increase)/decrease in deferred tax assets	8,284	4,274	7,882	3,798
(Increase)/decrease in receivables	(1,377)	(1,479)	(26,618)	(532)
(Increase)/decrease in other assets	6,762	(7,103)	6,651	(7,431)
(Decrease)/increase in creditors	2,566	3,420	1,001	1,838
(Decrease)/increase in deferred revenue	614	1,225	(569)	1,199
(Decrease)/increase in income taxes payable	3,163	-	3,163	-
(Decrease)/increase in deferred tax liabilities	2,956	2,590	3,531	2,948
<b>Net cash inflow from operating activities</b>	<b>106,486</b>	<b>94,250</b>	<b>57,658</b>	<b>77,787</b>

## NOTE 27 COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(a) Capital expenditure commitments</b>				
Capital expenditure commitments (including GST) contracted for but not brought to account are as follows:				
ICT projects	247	161	247	161
Water infrastructure projects	27,330	17,238	27,831	13,576
	<b>27,577</b>	<b>17,399</b>	<b>28,078</b>	<b>13,737</b>
Payable:				
Not later than one year	<b>27,577</b>	<b>17,399</b>	<b>28,078</b>	<b>13,737</b>

## (b) Non-cancellable operating lease expense commitments

	CONSOLIDATED		PARENT	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Future operating lease commitments (including GST) not brought to account and payable:				
Within one year	3,135	2,995	3,135	2,995
Later than one year but not later than five years	13,420	12,632	13,420	12,632
Later than five years	14,964	16,295	14,964	16,295
	<b>31,519</b>	<b>31,922</b>	<b>31,519</b>	<b>31,922</b>

SunWater leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide SunWater with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based either on movements in the consumer price index or operating criteria.

## Future projects and acquisitions

SunWater has been appointed by the State Government as proponent for the development of business cases for a range of water infrastructure projects. In addition, SunWater has made in-principle commitments to investigate certain major capital projects and acquisitions. However, these projects and acquisitions are at varying stages of completion and final costs cannot be accurately quantified at this time.

Details of SunWater's dam safety upgrade program are disclosed in note 30.

## NOTE 28 RELATED PARTIES DISCLOSURES

### Key management personnel compensation

Director remuneration is approved by the Governor in Council in accordance with the requirements of the *Government Owned Corporations Act 1993*. The Board Remuneration Committee reviews the compensation and other terms of employment of senior executives having regard to government policy, relevant market comparatives and performance against goals set at the start of the year.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 28 RELATED PARTIES DISCLOSURES (CONTINUED)

### Key management personnel compensation disclosures by category

CATEGORY	2010 \$'000	2009 \$'000
<b>CONSOLIDATED</b>		
Short-term employee benefits	1,383	1,234
Post-employment benefits	141	146
<b>Total</b>	<b>1,524</b>	<b>1,380</b>
<b>PARENT</b>		
Short-term employee benefits	1,352	1,186
Post-employment benefits	139	141
<b>Total</b>	<b>1,491</b>	<b>1,327</b>

### Compensation – directors

	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
<b>CONSOLIDATED – 2010</b>			
<b>NAME OF DIRECTOR</b>			
Phil Hennessy, Chair (retired 30 September 2009)	14	1	15
Scott Spencer, Chair (commenced 1 October 2009)	38	3	41
Jane Bertelsen, Deputy Chair	45	4	49
Tom Connor	31	3	34
John Gibson	36	3	39
Greg Moynihan	32	3	35
Kirstin Ferguson	35	3	38
Neil Turner	32	-	32
	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
<b>CONSOLIDATED – 2009</b>			
<b>NAME OF DIRECTOR</b>			
Phil Hennessy, Chair	58	5	63
Jane Bertelsen, Deputy Chair	40	3	43
Julie Boyd (retired 30 September 2008)	8	1	9
Tom Connor	31	3	34
John Gibson	40	3	43
Greg Moynihan	33	3	36
Kirstin Ferguson (commenced 1 October 2008)	21	2	23
Neil Turner (commenced 1 October 2008)	19	2	21

	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
<b>PARENT – 2010</b>			
<b>NAME OF DIRECTOR</b>			
Phil Hennessy, Chair (retired 30 September 2009)	12	1	13
Scott Spencer, Chair (commenced 1 October 2009)	39	3	42
Jane Bertelsen, Deputy Chair	30	3	33
Tom Connor	28	2	30
John Gibson	32	3	35
Greg Moynihan	32	3	35
Kirstin Ferguson	31	3	34
Neil Turner	28	-	28

	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
<b>PARENT – 2009</b>			
<b>NAME OF DIRECTOR</b>			
Phil Hennessy, Chair	50	5	55
Jane Bertelsen, Deputy Chair	32	3	35
Julie Boyd (retired 30 September 2008)	7	1	8
Tom Connor	27	3	30
John Gibson	36	3	39
Alan Millhouse (retired 30 June 2008)	2	-	2
Greg Moynihan	29	3	32
Kirstin Ferguson (commenced 1 October 2008)	18	2	20
Neil Turner (commenced 1 October 2008)	16	2	18

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$72,253 (2009 – \$72,265) paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers.

### Compensation – executives

	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
<b>PARENT 2010</b>			
<b>TITLE OF EXECUTIVE</b>			
Chief Executive Officer	411	38	449
General Manager, Corporate Acting General Manager, Infrastructure Management (completed service 15/11/09)	264	33	297
General Manager, Infrastructure Management (appointed 16/11/09)	83	9	92
General Manager, Infrastructure Management (appointed 16/11/09)	136	17	153
General Manager, Infrastructure Development	226	24	250

Note: the 2010 year included 27 (normally 26) fortnightly payments



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 28 RELATED PARTIES DISCLOSURES (CONTINUED)

	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
<b>PARENT 2009</b>			
<b>TITLE OF EXECUTIVE</b>			
Chief Executive Officer	366	46	412
General Manager, Corporate General Manager, Infrastructure Management (completed service 27/03/09)	238	29	267
Acting General Manager, Infrastructure Management	156	20	176
General Manager, Infrastructure Development	15	2	17
	207	26	233

Executives may also earn performance based at-risk incentives payments which are not included in this table.

### Performance payments to employees

FINANCIAL YEAR	AGGREGATE AT-RISK PERFORMANCE REMUNERATION \$'000	TOTAL FIXED SALARIES AND WAGES PAYMENTS \$'000	EMPLOYEES RECEIVING PERFORMANCE PAYMENTS
2009-10	73	1,120	3
2008-09	72	984	3

### Transactions with subsidiaries

The parent entity within the group is SunWater. Interests in subsidiaries are set out in note 13. All transactions with subsidiaries are carried out under normal commercial terms and conditions or at cost. No transactions occurred between subsidiaries.

The following transactions occurred between the parent entity and its subsidiaries:

	2010 \$'000	2009 \$'000
Sales of water to subsidiaries	4,011	4,067
Sales of services to subsidiaries	28,194	13,388
Interest received from subsidiaries	496	-
Interest paid to subsidiaries	479	484
Current tax payable assumed from tax consolidated subsidiaries	3,241	3,284
Current tax losses assumed from tax consolidated subsidiaries	2,291	252
Dividends received from subsidiaries	14,000	14,100
Loan received from subsidiary	8,898	2,916
Loan issued to subsidiary	26,306	2,556

The following balances are outstanding at the reporting date in relation to transactions with subsidiaries:

	2010 \$'000	2009 \$'000
Receivables and loans (note 9)	32,103	6,641
Payables and borrowings (note 17, 19)	36,068	25,131

## Transactions with entities subject to common control

All State of Queensland controlled entities are related parties for the purposes of AASB 124 *Related Party Disclosures*. In its normal commercial business activities, SunWater transacts with Queensland Government departments, statutory bodies, other GOCs and local government bodies. All material transactions are negotiated on terms equivalent to those that prevail in arm's length transactions or in accordance with government policy.

The value of these related party transactions and balances, as reported in the financial statements, on an accruals basis, is:

FINANCIAL STATEMENT ITEM	NATURE OF TRANSACTION	2010 \$'000	2009 \$'000
Cash (note 8)	Deposits on call	42,385	132,606
Receivables (note 9)	Water sales	3,140	167
Receivables (note 9)	Consultancies	463	1,338
Receivables (note 9)	Sale of goods, rent	(23)	94
Borrowings (note 19)	QTC borrowings	248,816	248,868
Payables (note 17)	Electricity, regulatory charges	1,190	1,126
Contributed equity (note 23)	Equity contributions from shareholders	70,609	-
Dividends (note 25)	Dividends declared	10,640	7,625
Revenue - interest (note 4)	Interest received from QTC	4,392	6,574
Revenue - all other (note 4)	Water sales, CSO, grants	17,094	6,246
Revenue - consulting fees (note 4)	Consultancies	9,357	20,344
Revenue - other revenue (note 4)	Sale of goods, rent	(37)	564
Expense - interest (note 6)	Interest paid to QTC	16,953	16,788
Expense - all other (note 5)	Electricity, regulatory charges	47,998	33,526

## NOTE 29 CONTINGENCIES

(a) In October 2008, the Wide Bay Burnett Conservation Council (WBBCC) commenced legal proceedings against Burnett Water Pty Ltd (BWPL), a wholly owned subsidiary of SunWater, in connection with the original design and subsequent operation of the upstream fish lift and the downstream fishway at Paradise Dam. In its Statement of Claim, the WBBCC alleges that the design and operation of the fish transfer devices are not in accordance with the Federal permit.

BWPL has defended the action and is awaiting the decision of the Federal court. If BWPL is unsuccessful, it may be ordered to modify or enhance either or both of the fish transfer devices. Costs associated with any such order cannot be reliably estimated at this time, however a significant enhancement of the existing infrastructure could cost in the range of \$10M to \$20M depending on the order. In addition, costs, which also cannot be reliably estimated at this time, may be awarded against BWPL.

At this time, no provision has been made in the financial statements for any costs associated with the legal proceedings as described above, nor has any allowance been made for any cost recoveries from other parties.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2010

## NOTE 29 CONTINGENCIES (CONTINUED)

- (b) In June 2007 an audit of Paradise Dam under the *Environment Protection and Biodiversity Conservation Act 1999* was carried out by the Department of the Environment, Water, Heritage and the Arts (DEWHA). The findings of the DEWHA report concluded that Paradise Dam was not fully compliant due to drought conditions which precluded the downstream fishway from becoming operational. This matter has been placed on hold by DEWHA pending the outcome of the Paradise Dam litigation. No provision has been made in the financial statements for any costs associated with resolving the finding of partial compliance, or dealing with any subsequent DEWHA requirements.
- (c) In November 2008, one of two inflatable dams mounted on top of Bedford Weir failed. In the ensuing unexpected release of a large volume of water downstream, a fatality occurred. The incident is the subject of a Workplace Health and Safety Queensland prosecution and may be subject to a later enquiry by the Coroner. During the year, the relatives of the deceased person instituted separate legal actions for personal injuries. At the date of this report, the enquiries and legal actions are ongoing, and no provision has been made in the financial statements for any costs resulting from the inflatable dam failure.
- (d) SunWater was directed by the Treasurer of Queensland under section 68 of the *South East Queensland Water (Restructuring) Act 2007* to indemnify the Queensland Bulk Water Supply Authority in relation to assets transferred on 1 July 2008. This indemnity may give rise to claims on SunWater if any of the conditions are triggered. At the date of this report, there are no known claims or circumstances which would give rise to a claim under the indemnity.
- (e) In June 2010, the failure of a coffer dam at Marian Weir resulted in the sudden inflow of water into the coffer dam. A fatality involving an employee of the contractor engaged to design and construct the coffer dam occurred. This matter is subject to a Workplace Health and Safety investigation. As the investigation is ongoing, no provision has been made in the financial statements for any costs associated with this matter.
- (f) At 30 June 2010, SunWater was engaged in commercial disputes under various contracts. None of those disputes have resulted in legal action at the date of this report, however it is not possible to reliably estimate the eventual outcome of these disputes or the financial consequences of thereof.

## NOTE 30 DAM SAFETY UPGRADE PROGRAM

SunWater has in place a comprehensive Dam Safety Program to ensure the continuing integrity of its referable dams. This program incorporates an ongoing series of inspections, engineering assessments, and comprehensive risk assessments for all referable dams, taking into account all relevant factors including changes in design standards, hydrologic data and methods, industry best practice and regulator requirements.

The dam safety program has previously identified the need to upgrade a number of dam spillways in response to spillway adequacy reviews. Spillway upgrades have been completed for Fred Haigh Dam (2006), Bjelke Petersen Dam (2008), and Borumba Dam<sup>(1)</sup> (2009).

Whilst the initial program of safety upgrades was prioritised based on spillway adequacy, SunWater is progressively completing a Comprehensive Risk Assessment (CRA) for all of its referable dams. A CRA considers a much broader range of risk factors, and therefore provides a more complete view of upgrade requirements for each dam.

As each CRA is completed, the priority of upgrades within the portfolio is assessed, and if necessary revised. The table below provides a summary of SunWater's current prioritisation and estimate of cost for each upgrade currently scheduled.

SAFETY UPGRADE	COMMENCEMENT OF WORKS	ESTIMATED COSTS
Tinaroo Falls Dam	2008	\$22.734M
Kinchant Dam	2011	\$29.781M
Burdekin Falls Dam	2012	\$151.159M
Teemburra Dam	2015	\$5.114M
Coolmunda Dam	2015	\$5.576M

At this time, it is not possible to quantify the complete scope of works or the likely cost of the remainder of the safety upgrade program, and discussions with Government over funding support are continuing.

<sup>(1)</sup> *Borumba Dam was transferred to Seqwater on 1 July 2008, with upgrade works completed by SunWater as a commercial contract to Seqwater.*

## NOTE 31 SUBSEQUENT EVENTS

To date, no events have occurred subsequent to balance date that materially impact on these financial statements.

# INDEPENDENT AUDITOR'S REPORT

To the Members of SunWater Limited

## MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

The auditor's report relates to the financial report of SunWater Limited for the financial year ended 30 June 2010 included on SunWater Limited's website. The directors are responsible for the integrity of the SunWater Limited's website. I have not been engaged to report on the integrity of the SunWater Limited's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from SunWater Limited, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

## REPORT ON THE FINANCIAL REPORT

I have audited the accompanying financial report of SunWater Limited, which comprises the balance sheet as at 30 June 2010, and the statements of comprehensive income, financial statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

## AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

## INDEPENDENCE

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of SunWater Limited on 31 August 2010, would be in the same terms if provided to the directors, as at the date of this auditor's report.

## AUDITOR'S OPINION

In my opinion –

- (a) the financial report of SunWater Limited is in accordance with the *Corporations Act 2001*, including –
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

Emphasis of Matter – Significant Uncertainty Regarding Future Water Prices

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 3, for the purpose of assessing water infrastructure assets for impairment, value-in-use is calculated as the net present value of future cash flows associated with the use of those assets. The Queensland Competition Authority (QCA) has been appointed to conduct an independent review and make recommendations to the Queensland Government on future irrigation water pricing with new prices expected to be set by June 2011. As the financial model used by SunWater is highly sensitive to small variations in key assumptions, including changes in prices, significant uncertainty exists over the calculation of value-in-use of infrastructure assets in the absence of an approved future pricing structure for irrigation water.

G G POOLE FCPA  
Auditor-General of Queensland

Queensland Audit Office  
Brisbane

# STATEMENT OF CORPORATE INTENT SUMMARY

The 2009–10 Statement of Corporate Intent (SCI) is the organisation's annual performance agreement with shareholding Ministers.


The agreement outlines a comprehensive range of corporate objectives, strategies and performance outcomes that SunWater intends to deliver in year one of its rolling five year corporate plan.

SunWater's achievements are documented throughout this Annual Report. Specific performance against targets specified in the SCI are shown on pages 12 to 13 and are further summarised in the following table.

## Non-Financial Performance Indicators

PERFORMANCE INDICATORS	UNIT	2008–09 ACTUAL	2009–10 TARGET	2009–10 ACTUAL AS AT 30 JUNE 2010
<b>Environment</b>				
Environmental compliance breaches	No.	0	0	0
<b>Safety</b>				
Lost time injury frequency rate (LTIFR)	No.	8.7	0	0
Lost time injury duration rate (LTIDR)	No.	23.4* (10.6)	0	0
<b>Industry</b>				
Distribution system efficiency	%	NA	73	80
Customer service levels (Number of exceptions)	No.	153	0	25
Resource Operations Licence / Resource Operations Plan (ROL/ ROP) number of show cause notices	No.	0	0	0
Compliance with statutory reporting timeframes	%	100	100	100
<b>Size/value</b>				
Full Time Equivalent (FTE) staff numbers	No.	565.7	635	494
Staff turnover (annualised)	%	NA	12	20
Water entitlements assigned to non-price path customers	%	NA	24.3	22.8
Water delivered as a % of water allocated	%	NA	70	56.7
Seasonal water assignments	ML (megalitres)	NA	40,000	38,594

\* The LTIDR actual figure in 2008–09 reflects a carry over effect of incidents from 2007-08. A 'truer' year to date actual measurement in 2008–09 is an LTIDR of 10.6.



As a water company with more than 80 years of experience, SunWater has set a high water mark for industry excellence.

### Full Time Equivalents (FTE) Staff Numbers and Staff Turnover

Staff turnover figures for the year end were higher than target due to the implementation of efficiency gains through the Smarter Lighter Faster Initiative (SLFI). Similarly, staff numbers during the year were lower than budgeted due to the implementation of the SLFI review and a decision to freeze the filling of vacancies in work areas that were an overhead to the business.

### Customer Service Levels

The number of exceptions recorded across the state has shown significant improvement from previous years largely as a result of the review of operations in Bundaberg. Due to the high number of required interruptions in the Bundaberg area to treat weeds and maintain services, SunWater reviewed its service standard and increased the trigger point for exceptions to occur, bringing the Bundaberg service in line with other comparable channel systems across the state.

### COMMUNITY SERVICE OBLIGATIONS (CSOs)

Contracts for Rural Water CSOs provided by SunWater have been negotiated with DERM consistent with the principles in Queensland Treasury's *Community Service Obligations: A Policy Framework (March 1999)*. Agreed CSO funding for 2009–10 is detailed in the following table:

CSO CATEGORY	FUNDING YEAR
	2009–10 \$'000
Rural water subsidy (all schemes)	1,635*
ROP development	493*
Urban Water Subsidy	1,162
<b>Total</b>	<b>3,290</b>

\* Amounts shown are based on 2005–06 price with CPI applied.

CSO funding associated with the Cloncurry Pipeline project (under the Urban Water Subsidy) is still being negotiated and has not been included in this plan.



## EMPLOYMENT AND INDUSTRIAL RELATIONS PLAN

The focus of SunWater's employment and industrial relations strategy is to ensure that an appropriately skilled and satisfied workforce is in place to provide ongoing services to our customers and the community and that SunWater's commercial objectives are achieved in a harmonious industrial relations climate.

SunWater is committed to the implementation of initiatives provided by the *SunWater Enterprise Agreement 2009-12* (SunWater's fourth union collective agreement and the second under federal industrial relations legislation) which covers the period 1 July 2009 to 30 June 2012. This Agreement contained salary increases which provided for the cooperation of all parties to implement productivity savings imperative to SunWater achieving a reduction in overhead costs required to meet SunWater's commitment to achieve efficient cost benchmarks established in the 2005-06 Irrigation Pricing Review.

The agreement supports SunWater's commitment to:

- a commitment to consult with staff, unions, government agencies and shareholding Ministers prior to the implementation of major organisational changes, including voluntary redundancies;
- a preference for the making of enterprise agreements with unions rather than individual contracts;
- new individual contracts being limited to staff in higher supervisory/managerial positions above the SW09 salary range. (ie above public service AO-8 equiv) unless provided for in the Enterprise Agreement (in line with Schedule 11);
- adherence to the government policy *Agreement Making in Government Owned Corporations*

– *Guidance for Chief Executive Officers* by not entering into individual arrangements, other than in accordance with Government policy;

- offering employees retraining and redeployment options to obtain alternative employment with SunWater with voluntary redundancies offered as a last resort; and
- no forced redundancies subject to the acceptance of reasonable retraining and/or redeployment options and approval of shareholding Ministers.

## GOVERNMENT POLICIES

As agreed to in the 2009–10 SCI and amended throughout the 2009–10 year, SunWater adhered to the following government policies applicable to Queensland GOCs:

- Biannual Reporting: Guidelines for the Preparation of Interim Reports (2009)
- Code of Practice for Government Owned Corporations' Financial Arrangements (2009)
- Community Service Obligations – A Policy Framework (1999)
- Corporate Entertainment and Hospitality Guidelines (2008)
- Corporate Governance Guidelines for Government Owned Corporations (2009)
- Cost of Capital Principles – Government Owned Corporations (2006)
- Government Owned Corporations Air Travel Policy (2009)
- Government Owned Corporations Bargaining Guidelines (2010)
- Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009)
- Government Owned Corporations Guidelines for the Preparation of Statements of Corporate Intent and Corporate Plans (2010)

- Government Owned Corporations Release of Information Arrangements (2009)
- Government Owned Corporation Subsidiaries – Key Shareholder Requirements for Constitutions (2006)
- Government Owned Corporations Wages Policy (2010)
- Guidance for Chief Executive Officers – Agreement Making and Industrial Relations in Government Owned Corporations (2010)
- Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations (2009)
- Guidelines for Export of Services by Government Owned Corporations (2001)
- Investment Guidelines for Government Owned Corporations (2003)
- Local Industry Policy: A Fair Go for Local Industry (2008)
- Minimum Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations (2009)
- Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees (2009)
- Purchasing Carbon Offsets for Queensland Government Air Travel (2008)
- QFleet ClimateSmart Policy (2008)
- Queensland Code of Practice for the Building and Construction Industry (2009)
- Sport and Recreation Sponsorship Policy (2009)
- State Procurement Policy (2008)

## CORPORATE SPONSORSHIPS AND ADVERTISING

SunWater continued to contribute to the well-being of regional Queensland communities through investment in, and support for, community based initiatives such as the SunWater Burdekin Water Festival. Further detail of SunWater's efforts in enhancing Queensland communities is provided on pages 24 to 25 of this report.

Individual expenditure items in each category that are below \$5,000 are totalled under 'Other'.

MARKETING ACTIVITY (Activities/events over \$5,000 listed)	BUDGET 2009-10	EXPENDITURE TO 30 JUNE 2010
<b>Sponsorship</b>		
Southern Cross Soloists <sup>(a)</sup>	10,000	10,000
2009 ANCOLD Conference <sup>(b)</sup>	10,000	10,000
SunWater Burdekin Water Festival (Ayr) <sup>(c)</sup>	-	7,500
Other	50,000	42,500
Total sponsorship	70,000	70,000
<b>Advertising</b>		
Water safety advertising campaign <sup>(d)</sup>	205,000	205,000
School safety program <sup>(e)</sup>	30,000	30,000
Other	15,000	15,000
Total advertising	250,000	250,000
<b>Corporate entertainment</b>		
Staff awards ceremony <sup>(f)</sup>	10,000	10,909
Brisbane Office Christmas Party <sup>(g)</sup>	20,000	11,980
Ayr Office Christmas Party <sup>(g)</sup>	5,500	-
Other	17,000	25,099
Total corporate entertainment	52,500	47,988
<b>Donations</b>		
	-	-
<b>Other related activities</b>		
Total other related activities budget (Children's promotional products that support the public safety campaign)	30,000	30,000
<b>Total all activities</b>	<b>402,500</b>	<b>397,988</b>

- To provide opportunities for regional school children to develop and enhance their music ability.
- Water Industry conference to stay in touch with new developments and best practice.
- Promote the corporation and gain valuable feedback from industry and the public.
- To promote safe public behaviour on and around SunWater assets, especially dams.
- To encourage and promote public safety around channels, weirs and dams.
- To recognise and reward staff who go over and above their duties to maximise benefits to SunWater and the State.
- Opportunities for the CEO and executive managers to convey their thanks to all staff for their contribution during the year and to reflect on achievements and challenges.

# KEY STATISTICS

## Summary of storage situation 2009–10

STORAGE NAME	WATER SUPPLY SCHEME	TOTAL CAPACITY	DEAD STORAGE	STORAGE AT JULY 2009		STORAGE AT JUNE 2010		MINIMUM STORAGE JULY 2009 TO JUNE 2010		MAXIMUM STORAGE JULY 2009 TO JUNE 2010	
		ML	ML	ML	%Full	ML	%Full	ML	%Full	ML	%Full
Allan Tannock Weir	Cunnamulla	4,770	500	4,770	100%	4,770	100%	3,632	76%	4,770	100%
Bedford Weir	Nogoa Mackenzie	22,900	3,290	15,421	67%	17,973	78%	9,047	40%	17,973	78%
Ben Anderson Barrage	Bundaberg	30,300	6,650	25,163	83%	25,091	83%	16,983	56%	30,300	100%
Ben Dor Weir	Macintyre Brook	700	20	700	100%	475	68%	204	29%	700	100%
Bingegang Weir	Nogoa Mackenzie	8,060	25	5,788	72%	7,914	98%	3,763	47%	8,060	100%
Bjelke-Petersen Dam	Barker Barambah	134,900	1,000	8,248	6%	60,111	45%	6,620	5%	62,986	47%
Boondooma Dam	Boyne River & Tarong	204,200	8,360	97,967	48%	188,588	92%	80,479	39%	197,123	97%
Bowen River Weir	Bowen Broken Rivers	943	0.5	943	100%	943	100%	356	38%	943	100%
Bucca Weir	Bundaberg	11,600	930	6,735	58%	5,188	45%	4,988	43%	11,600	100%
Buckinbah Weir	St George	5,120	780	5,063	99%	4,196	82%	4,196	82%	5,120	100%
Burdekin Falls Dam	Burdekin Haughton	1,860,000	7,860	1,860,000	100%	1,849,235	99%	1,368,647	74%	1,860,000	100%
Callide Dam	Callide Valley	136,370	2,880	11,530	8%	30,170	22%	8,265	6%	40,298	30%
Cania Dam	Three Moon Creek	88,500	650	5,045	6%	30,436	34%	4,473	5%	34,264	39%
Chinchilla Weir	Chinchilla	9,780	120	7,450	76%	7,585	78%	3,266	33%	9,780	100%
Clare Weir	Burdekin Haughton	15,900	10	14,882	94%	11,563	73%	8,338	52%	15,900	100%
Claude Wharton Weir	Upper Burnett	12,800	120	6,619	52%	7,779	61%	4,731	37%	12,800	100%
Coolmunda Dam	Macintyre Brook	69,000	220	27,403	40%	8,760	13%	5,903	9%	27,403	40%
Dumbleton Weir	Pioneer River	8,840	130	6,255	71%	6,242	71%	3,991	45%	8,840	100%
E. J. Beardmore Dam	St George	81,700	3,120	43,382	53%	69,635	85%	3,731	5%	81,700	100%
Eden Bann Weir	Lower Fitzroy River	35,900	9,650	35,900	100%	35,900	100%	11,100	31%	35,900	100%
Eungella Dam	Bowen Broken Rivers	112,400	1,400	112,052	100%	112,222	100%	92,682	82%	112,400	100%
Fairbairn Dam	Nogoa Mackenzie	1,301,000	12,300	1,132,422	87%	1,252,196	96%	847,595	65%	1,301,000	100%
Fred Haigh Dam	Bundaberg	562,000	4,390	172,098	31%	451,086	80%	122,987	22%	458,894	82%
Gattonvale Offstream Storage	Bowen Broken Rivers	5,230	0	4,656	89%	4,475	86%	1,146	22%	5,230	100%
Glebe Weir	Dawson Valley	17,700	430	15,275	86%	17,700	100%	0	0%	17,700	100%
Gyranda Weir	Dawson Valley	16,500	2,120	15,721	95%	16,500	100%	2,120	13%	16,500	100%
Jack Taylor Weir	St George	10,270	200	7,270	71%	8,868	86%	2,944	29%	10,270	100%
Joe Sippel Weir	Barker Barambah	710	96	706	99%	710	100%	504	71%	710	100%
John Goleby Weir	Upper Burnett	1,690	160	1,330	79%	1,509	89%	766	45%	1,690	100%
Jones Weir	Upper Burnett	3,720	10	3,476	93%	3,671	99%	1,772	48%	3,720	100%
Julius Dam	Julius Dam	107,500	8,190	102,349	95%	99,723	93%	87,553	81%	107,500	100%
Kinchant Dam	Eton	65,600	600	62,800	96%	62,616	95%	30,022	46%	62,800	96%
Kirar Weir	Upper Burnett	9,540	21	8,336	87%	7,736	81%	553	6%	9,540	100%
Kolan Barrage	Bundaberg	4,020	1,630	3,875	96%	3,692	92%	3,416	85%	4,020	100%



Heavy rainfalls across Queensland during 2009–10 boosted SunWater dam levels significantly, ensuring increased water security for customers.

### Summary of storage situation 2009–10 (continued)

STORAGE NAME	WATER SUPPLY SCHEME	TOTAL CAPACITY	DEAD STORAGE	STORAGE AT JULY 2009		STORAGE AT JUNE 2010		MINIMUM STORAGE JULY 2009 TO JUNE 2010		MAXIMUM STORAGE JULY 2009 TO JUNE 2010	
		ML	ML	ML	%Full	ML	%Full	ML	%Full	ML	%Full
Kroombit Dam	Callide Valley	14,600	30	66	0%	10,640	73%	65	0%	14,600	100%
Leslie Dam	Upper Condamine	106,200	2,130	14,408	14%	9,944	9%	9,944	9%	14,408	14%
Marian Weir	Pioneer River	3,980	110	3,980	100%	3,980	100%	3,980	100%	3,980	100%
Mary River Barrage	Lower Mary River	12,000	5,050	12,000	100%	9,738	81%	7,073	59%	12,000	100%
Mirani Weir	Pioneer River	4,660	410	2,730	59%	2,730	59%	2,277	49%	2,730	59%
Moolabah Weir	St George	2,580	440	2,035	79%	1,064	41%	2,035	79%	2,580	100%
Moura Offstream Storage	Dawson Valley	2,820	140	1,478	52%	2,820	100%	148	5%	2,820	100%
Moura Weir	Dawson Valley	7,700	600	6,465	84%	7,700	100%	2,881	37%	7,700	100%
Ned Churchward Weir	Bundaberg	29,500	2,600	23,124	78%	28,811	98%	12,867	44%	29,500	100%
Neville Hewitt Weir	Dawson Valley	11,300	2,120	8,507	75%	11,300	100%	2,019	18%	11,300	100%
Orange Creek Weir	Dawson Valley	6,140	2,320	5,754	94%	6,140	100%	3,304	54%	6,140	100%
Paradise Dam	Bundaberg	300,000	13,390	219,097	73%	292,144	97%	165,100	55%	300,000	100%
Peter Faust Dam	Proserpine River	491,400	970	403,869	82%	435,078	89%	336,750	69%	446,870	91%
Silverleaf Weir	Barker Barambah	580	26	593	102%	549	95%	260	45%	580	100%
Tartrus Weir	Nogoa Mackenzie	12,000	2,530	12,000	100%	12,000	100%	7,360	61%	12,000	100%
Teemburra Dam	Pioneer River	147,500	8,300	147,500	100%	147,449	100%	126,004	85%	147,500	100%
Theodore Weir	Dawson Valley	4,760	750	4,703	99%	4,760	100%	2,653	56%	4,760	100%
Tinana Barrage	Lower Mary River	4,750	2,015	4,750	100%	4,750	100%	3,155	66%	4,750	100%
Tinaroo Falls Dam	Mareeba Dimbulah	438,920	1,300	396,302	90%	371,593	85%	254,635	58%	396,302	90%
Whetstone Weir	Macintyre Brook	506	3	506	100%	411	81%	8	2%	506	100%
Wuruma Dam	Upper Burnett	165,400	2,430	3,094	2%	12,929	8%	2,689	2%	13,508	8%



## Scheme Summary – water allocation and use 2009–10

SCHEME	SEGMENT	NO OF CUSTOMERS	WATER ENTITLEMENTS ML <sup>(1)</sup>	AVAILABLE WATER ML <sup>(2)</sup>	WATER DELIVERIES ML <sup>(3)</sup>	TEMPORARY TRANSFERS ML <sup>(4)</sup>	
						TEMPORARY TRANSFER SALES	TEMPORARY TRANSFER PURCHASES
<b>Awoonga Callide Pipeline</b> Water is transported from Gladstone Area Water Board's Awoonga Dam to Callide Dam for use by the Callide power stations.	Price Path			20	20		
	Non-Price Path				19,561	19,561	
	SunWater						
	<b>Total</b>	<b>29</b>		<b>19,581</b>	<b>19,581</b>		
<b>Barker Barambah</b> Water is released from Bjelke-Petersen Dam to customers who draw water from weirs and supplemented sections of Barker and Barambah creeks.	Price Path		30,230	31,196	2,118	160	220
	Non-Price Path		3,391	3,350	655	60	
	SunWater		694	794			
	<b>Total</b>	<b>168</b>	<b>34,315</b>	<b>35,340</b>	<b>2,773</b>	<b>220</b>	<b>220</b>
<b>Bowen Broken Rivers</b> Water from Eungella Dam is distributed to mining customers via the BMA and Eungella pipelines and is released to the Bowen River Weir to supply the Collinsville and Newlands pipelines and downstream irrigators.	Price Path		5,977	5,979	1,832		82
	Non-Price Path		32,055	32,036	15,588	400	400
	SunWater		898	9,642	645	84	1
	<b>Total</b>	<b>55</b>	<b>38,930</b>	<b>47,657</b>	<b>18,065</b>	<b>484</b>	<b>484*</b>
<b>Boyne River and Tarong</b> Water from Boondooma Dam is piped via the Tarong Pipeline to the Tarong Power Station and is released to supplement irrigation supplied along the Boyne River.	Price Path		10,351	10,634	4,648	144	144
	Non-Price Path		32,823	32,522	11,214		
	SunWater		1,625	1,625	943		
	<b>Total</b>	<b>157</b>	<b>44,799</b>	<b>44,781</b>	<b>16,805</b>	<b>144</b>	<b>144</b>
<b>Bundaberg</b> Storages on the Kolan and Burnett rivers (the major storage being Fred Haigh Dam) supply water to the scheme via a series of pump stations, balancing storages, channels and pipelines. The allocation and delivery figures include those from Paradise Dam.	Price Path		200,147	205,287	95,022	10,789	35,147
	Non-Price Path		9,155	9,359	4,018	883	883
	SunWater		171,027	171,026	12,167	25,590	1,231
	<b>Total</b>	<b>1,114</b>	<b>380,329</b>	<b>385,672</b>	<b>111,207</b>	<b>37,262</b>	<b>37,262*</b>
<b>Burdekin Haughton</b> Water is released from Burdekin Falls Dam to Clare Weir, which forms a pumping pool and regulating structure. From here it is distributed through several pump stations, pipelines, balancing storages and channels to the irrigation area, and along the Burdekin River to the north and south Burdekin water boards and river customers.	Price Path		396,151	410,626	310,410	15,002	23,694
	Non-Price Path		238,257	236,318	201,384	650	1,266
	SunWater		420,077	478,260	31,684	9,308	
	<b>Total</b>	<b>406</b>	<b>1,054,485</b>	<b>1,125,204</b>	<b>543,478</b>	<b>24,960</b>	<b>24,960</b>
<b>Callide Valley</b> Water is released from Callide and Kroombit dams to downstream controlling structures and percolates into the underlying aquifers. Irrigators draw their supplies from the aquifers and directly from Kroombit and Callide creeks during releases. Water is pumped from Callide Dam to the Callide power stations and Banana Shire Council.	Price Path		18,252	12,108	3,831	28	28
	Non-Price Path		5,959	5,227	4,160		
	SunWater		22	22			
	<b>Total</b>	<b>137</b>	<b>24,233</b>	<b>17,357</b>	<b>7,991</b>	<b>28</b>	<b>28</b>
<b>Chinchilla Weir <sup>(5)</sup></b> Water from Chinchilla Weir supplements streamflows 35km downstream of the weir for use by irrigators.	Price Path		2,872	2,912	1,869	958	958
	Non-Price Path		1,172	1,172	812		
	SunWater		5	5			
	<b>Total</b>	<b>31</b>	<b>4,049</b>	<b>4,089</b>	<b>2,681</b>	<b>958</b>	<b>958</b>
<b>Cunnamulla</b> The Allan Tannock Weir supplies water to landholders adjoining the ponied area of the weir for irrigation, stock and domestic supplies and for the town of Cunnamulla.	Price Path		2,488	2,488	1,322	470	470
	Non-Price Path		124	124			
	SunWater						
	<b>Total</b>	<b>26</b>	<b>2,612</b>	<b>2,612</b>	<b>1,322</b>	<b>470</b>	<b>470</b>

\* Totals have been rounded.

## Scheme Summary – water allocation and use 2009–10 (continued)

SCHEME	SEGMENT	NO OF CUSTOMERS	WATER ENTITLEMENTS ML <sup>(1)</sup>	AVAILABLE WATER ML <sup>(2)</sup>	WATER DELIVERIES ML <sup>(3)</sup>	TEMPORARY TRANSFERS ML <sup>(4)</sup>	
						TEMPORARY TRANSFER SALES	TEMPORARY TRANSFER PURCHASES
<b>Dawson Valley</b> <sup>(5)</sup> Weirs on the Dawson River provide supplies to river customers and to the channel distribution systems near Theodore. The scheme also includes an offstream storage.	Price Path		52,355	41,067	32,602	9,483	10,229
	Non-Price Path		5,409	5,092	3,450	746	264
	SunWater		4,173	4,128	1,564	264	
	<b>Total</b>	<b>155</b>	<b>61,937</b>	<b>50,287</b>	<b>37,616</b>	<b>10,493</b>	<b>10,493</b>
<b>Eton</b> <sup>(5)</sup> During high river flows, water is harvested from the Pioneer River into Kinchant Dam, from where it is distributed through a network of pump stations, channels, pipes and balancing storages.	Price Path		51,500	50,061	21,473	649	649
	Non-Price Path		1,674	1,381	561		
	SunWater		9,389	9,200	3,850		
	<b>Total</b>	<b>308</b>	<b>62,563</b>	<b>60,642</b>	<b>25,884</b>	<b>649</b>	<b>649</b>
<b>Julius Dam</b> Julius Dam provides water to the North West Queensland Water Pipeline Pty Ltd (a SunWater subsidiary) which supplies the Ernest Henry Mine. The dam also serves as a backup supply to the Mount Isa Water Board.	Price Path						
	Non-Price Path		38,000	36,750	3,582		
	SunWater		10,850	10,850			
	<b>Total</b>	<b>4</b>	<b>48,850</b>	<b>47,600</b>	<b>3,582</b>		
<b>Lower Fitzroy River</b> Water is released from Eden Bann Weir down the Fitzroy River, from which it is pumped via the Stanwell Pipeline to the Stanwell Power Station. Irrigation customers draw supplies from the Fitzroy River.	Price Path		3,101	3,101	280		160
	Non-Price Path		24,042	24,042	17,920		
	SunWater		1,478	1,478	9	160	
	<b>Total</b>	<b>23</b>	<b>28,621</b>	<b>28,621</b>	<b>18,209</b>	<b>160</b>	<b>160</b>
<b>Lower Mary River</b> Water for this scheme is taken from the Mary River and Tinana Creek barrages for irrigation, urban and industrial use.	Price Path		22,017	22,018	9,025	259	259
	Non-Price Path		1,190	1,190	23		
	SunWater		11,252	11,252	761		
	<b>Total</b>	<b>186</b>	<b>34,459</b>	<b>34,460</b>	<b>9,809</b>	<b>259</b>	<b>259</b>
<b>Macintyre Brook</b> Water is released from Coolmunda Dam to weirs along the lower reaches of Macintyre Brook from which it is drawn for irrigation and the Inglewood town water supply.	Price Path		17,319	10,249	6,603	2,624	2,559
	Non-Price Path		6,863	9,879	6,393		1
	SunWater		815	817	280	178	
	<b>Total</b>	<b>95</b>	<b>24,997</b>	<b>20,945</b>	<b>13,276</b>	<b>2,802</b>	<b>2,560</b>
<b>Maranoa River</b> Neil Turner Weir supplies water to landholders bordering the ponded area of the weir for irrigation, stock and domestic supplies. The scheme does not operate under Announced Allocation sharing rules.	Price Path		800		11		
	Non-Price Path						
	SunWater		5				
	<b>Total</b>	<b>4</b>	<b>805</b>		<b>11</b>		
<b>Mareeba Dimbulah</b> Releases from the Tinaroo Falls Dam gravitate through 176 km of main channel, as well as subsidiary channels, pipelines and supplemented streams, to the various sections of the scheme. Deliveries exclude those for hydro.	Price Path		150,203	193,322	113,318	8,664	8,723
	Non-Price Path		9,214	7,102	5,641	100	2,876
	SunWater		45,007	47,852	22,498	2,856	21
	<b>Total</b>	<b>1,141</b>	<b>204,424</b>	<b>248,276</b>	<b>141,457</b>	<b>11,620</b>	<b>11,620</b>
<b>Nogoa Mackenzie</b> The scheme is supplied by Fairbairn Dam via the Selma and Weemah channel systems and supplemented sections of the Nogoa-Mackenzie River. The scheme also includes three weirs along the Mackenzie River and the Blackwater Pipeline that supplies coalmines around Blackwater.	Price Path		166,105	255,297	161,664	57,760	57,381
	Non-Price Path		36,496	37,672	21,219	10	414
	SunWater		32,722	33,932	14,341	25	
	<b>Total</b>	<b>370</b>	<b>235,323</b>	<b>326,901</b>	<b>197,224</b>	<b>57,795</b>	<b>57,795</b>

## Scheme Summary – water allocation and use 2009–10 (continued)

SCHEME	SEGMENT	NO OF CUSTOMERS	WATER ENTITLEMENTS ML <sup>(1)</sup>	AVAILABLE WATER ML <sup>(2)</sup>	WATER DELIVERIES ML <sup>(3)</sup>	TEMPORARY TRANSFERS <sup>(4)</sup>	
						TEMPORARY TRANSFER SALES	TEMPORARY TRANSFER PURCHASES
<b>Pioneer River</b> The scheme is based on Teemurra Dam, the Mirani, Marian and Dumbleton weirs and a supplemented section of the Pioneer River.	Price Path						76
	Non-Price Path		65,830	65,886	31,926	495	400
	SunWater		12,280	12,280			19
	<b>Total</b>	<b>22</b>	<b>78,110</b>	<b>78,166</b>	<b>31,926</b>	<b>495</b>	<b>495</b>
<b>Proserpine River</b> The scheme comprises Peter Faust Dam and supplemented sections of the Proserpine River and supplies water to the Six Mile Creek and Kelsey Creek water boards.	Price Path		27,745	34,905	18,303	80	240
	Non-Price Path		25,793	25,713	13,952	160	
	SunWater		6,537	9,317			
	<b>Total</b>	<b>89</b>	<b>60,075</b>	<b>69,935</b>	<b>32,255</b>	<b>240</b>	<b>240</b>
<b>St George</b> Customers are supplied from Beardmore Dam via the St George and Buckinbah channel systems and supplemented sections of the Thuraggi watercourse and Balonne River. The scheme is also serviced by three weirs.	Price Path		71,794	93,523	66,779	8,182	8,251
	Non-Price Path		2,060	2,579	1,071		
	SunWater		10,721	14,088	8,837	139	250
	<b>Total</b>	<b>162</b>	<b>84,575</b>	<b>110,190</b>	<b>76,687</b>	<b>8,321</b>	<b>8,501</b>
<b>Three Moon Creek</b> Cania Dam supplies riparian users along Three Moon Creek and the town of Monto. Groundwater supplies are recharged and instream storages are replenished through releases from the dam.	Price Path		14,028	8,092	3,531	125	115
	Non-Price Path		706	643	217		10
	SunWater						
	<b>Total</b>	<b>91</b>	<b>14,734</b>	<b>8,735</b>	<b>3,748</b>	<b>125</b>	<b>125</b>
<b>Upper Burnett</b> Wuruma Dam supplements sections and supplies weirs along the Burnett and Nogo rivers. The supplemented section of the Burnett River also collects runoff from the Auburn and Boyne rivers and unused water released from Boondooma Dam's Boyne River outlet. The allocation and delivery figures include those from Kirar Weir.	Price Path		29,088	21,851	13,511	592	1,819
	Non-Price Path		1,880	1,934	942	95	80
	SunWater		17,582	10,197		1,212	
	<b>Total</b>	<b>155</b>	<b>48,550</b>	<b>33,982</b>	<b>14,453</b>	<b>1,899</b>	<b>1,899</b>
<b>Upper Condamine</b> Water is released from Leslie Dam on Sandy Creek to supplement a series of weirs on the Condamine River between Warwick and Cecil Plains. The scheme also includes a pump station and a short pipeline.	Price Path		22,165	15,103	15,863		
	Non-Price Path		11,534	3,336	1,436		
	SunWater		98	51			
	<b>Total</b>	<b>104</b>	<b>33,797</b>	<b>18,490</b>	<b>17,299</b>		
<b>TOTAL ALL SCHEMES</b>		<b>5,032</b>	<b>2,605,572</b>	<b>2,819,523</b>	<b>1,347,339</b>	<b>159,384</b>	<b>159,320</b>

<sup>(1)</sup> Water allocations and interim water allocations held by customers and SunWater, including those leased to customers by SunWater

<sup>(2)</sup> Includes announced allocations, carryovers, bedsands water, risk A water, credit water, streamflow period, channel harvesting, spot sales, water transportation and water use (other authority) for customers and SunWater

<sup>(3)</sup> Includes allocation water, bedsands water, credit water, streamflow period, risk A and township water, channel harvesting, spot sales, water transportation and water use (other authority) for customers and SunWater

<sup>(4)</sup> Includes transfer of customer and SunWater allocations

<sup>(5)</sup> Water year does not align with financial year

## SunWater dams – summary statistics

DAM NAME	STREAM NAME	NEAREST TOWN	STRUCTURE DESCRIPTION	STORAGE LEVEL ABOVE ORIGINAL BED (METRES)	STORAGE CAPACITY (ML)	SURFACE AREA AT FULL SUPPLY LEVEL (HA)	YEAR COMPLETED
E J Beardmore	Balonne River	St George	Earthfill and mass concrete (vertical lift gates)	12.1	81,700	2,850	1972
Bjelke-Petersen	Barker Creek	Murgon	Earth and rockfill	26.3	134,900	2,250	1988
Boondooma	Boyne River	Proston	Concrete faced rockfill	47.8	204,200	1,815	1982
Burdekin Falls	Burdekin River	Ravenswood	Mass concrete	40.0	1,860,000	22,000	1987
Callide	Callide Creek	Biloela	Earthfill (radial gates)	34.8	136,300	1,240	1965/98
Cania	Three Moon Creek	Monto	Earth and rockfill	40.1	88,500	760	1982
Coolmunda	Macintyre Brook	Inglewood	Earthfill (radial gates)	16.1	69,000	1,645	1968
Eungella	Broken River	Eungella	Earth and rockfill	39.6	112,400	848	1969
Fairbairn	Nogoa River	Emerald	Earthfill	31.7	1,301,000	15,000	1972
Fred Haigh	Kolan River	Gin Gin	Earth and rockfill	43.0	562,000	5,345	1975
Julius	Leichhardt River	Mount Isa	Multiple arch concrete buttress	25.2	107,500	1,255	1976
Kinchant	Sandy Creek (North Branch) – water harvested from Pioneer River	North Eton	Earth and rockfill	18.1	62,800	920	1977/86
Kroombit	Kroombit Creek	Biloela	Earth and rockfill, RCC spillway	18.6	14,600	289	1992
Leslie	Sandy Creek	Warwick	Mass concrete (radial gates)	28.9	106,200	1,288	1965/86
Paradise*	Burnett River	Biggenden	Roller compacted concrete	37.1	300,560	2,950	2005
Peter Faust	Proserpine River	Proserpine	Earth and rockfill	39.6	491,400	4,325	1990
Teemurra	Teemurra Creek	Finch Hatton	Concrete faced rockfill	54.0	147,500	1,107	1996
Tinaroo Falls	Barron River	Atherton	Mass concrete	41.8	438,900	3,500	1958
Wuruma	Nogo River	Eidsvold	Mass concrete	36.6	165,400	1,639	1968

\* Owned by Burnett Water Pty Ltd – a subsidiary of SunWater

## Rural water CSOs paid by government 2009–10

WATER SUPPLY SCHEME	\$	WATER SUPPLY SCHEME	\$
Barker Barambah Rivers	21,178	Lower Mary River	210
Bowen Broken Rivers	95	Maranoa	72,606
Boyne River & Tarong	2,810	Mareeba Dimbulah	337,786
Bundaberg Supply	38,287	Other	103,798
Callide Valley	451,317	Pioneer River	49,045
Cunnamulla	41,678	Three Moon Creek	245,763
Dawson Valley	30,257	Upper Burnett	179,104
Eton	45,332	Upper Condamine	7,985
Lower Fitzroy River	7,474	<b>Total</b>	<b>1,634,726</b>

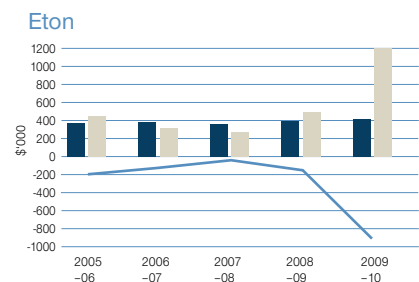
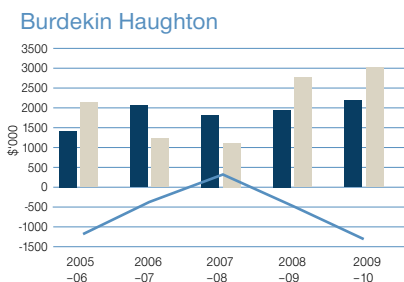
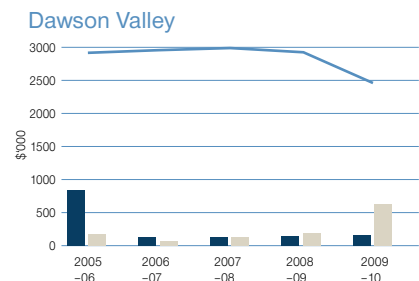
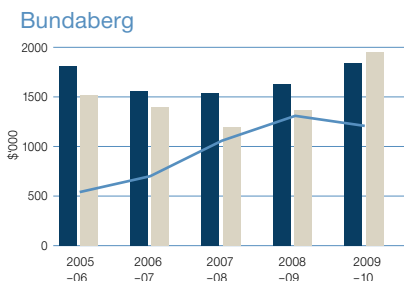
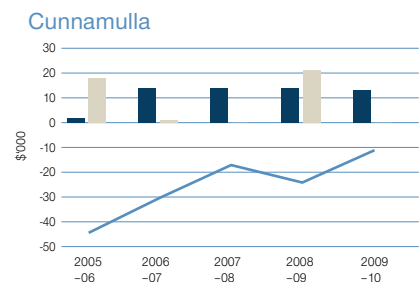
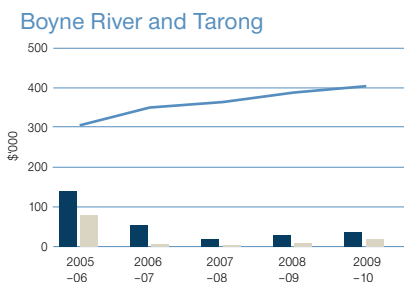
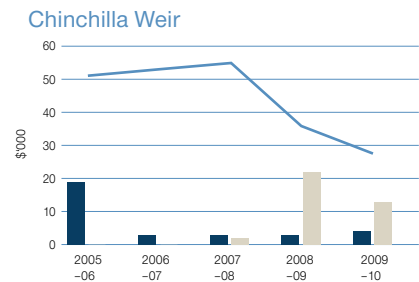
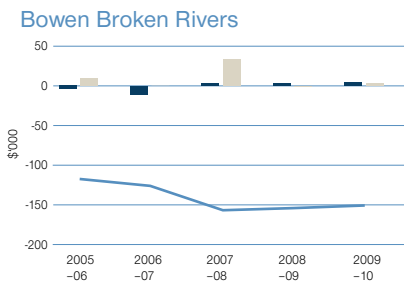
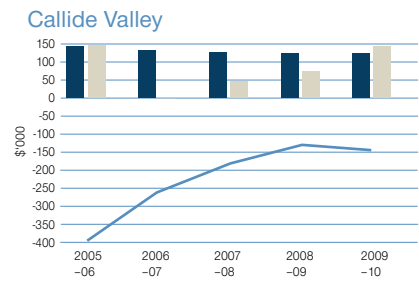
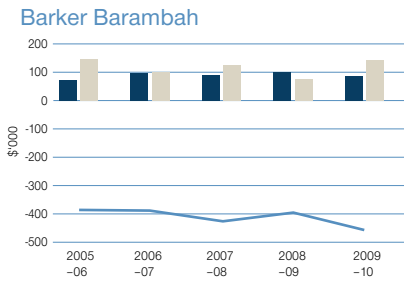
## ASSET SUSTAINABILITY

### Irrigation sector annuities

The level of expenditure required to maintain the serviceability and integrity of the asset portfolio can vary significantly from year to year. To even out the effect of expenditure peaks and troughs in irrigation prices, SunWater utilises an annuity approach for the irrigation sector. This ensures that existing and future irrigation customers contribute equitably, taking into account the long-term asset refurbishment requirements.

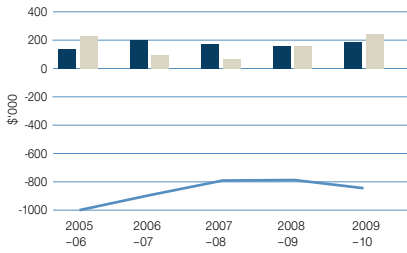
The following graphs show the irrigation sector share of the actual refurbishment expenditure over the past five years for each scheme. They also show the irrigation annuity collected as a component of irrigation water charges and the irrigation annuity balance available.

■ Annuity collected  
■ Renewals spend  
— Annuity balance

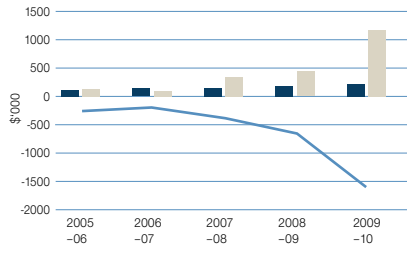




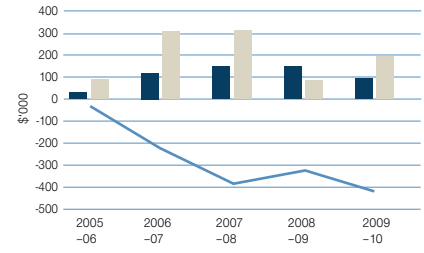
Lower Mary River



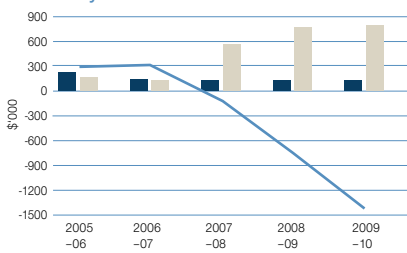
Pioneer River



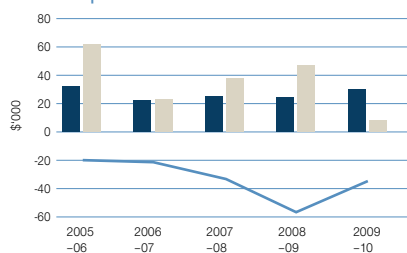
Upper Condamine



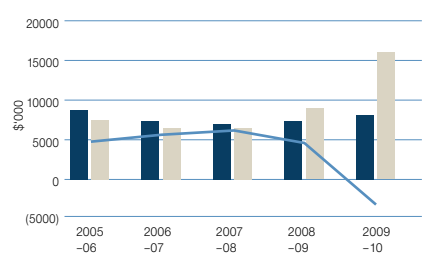
Macintyre Brook



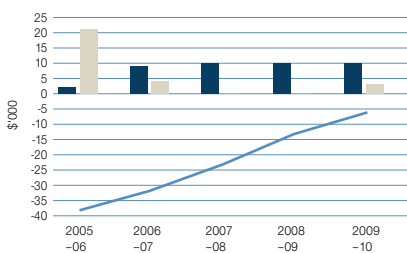
Proserpine River



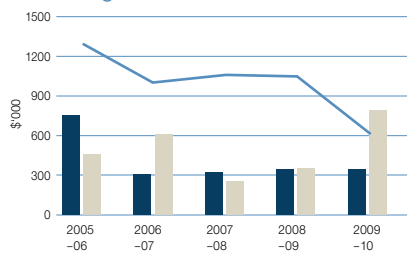
SunWater



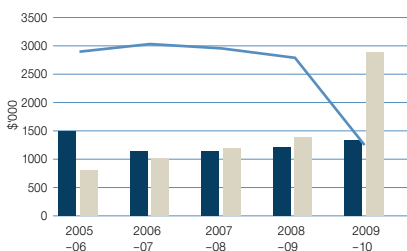
Maranoa River



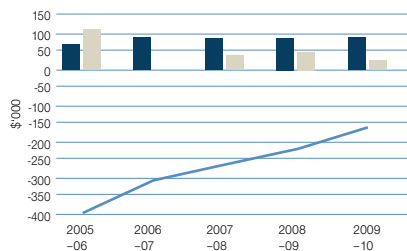
St George



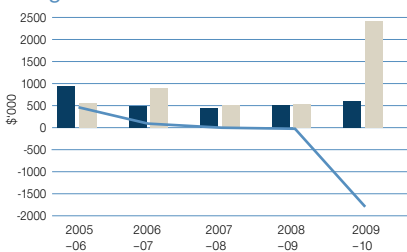
Mareeba Dimbulah



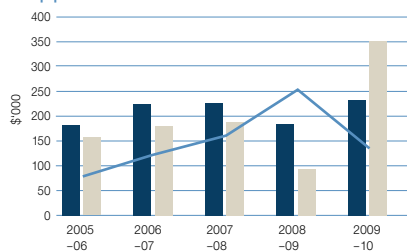
Three Moon Creek



Nogoa Mackenzie



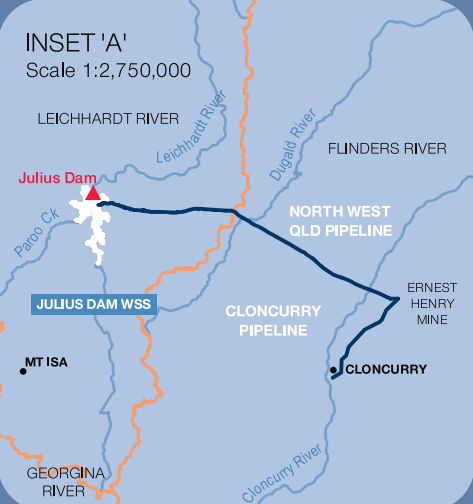
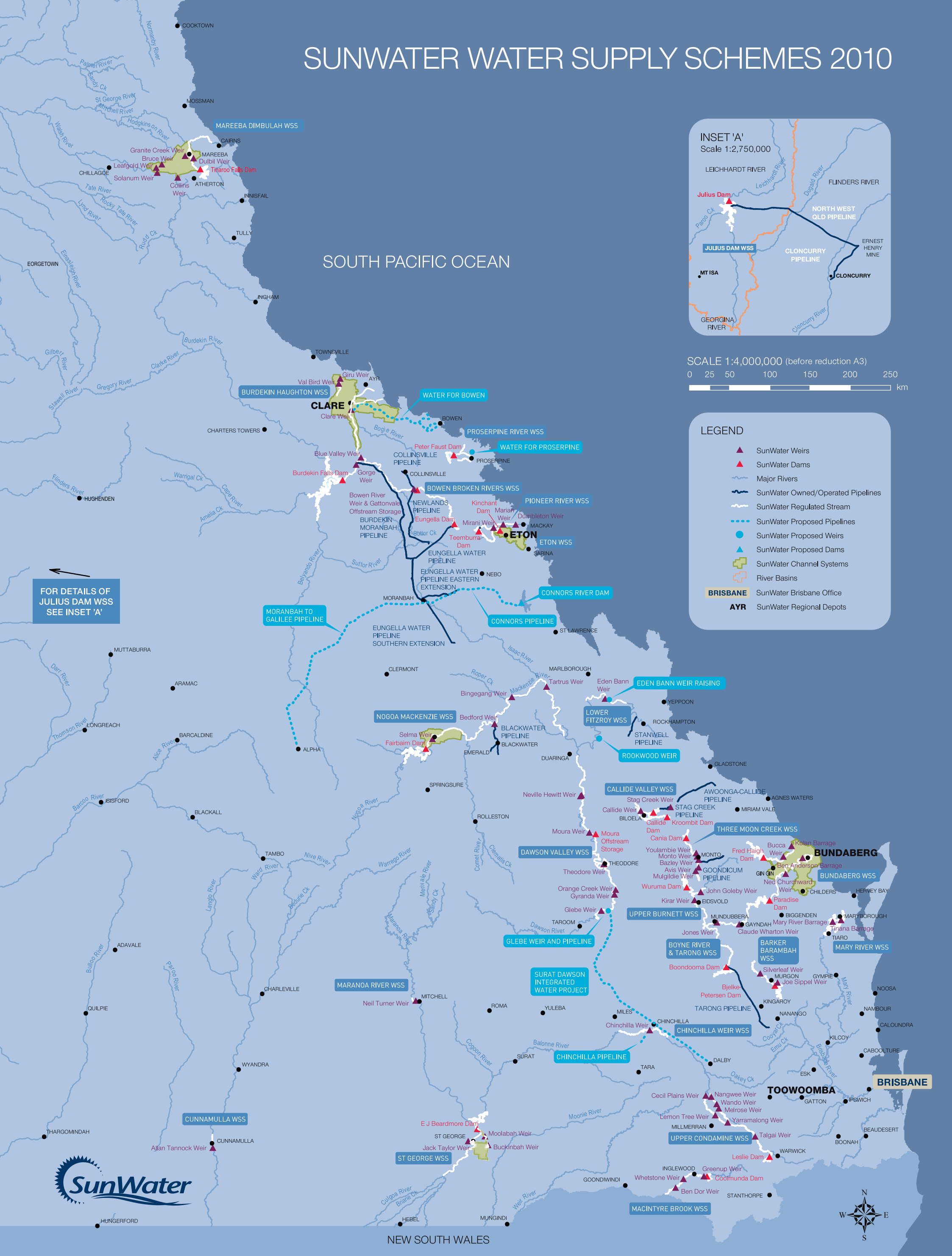
Upper Burnett



## Glossary of terms and acronyms

<b>AASB</b>	Australian Accounting Standards Board	<b>DEWHA</b>	Department of Environment Water Heritage and the Arts	<b>NWQWP</b>	North West Queensland Water Pipeline
<b>ACN</b>	Australian Company Number	<b>DIP</b>	Department of Infrastructure and Planning	<b>OGOC</b>	Office of Government Owned Corporations
<b>AIFRS</b>	Australian equivalents to International Financial Reporting Standards	<b>DR</b>	Disaster Recovery	<b>PPE&amp;C</b>	Personal Protective Equipment and Clothing
<b>AM</b>	Member of the Order of Australia	<b>EAP</b>	Emergency Action Plan	<b>QAO</b>	Queensland Audit Office
<b>ANCOLD</b>	Australian National Committee on Large Dams	<b>EBIT</b>	Earning Before Interest and Tax	<b>QMS</b>	Quality Management System
<b>AO</b>	Officer of the Order of Australia	<b>EBITDA</b>	Earning Before Interest and Tax Depreciation and Amortisation	<b>QPIF</b>	Queensland Primary Industries and Fisheries
<b>ARC</b>	Accountability Referrals Committee	<b>EIS</b>	Environmental Impact Statement	<b>QTC</b>	Queensland Treasury Corporation
<b>ATO</b>	Australian Tax Office	<b>EMS</b>	Environmental Management System	<b>QWI</b>	Queensland Water Infrastructure Pty Ltd
<b>AWRIS</b>	Australian Water Resource Information System	<b>EWP</b>	Eungella Water Pipeline	<b>ROP</b>	Resource Operations Plan
<b>BMA</b>	BHP Billiton Mitsubishi Alliance	<b>FTE</b>	Full Time Equivalent	<b>SCI</b>	Statement of Corporate Intent
<b>BW</b>	Burnett Water Pty Ltd	<b>GOC</b>	Government Owned Corporation	<b>SDSC</b>	Staff Development Steering Committee
<b>CATS</b>	Corrective Action Tracking System	<b>GPS</b>	Global Positioning System	<b>SLAM</b>	Stop Look Assess Manage
<b>CEO</b>	Chief Executive Officer	<b>GST</b>	Goods and Services Tax	<b>TFR</b>	Total Fixed Remuneration
<b>CGU</b>	Cash Generating Units	<b>IAC</b>	Irrigation Advisory Committees	<b>WACC</b>	Weighted Average Cost of Capital
<b>CHMP</b>	Cultural Heritage Management Plans	<b>ICT</b>	Information and Communications Technology	<b>WASB</b>	Water Accounting Standards Board
<b>CIEAM</b>	Centre of Integrated Engineering Asset Management	<b>IFRS</b>	International Financial Reporting Standards	<b>WBBCC</b>	Wide Bay Burnett Conservation Council
<b>CLG</b>	Community Liaison Group	<b>IT</b>	Information Technology	<b>WH&amp;S</b>	Workplace Health and Safety
<b>COO</b>	Chief Operating Officer	<b>km</b>	Kilometre	<b>WIT</b>	Water Industry Training
<b>CPI</b>	Consumer Price Index	<b>LBWF</b>	Lower Burdekin Water Futures		
<b>CRA</b>	Comprehensive Risk Assessment	<b>LTI</b>	Lost Time Injury		
<b>CRC</b>	Cooperative Research Centre	<b>LTIDR</b>	Lost Time injury Duration Rate		
<b>CS</b>	Continuous Sharing	<b>LTIFR</b>	Lost Time Injury Frequency Rate		
<b>CSO</b>	Community Service Obligation	<b>M</b>	million		
<b>DEEDI</b>	Department of Employment, Economic Development and Innovation	<b>ML</b>	Megalitre (1,000,000 litres)		
<b>DERM</b>	Department of Environment and Resource Management	<b>NGER</b>	National Greenhouse Energy Reporting		
		<b>NPSI</b>	National Program for Sustainable Irrigation		
		<b>NTER</b>	National Tax Equivalent Regime		
		<b>NWI</b>	National Water Initiative		

# SUNWATER WATER SUPPLY SCHEMES 2010



SCALE 1:4,000,000 (before reduction A3)  
0 25 50 100 150 200 250 km

**LEGEND**

- ▲ SunWater Weirs
- ▲ SunWater Dams
- Major Rivers
- SunWater Owned/Operated Pipelines
- - - SunWater Regulated Stream
- - - SunWater Proposed Pipelines
- ▲ SunWater Proposed Weirs
- ▲ SunWater Proposed Dams
- - - SunWater Channel Systems
- River Basins
- BRISBANE SunWater Brisbane Office
- AYR SunWater Regional Depots



NEW SOUTH WALES

**SunWater Brisbane Office**

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Customer Information Line 131589

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