



MAKING WATER WORK **EVERY DAY**

SUNWATER ANNUAL REPORT 2010-11





EVERY DAY OF THE MONTH, EVERY
MONTH OF THE YEAR, SUNWATER
IS MAKING WATER WORK FOR YOU.

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 2010-11 (SCI) and summarised on page 76 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.

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

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MAKING WATER WORK EVERY DAY

As one of the most progressive and successful water infrastructure companies in Australia, we are leading the way in the delivery of bulk water infrastructure development and management.

Our proven history of growth and leadership is backed by our own \$7 billion asset base and our reliable supply of 40% of all water used commercially in Queensland.

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.

Every day our team draws on the experience of 80 years of developing and managing bulk water infrastructure with our current asset base capable of delivering in excess of 2 million megalitres (ML) of water annually. We have the people, knowledge, systems and overall capability to deliver on industry and community needs.

Our assets

Our extensive regional asset base, including a full storage capacity of 6.7 million ML, provides water security for over 5,000 agricultural, urban and commercial water customers every day.

SunWater's asset base has developed over time to include:

- 19 major dams
- 63 weirs and barrages
- 84 major pumping stations
- over 2,700km of pipelines and channels, and
- 730km of drains.

Our customers

From mining and agriculture to energy and urban, our customers represent a range of industries for which we provide tailor-made solutions to suit each need.

OUR SERVICE PORTFOLIO

SERVICE	MINING	ENERGY	AGRICULTURE	URBAN
Water supply planning	▪	▪	▪	▪
Bulk water supply	▪	▪	▪	▪
Sale or lease of water allocations	▪	▪	▪	▪
Water infrastructure design and development to provide new water allocations	▪	▪	▪	▪
Water infrastructure design and development to provide a water supply and transportation service	▪	▪	▪	▪
Facilities management services	▪	▪	▪	▪
Beneficial use strategies	▪	▪		
Water cycle management	▪	▪		
Water reuse management planning and delivery	▪	▪	▪	▪
Fluoridation installation and management				▪

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

Our organisational values provide a behavioural framework that guides how we do business. Our values are delivering outstanding service and results, working safely, taking responsibility, working together, being open to change, and respecting others.

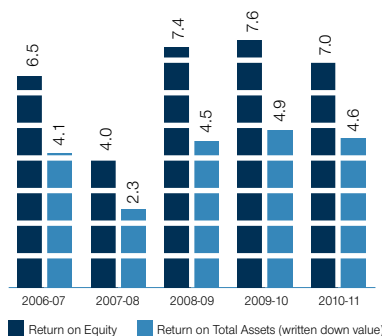


PERFORMANCE SUMMARY

Our continuing focus on costs has improved earnings before interest and tax for the 2011 year by 12% to \$85M.

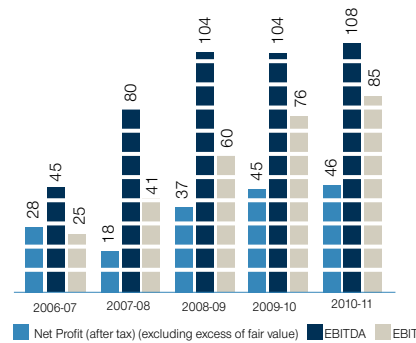
RETURN ON EQUITY (%)

RETURN ON TOTAL ASSETS (%)



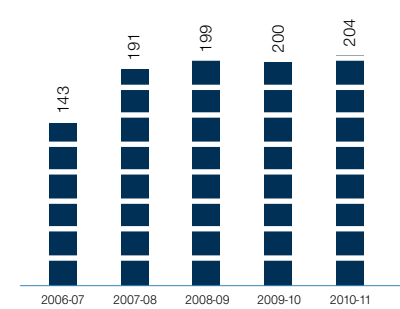
SunWater's return on equity declined marginally to 7% as a result of the equity base increasing at a slightly faster rate than the flood impacted NPAT. Similarly, return on total assets was affected by a lower increase in NPAT.

NPAT, EBITDA AND EBIT (\$M)



All 3 metrics have improved despite reduced revenue streams as a result of the recent flood events and Cyclone Yasi. Net profit after tax increased by 2%. EBITDA increased by 4% and EBIT by 12%, both reflecting decreased costs as a result of various initiatives implemented by SunWater.

TOTAL REVENUE (\$M)

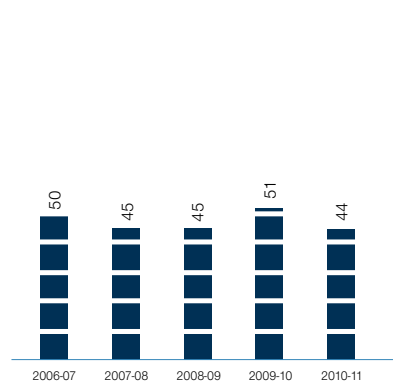


Revenue across all sectors of SunWater continues to show positive trends except irrigation revenue (which has been negatively impacted by higher than normal rainfall and the flooding events throughout Queensland). Revenue from the 2008-09 Seqwater transaction (gain on sale of assets) has been excluded from these graphs.

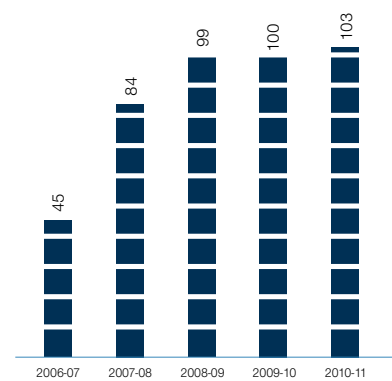
REVENUE BREAKDOWN (\$M)

Recent flood and cyclone events reduced revenue streams during the year. Repairs to damaged water infrastructure also impacted on the result.

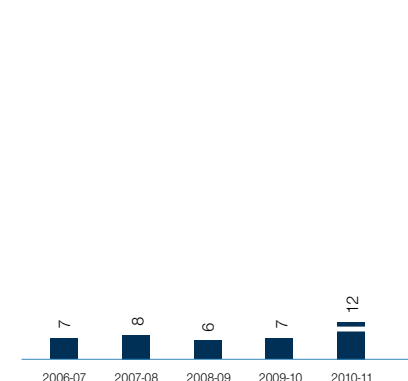
Irrigation



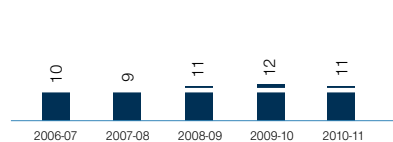
Industrial water



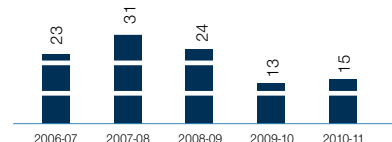
Urban bulk water



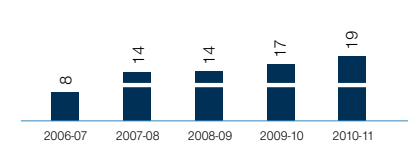
Water allocation sales



External consultancies/contracts



Other revenues



HIGHLIGHTS FOR THE YEAR

↑ 12%
 increase in EBIT to \$85 million
 > page 4



↑ 2%
 increase in total revenue to \$204.4 million
 > page 4



↑ 22%
 increase in green energy production
 > page 21



↑ 74%
 of customer survey respondents believe that SunWater is a capable and credible organisation
 > page 17

↑ 100%
 of staff highly value working in a safe and professional manner
 > page 18



↑ 84%
 of staff are committed to SunWater's success and future direction
 > page 25



↑ 100%
 of total water capacity was achieved in January 2011 – the highest dam storage levels on record
 > page 83



↑ 91%
 of Connors River Dam and Pipeline Project investigations complete
 > page 10

↑ 60%
 of our sponsorship program supports local community events and activities, 25% supports industry growth initiatives and 15% supports youth based initiatives
 > page 23



↑ 87%
 labour utilisation rate for Infrastructure Management Group, a 3% increase from the previous year
 > page 15



CEO'S REVIEW

The unprecedented, widespread flooding that occurred throughout Queensland during the December to January period resulted in great loss to individuals, communities and businesses. As an organisation that has a direct presence in many of the affected communities, SunWater is committed to assisting in the ongoing recovery process wherever possible.

The unprecedented weather events of 2010-11 presented many challenges and demonstrated the importance of dam safety management, including clear standards, well considered operating procedures, well trained staff and sound corporate systems.

For the first time in the organisation's history all SunWater storages filled and overflowed during 2010-11. SunWater's storages performed well during the events, as did our people. Their efforts are to be commended as they worked around the clock operating our own storages, those of other dam owners and supporting Seqwater in the operations of the Wivenhoe, Somerset and North Pine Dams.

During the aftermath we assisted with recovery efforts where needed, including providing assistance and support to the Queensland Floods Commission of Inquiry.

We are now expediting repairs to essential infrastructure and services which were impacted by the widespread flooding and cyclone Yasi, and implementing key recommendations from the Commission of Inquiry in anticipation of the upcoming wet season.

We will continue to work with our key stakeholders, such as our customers, shareholders, regulators and communities, to develop and implement additional measures aimed at protecting life and private and public property. Some of these activities include improving our communication with key stakeholders and taking further preventative measures to ensure our infrastructure continues to perform safely and effectively.

Organisation highlights and challenges

Aside from the flood events, we continued to operate and maintain infrastructure to ensure continuing service to our customers.

Our Refurbishment and Enhancement Program performance at total budget level finished the year with a 6.5% variation on total budget. This was a good result given the disruptions of the prolonged wet season on construction and the impact of flood repairs on revised work priorities.

The 2010-11 water deliveries were down significantly – recorded as 510,205ML which was 796,043ML below budget in all areas due to the wetter than average water year.

It is hoped that demand will increase in the coming year as our customers' operations resume to normal levels.

Our productivity initiatives such as the SunWater water accounting and billing system replacement project (SWIMs) has progressed extremely well with the discovery phase and preliminary design phase completed. The project is forecast for completion by July 2012. We also commenced work on the business case field mobility solution project. The initiative will enable SunWater's field-based workforce to have the advantage of information constantly at their fingertips to improve customer service and productivity. Field operators will be able to receive, record and complete tasks on the spot via a hand-held device. This initiative is scheduled for implementation in 2012.

As a progressive and responsive organisation we continue to evolve, and during the year we made improvements to the organisational structure that resulted in the establishment of the Safety, Strategy and Risk group. This was a result of identified opportunities to strengthen both executive leadership and on-ground resources in the safety area and sustained improvements are expected to be delivered over the coming year and thereafter.

Our commitment to achieving a 'No Harm' safety culture remains a top priority for the business and outcomes from our staff survey and from an external safety health check were very encouraging as they both indicate a high level of commitment and engagement by Management and staff to the achievement of our 'No Harm' goal.

Although we have seen positive improvement in our safety culture we still have work to do to improve our safety performance. Disappointingly, our safety statistics for the year have declined from the previous year's result. The Lost Time Injury Frequency Rate outcome of 3.6 is above our zero target and the Total Recordable Injury Frequency Rate outcome of 18.9 has been identified as an area of key focus for the coming year.

All of the incidents that resulted in Lost Time Injuries were avoidable and were related to overexertion by individuals when lifting, which resulted in two hernias and one leg strain.

The organisation's commitment to improving this area will be a strong focus in the coming year with initiatives to include increasing attention to the application of local safety risk assessment and management, improving business wide access to safety related information, increased safety assurance audits and health checks at key project phases, enhanced reporting and analysis of safety related leading and lagging indicator statistics, and improved safety hazard reporting tools.

During the year, we participated in the Queensland Competition Authority's (QCA) water pricing process, which will determine future irrigation water pricing for the years 2012-17. To support the QCA through the process, the combined efforts across the organisation have been significant, delivering 30 Network Service Plans (NSPs), 35 Issues Papers, and responding to hundreds of enquiries from the QCA and its consultants over an extended period through the year. All of SunWater's NSPs and submissions are publicly available to interested stakeholders through the QCA's website.

Financial highlights and challenges

Our financial performance was pleasing, given the difficult operating conditions that pervaded throughout the year. Our full year consolidated net profit after tax for SunWater of \$46.37M on total revenue of \$204.37M is a solid outcome. Despite the wetter than average year having a negative impact on customer demand for water deliveries and increasing our costs for flood damage repairs, we have still managed to outperform the previous year's consolidated net profit after tax of \$44.76M. This better than expected result underscores the stability of SunWater's revenue base.

Our project portfolio of some \$3.8B in new bulk water infrastructure continues to progress and the development of a forward looking capital management strategy in partnership with shareholders has secured our financial ability to deliver the projects in a sustainable manner over the coming years.

The capital management strategy has established a set of key credit metrics for SunWater and incorporated a range of potential funding options to support SunWater's infrastructure program over the next 7-10 years. Having received shareholder endorsement for SunWater's approach is a strong indicator of the Government's and our customer's confidence in SunWater and the projects we are pursuing.

Key priorities for 2011-12

Looking to the future, SunWater's key priorities will include progressing project investigations and securing approvals for our significant infrastructure projects, including the Connors River Dam and Pipeline Project, the Nathan Dam and Pipelines Project, and a number of other commercial pipeline projects to support developments in the Bowen, Galilee and Surat basins.



Additional information on our current projects is detailed on pages 10-13 of this report as well as on SunWater's website.

Continuing productivity improvements will also be a clear focus in the coming year with innovations such as workforce mobility solutions and improvements to work scheduling. Other initiatives include the replacement of the existing water accounting and billing system and streamlining of internal processes.

In 2011-12 SunWater will undertake consultation and negotiation of a new Collective Agreement to ensure future business productivity, workforce engagement and safety. In conjunction with shareholders' requirements, this process will adhere to the Fair Work Australia approvals process to ensure that appropriate agreements are reached.

In closing, I wish to take this opportunity to acknowledge our staff who work in direct service delivery and the staff who work behind the scenes supporting the organisation. It is our collective knowledge, skills and experience that continue to ensure the ongoing success of SunWater. I would particularly like to acknowledge the efforts of our Flood Response Teams across Queensland who performed exceptionally well during severe flooding and cyclone conditions in December and January.

PETER BOETTCHER
Chief Executive, SunWater Limited

CHAIRMAN'S OUTLOOK

The 2011-12 outlook presents an exciting period for the SunWater group. With the business well positioned to deliver on its strategic focus of investment for growth plus prudent management of existing operations, we are set to meet the water security needs of our existing and future customers.

Development program

In the next 10 years, SunWater is preparing to deliver a portfolio of significant regional bulk water infrastructure projects that will underpin the future security of industrial and urban water supplies in key areas of regional Queensland. This is particularly so in central Queensland which is experiencing unprecedented growth in demand for reliable water supplies from the mining and industrial sectors and for water management services from the coal seam gas industry.

During 2010-11, SunWater undertook feasibility investigations for 15 projects that will underpin some of Queensland's largest mining operations (see pages 10-13 for details on some of our major projects). The specific focus areas are the Bowen, Surat and Galilee basins where demand for water by mining and industrial customers is likely to grow significantly over the coming decade to meet future operational needs.

By delivering water infrastructure projects that will supply water to these sectors, SunWater will strengthen its position as Queensland's premier bulk water infrastructure provider and further improve the value being delivered by the Corporation to its customers and shareholders.

SunWater will continue to be guided by its vision to provide outstanding solutions for customers and will pursue new opportunities to diversify its revenue base by extending the range of water infrastructure services and solutions on offer.

In an industry first, SunWater is delivering a water infrastructure and beneficial use solution to enable treated coal seam gas water to be accessed by the agricultural sector for irrigation purposes. The Kenya to Chinchilla Weir Pipeline, due for completion in late 2011, will provide a solution with genuine community benefits for the significant volumes of water generated by the Queensland Gas Company's Queensland Curtis Liquefied Natural Gas project.

With rapid growth in the energy and resources industries, SunWater will continue to work alongside commercial businesses to remain the leader in innovative and new solutions to deliver reliable water to our customers.

Financial planning

2010-11 has been a sound financial year for SunWater given the circumstances. Widespread flooding and the effects of Cyclone Yasi not only caused infrastructure damage to SunWater's water storage and delivery systems, it also reduced water demand across large areas of Queensland for several months, thereby impacting revenues as well.

Against this background, SunWater is actively investigating and evaluating a portfolio of potential commercial water infrastructure development projects as referred to earlier in my report.

A cornerstone issue for each of these projects will be the financial evaluation of their commerciality, and the development of a funding package to enable construction and delivery.

The commerciality of each project will require a high level of confidence around final construction costs, binding customer contracts including pricing and securities, and the financial ability of a range of counterparties to deliver on their contractual commitments. We expect this will involve significant due diligence which will be commensurate with the requirements of each project.

In anticipation of a number of these projects being approved for commercial development over the next 7-10 years at a cost of up to \$3.8B, SunWater has developed a capital management strategy to ensure that adequate equity and debt funding will be available as and when required. In June 2011, our shareholding Ministers endorsed the capital management strategy, giving SunWater the financial undertaking necessary to be able to confidently deliver commercial water infrastructure projects as approved by shareholders.

Safety commitment

Protecting the safety of our people, our contractors and the general public will remain a key priority for 2011-12 as we strive to achieve SunWater's 'No Harm' safety objective. The organisation will continue the journey of safety improvement in key areas of leadership, risk assessments, and contractor management, whilst maintaining our existing improvements in culture and performance.

Environmental commitment

SunWater will also maintain its focus on actively identifying and mitigating potential environmental risks in both the delivery of its infrastructure development projects as well as the operations of its existing water infrastructure. SunWater is also undertaking a range of government dividend reinvestment projects to benefit the environment and the community. These projects are outlined on page 20.

Acknowledgements

Our goal remains to increase shareholder value by delivering strong business outcomes that add value to our customers, shareholders and the community. I would like to acknowledge the efforts of the management team and my fellow SunWater Board members who are ensuring that SunWater is well placed to achieve this goal.

On behalf of the SunWater Board, I would also like to extend our sincere sympathies to the family of our Board Member Neil Turner, who passed away unexpectedly in July 2011. Having served on the Board since 2008, Neil contributed to a number of significant activities undertaken by SunWater during his time on the board. He was greatly respected and liked by all who knew him.

Thank you to our stakeholders, including customers, suppliers, business partners, shareholders and local communities for their ongoing support and contribution to our business.

I look forward to continuing with the momentum we have built this year, as we enter another year of tremendous opportunity.

SCOTT SPENCER
Chairman, SunWater Limited



DEVELOPING WATER INFRASTRUCTURE SOLUTIONS **EVERY DAY**

Our focus is to progress our major project investigations into new dam and pipeline projects to support the development of the Queensland energy and resources sectors.

Our service spectrum



We provide customised bulk water infrastructure solutions and services 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.

Infrastructure Development projects

Our Infrastructure Development Group manages these development projects and seeks out business opportunities with new and existing customers. The group provides end-to-end project management services and water infrastructure solutions in accordance with customers' needs.

Our major projects undertaken in 2010-11 are outlined in this section of the report.

Connors River Dam and Pipeline Project



PROJECT PURPOSE: To provide a long-term water supply solution to meet future water demands in the Bowen and Galilee Basin regions.

MAIN CUSTOMER BASE:

Mining, Urban

DAM CAPACITY: The Connors River Dam will have a full storage capacity of 373,000ML.

DAM YIELD: The preliminary yield from Connors River Dam is 49,500ML/annum High Priority and 5,000ML/annum Medium Priority allocation.

PIPELINE CAPACITY: The Connors to Moranbah Pipeline design has a transport capacity of approximately 50,000ML/annum.

TIMING: Based on the final investment decision being made before March 2012:

- Construction start 2012.
- Commissioning 2014.
- First water 2014.

COST: Preliminary capital cost estimate \$1.1B.

LOCATION: The dam will be located on Connors River, near Mount Bridget, approximately 110km due east of Moranbah and 70km south of Sarina.

A 133km pipeline will deliver water from the dam to a smaller holding storage near Moranbah, where it will then be distributed to customers.

Additional pipelines and pipeline spurs will likely be required to service areas around Moranbah as the demand locations are finalised for delivery of the project's water.

PROGRESS:

- ▶ EIS complete and undergoing Supplementary EIS approval process.
- ▶ Business case complete and approved by Board and shareholding Ministers.*
- ▶ Construction to commence 2012.

*Subject to satisfaction of conditions precedent.

Kenya to Chinchilla Weir Pipeline Project



PROJECT PURPOSE: To provide the Chinchilla district with beneficial use of treated coal seam gas (CSG) water as part of QGC's Queensland Curtis LNG project.

MAIN CUSTOMER BASE:
Agriculture, Urban

PIPELINE CAPACITY: The pipeline has a transport capacity of approximately 35,000ML/annum.

TIMING:

- Construction to commence in August 2011.
- Pipeline is planned to be operational by December 2011.

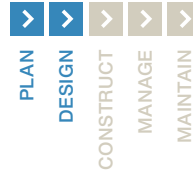
COST: \$56M

LOCATION: The 20km pipeline will form part of the Chinchilla Beneficial Use Scheme that will provide treated CSG water for beneficial use along the pipeline and within the same boundaries as the Chinchilla Weir Water Supply Scheme as part of QGC's Queensland Curtis LNG project. Water users along the pipeline and within the river will utilise treated CSG water for beneficial use as it is made available from QGC.

PROGRESS:

- Business case complete and approved by shareholding Ministers.
- Environmental Assessments complete and approval received from the Federal Department of SEWPAC.
- Beneficial use application approved.
- Construction to commence in August 2011.

Moranbah to Alpha Pipeline Project



PROJECT PURPOSE: To transport water from Moranbah to Galilee Basin coal mines and the Alpha township.

MAIN CUSTOMER BASE:
Mining, Urban

PIPELINE CAPACITY: The pipeline design has a transport capacity of approximately 25,000ML/annum.

TIMING: Based on the final investment decision being made before March 2012:

- Construction start 2012.
- Commissioning 2014.
- First water 2014.

COST: \$793M

LOCATION: The 265km Moranbah to Alpha pipeline will commence at Moranbah with the last offtake terminating at Alpha township.

PROGRESS:

- Business case complete and approved by SunWater Board* and awaiting shareholding Ministers' approval.
- Environmental Assessments complete and undergoing approval process.
- Construction to commence 2012.

*Subject to satisfaction of conditions precedent.

We actively investigate strategic water supply solutions to enable future growth for our mining, energy, industrial, agricultural and urban customers.



Nathan Dam and Pipelines Project



PROJECT PURPOSE: To provide a long-term water supply solution to meet existing and future water demands in the Surat Basin and the Dawson-Callide sub-region, potentially extending as far as Dalby.

MAIN CUSTOMER BASE:

Mining, Urban, Industrial

DAM CAPACITY: 880,000ML.

DAM YIELD: The preliminary yield from the Nathan Dam is 66,000ML/annum of High Priority allocation.

PIPELINE CAPACITY: The pipeline design has a transport capacity of approximately 48,000ML/annum.

TIMING: Construction is planned to occur from 2015, subject to gaining relevant approvals and securing commercial demand from the market.

COST: Preliminary capital cost estimate \$1.4B.

LOCATION: The dam will be located on the Dawson River, just upstream of the Nathan Gorge and approximately 75km upstream of where the Dawson River and the Fitzroy River meet. The pipeline could potentially extend as far as 260km from Nathan Dam to Dalby.

PROGRESS:

- ▶ EIS public consultation scheduled for late 2011.

Reedy Creek to Glebe Weir Pipeline Project



PROJECT PURPOSE: To provide Wandoan and Glebe districts with beneficial use of treated CSG water for the life of the Northern CSG leases in the Surat basin.

MAIN CUSTOMER BASE:

Mining, Agriculture

PIPELINE CAPACITY: Capacity is expected to be between 30,000ML/annum and 47,000ML/annum.

TIMING: Pipeline commissioning is expected to occur in 2013, subject to gaining relevant approvals and to securing commercial demand.

COST: Preliminary capital cost estimate is \$370M based on 47,000ML/annum capacity.

LOCATION: The pipeline could potentially extend from a planned water treatment plant at Reedy Creek to Glebe Weir, via Wandoan.

PROGRESS:

- ▶ Pipeline EIS and approvals complete (Wandoan to Glebe section).

The Fitzroy River Infrastructure Project



PROJECT PURPOSE: SunWater and the Gladstone Area Water Board to investigate and develop water storage infrastructure options (raising the existing Eden Bann Weir and developing the new Rockwood Weir) that satisfy the future water supply needs for the Rockhampton and Gladstone regions.

MAIN CUSTOMER BASE:

Urban, Industry

CAPACITY: Total additional storage capacity will be approximately 172,000ML.

YIELD: The preliminary yield is 76,000ML/annum of High Priority water allocation.

TIMING: The business case currently being developed will provide greater clarity to the demand triggers and staging options. Works are being progressed to ensure the infrastructure can be delivered within 3 years of the demand trigger being met.

COST: Preliminary capital cost estimate \$434M.

LOCATION: The existing and proposed weirs will be located on the Fitzroy River upstream from Rockhampton.

PROGRESS:

- ▶ Preliminary design complete.
- ▶ EIS process underway.

We deliver innovative water infrastructure management and development projects to assist our customers' operations.



MANAGING WATER SUPPLY SOLUTIONS **EVERY DAY**

Our focus is to deliver reliable water to the mining, energy, industrial, agricultural and urban sectors across regional Queensland as well as provide an extensive range of infrastructure management services to existing and new customers.

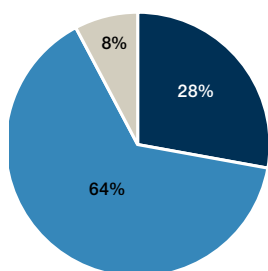
Infrastructure management services

Water delivery across our 23 water supply schemes and the management of our clients' water infrastructure assets is the responsibility of our Infrastructure Management Group.

The group provides an end-to-end approach to service delivery, applying the same high standards of service irrespective of the asset owner.

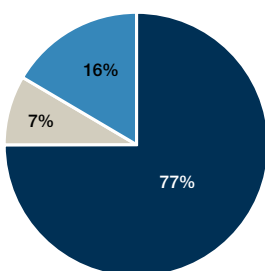
Comparison of water deliveries vs revenue

WATER REVENUE BY SECTOR



■ Urban
■ Industrial
■ Irrigation (including CSO)

WATER DELIVERIES BY SECTOR



■ Urban
■ Industrial
■ Irrigation (including CSO)

In 2010-11 we delivered 510,205ML across our 23 water supply schemes. The pie charts above show the distribution of water deliveries to our customer sectors:

- Industrial sector was 16% of the actual water delivered and accounted for 64% of water delivery revenue
- Urban sector was 7% of the actual water delivered and accounted for 8% of water delivery revenue
- Irrigation sector was 77% of the actual water delivered and accounted for 28% of water delivery revenue.

Resilience during extreme weather events

Despite the size and scale of the extreme weather events experienced during the 2010-11 wet season, our dams, spillways, weirs and other infrastructure performed well and in accordance with their design. Significant storage inflows were safely passed through our dams' purpose built spillways and the impact to our operations and infrastructure was minimal. Our Dam Safety Management Program and Emergency Action Plan operating procedures functioned smoothly and effectively, ensuring the continued safety of our customers and the general public. This is directly attributable to the dedication of our people, the effectiveness of our systems as well as the performance of our infrastructure during this period.

Managing our emergency action plans

When a flood event occurs at a dam, we implement our Emergency Action Plan (EAP). The EAP puts into place surveillance and monitoring procedures and systems. It also outlines the communication protocols to disaster management groups and stakeholders to ensure the community remains safe and aware of dam activities.

During the 2010-11 wet season, EAPs were activated for all of our storages, except for Kinchant Dam for which an EAP activation was not required. The learnings gained from activating the EAPs are being incorporated into our routine EAP reviews.

Focus on maintenance and repairs

Our scheme infrastructure performed well during the 2010-11 floods with only moderate damage sustained in some flood affected areas of regional Queensland. The common types of flood damage that occurred included:

- Pump station flooding
- Damage to hand rails and safety barriers
- Valve house flooding
- Pump damage
- Bank erosion
- Road erosion
- Channel washout.

A \$10.5M program of repair work will be carried out on key water scheme assets to ensure SunWater has the necessary water infrastructure in place to meet customers' water supply needs.

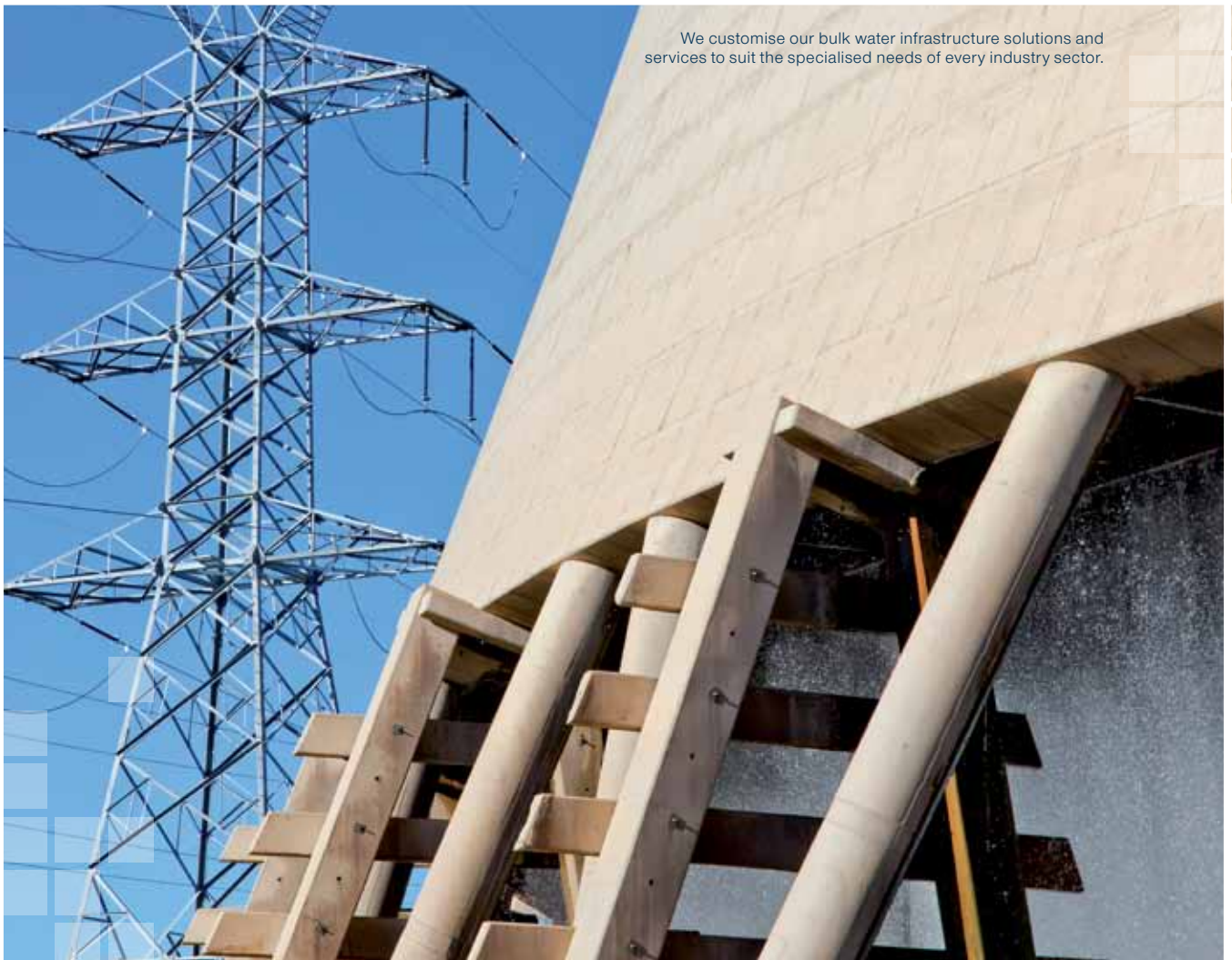
As a result of the recent flood events, the focus of our refurbishment and enhancement works moved to flood repairs with some routine planned works needing to be deferred until next financial year.

Participating in the water pricing process

On 19 March 2010, the Queensland Government announced that the Queensland Competition Authority (QCA) would undertake an independent review and provide a recommendation to the Queensland Government on SunWater rural irrigation water prices. This would apply to specified SunWater water supply schemes for the next price path from 1 July 2011 to 30 June 2016. On 30 May 2011 the Queensland Government announced that it had extended the timeline for the QCA to complete its work. SunWater's new irrigation price path will now commence on 1 July 2012 and conclude 30 June 2017.

As part of the QCA irrigation water pricing process, SunWater lodged 30 Network Service Plans that outline 5 year forecasts of efficient costs for all SunWater irrigation schemes and distribution systems that provide supplies to irrigators.

We customise our bulk water infrastructure solutions and services to suit the specialised needs of every industry sector.



Delivering on our infrastructure management contracts

We continue to manage and maintain significant bulk water infrastructure on behalf of our customers, through our extensive facilities management service offering which includes:

- Work program planning
- System operations
- Flood operations
- Maintenance scheduling and implementation
- Dam surveillance operations
- Civil works management
- Asset performance monitoring
- Programmable Logic Controller programming and maintenance
- Hydraulics and condition monitoring
- Refurbishments
- Installation upgrades, commissioning and project management.

Facilities management services provided during 2010-11 include:

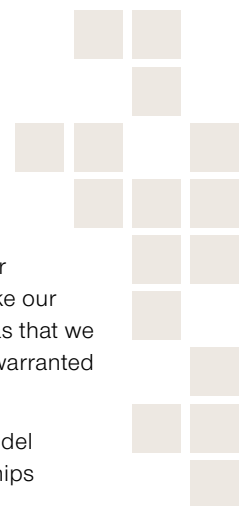
CUSTOMER	SUNWATER'S SERVICE	YEARS
BHP Mitsubishi Alliance (BMA)	Operate and maintain 6 major pipelines totalling 670km, pump stations and storage facilities for BMA's coal mines in the Bowen Basin	9
Department of Local Government and Planning	Operate and maintain the water supply for 5 communities located at the northern tip of Cape York	9
Department of Environment and Resource Management	Read and maintain 4,122 water meters in 11 groundwater areas and operate and maintain 1 industrial pipeline	11
National Capital Authority	Facility management and flood operations for Scrivener Dam, Canberra	11
Border Rivers Commission	Facility management under the control of Border Rivers Commission including Glenlyon Dam and Boggabilla Weir, control and distribute water to irrigators in the Border Rivers area	11
Seqwater	Flood control room support services	15
Townsville City Council	Facility management and flood operations for Ross River Dam	4

Providing consultancy services for our customers' specific needs

Our infrastructure consultancy services and solutions aim to optimise our clients' cost efficiencies, reduce maintenance, save energy and maintain infrastructure integrity. Our expertise in design, planning, engineering, investigation and documentation continues to be sought by various organisations.

Infrastructure consultancy services provided during 2010-11 include:

CUSTOMER	SUNWATER'S SERVICE
Western Corridor Recycled Water Scheme	Pump station and pipeline engineering design
Queensland Water Commission	Water supply planning study
Stanwell Corporation	Geotechnical investigations for hydro-electric power project
Tarong Energy	Dam safety services
Country Energy NSW	Dam safety services
Seqwater	Flood management services
BMA	Pipeline concept engineering design
LandCorp WA	Engineering and irrigation area design
Palm Island Aboriginal Shire Council	Dam safety services
ACTEW Corp.	Peer review of dam design and construction
QCoal Pty Ltd	Water supply investigations and transportation options analysis
Macarthur Coal Ltd	Water supply investigations and transportation options analysis
Vale Australia	Pipeline preliminary engineering design
Origin Energy Australia	Water transport investigations and water marketing
QGC	Water transport investigations and water marketing
Rio Tinto Coal Australia	Water supply investigations and transportation options analysis
Hancock Prospecting Pty Ltd	Water supply investigations and transportation options analysis



Improving our service to customers

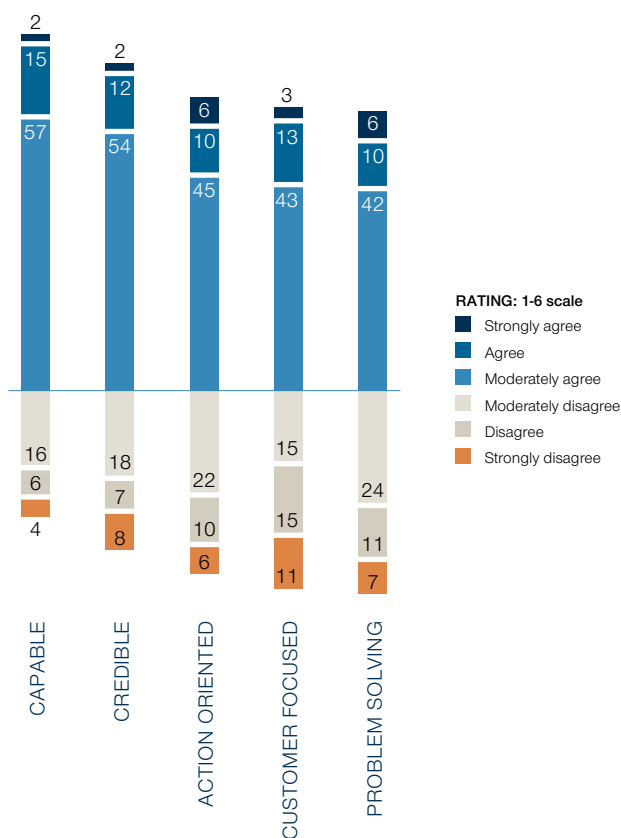
A key focus in 2010-11 was to maintain effective relationships with our customers and continue to deliver innovative solutions in response to their needs, feedback and concerns.

Every 2 years we conduct an Irrigation Customer Survey to understand customer perceptions and the impact for SunWater's business. A telephone survey was undertaken in 2010 across all water supply schemes with a sample of 751 SunWater customers responding to research questions.

The survey compared changes in customer satisfaction against 2004, 2006 and 2008 surveys, and identified themes and key issues for policy, planning and management consideration.

The 2010 results indicated that the majority of SunWater's irrigation customers are satisfied with our performance particularly in the areas of being capable, credible and customer focused, as indicated in the graph below.

2010 IRRIGATION CUSTOMER SURVEY RESULTS
AGREEMENT WITH BRAND ATTRIBUTES (%)



During the year we also undertook research into our commercial customers' perception of SunWater. Like our irrigation sector customers, the overall response was that we are performing well, although additional work was warranted in the area of customer relationships.

As a result we are investigating a customer care model across the business to better develop our relationships across all customer sectors.

As part of our existing irrigation customer communication program, we liaised with 18 Irrigator Advisory Committees during the year to discuss scheme performance and operational matters. In addition to direct customer communication, we held local shed meetings with our broader customer base, providing a forum for local customer issues to be raised in a casual setting. These meetings have proven to be beneficial as we are able to gain direct feedback on topical issues such as annual shutdowns.

In relation to our customer service level performance for 2010-11, there were 9 service target exceptions recorded across the schemes, an improvement from the previous year's result of 20. See www.sunwater.com.au for more information on scheme water supply arrangements and service level targets.

STRIVING FOR NO HARM EVERY DAY

Our focus is to continually evaluate, improve and monitor our safety performance as we reinforce the importance of achieving our 'No Harm' safety objective for all SunWater employees, contractors and visitors.

LOST TIME INJURY FREQUENCY RATE



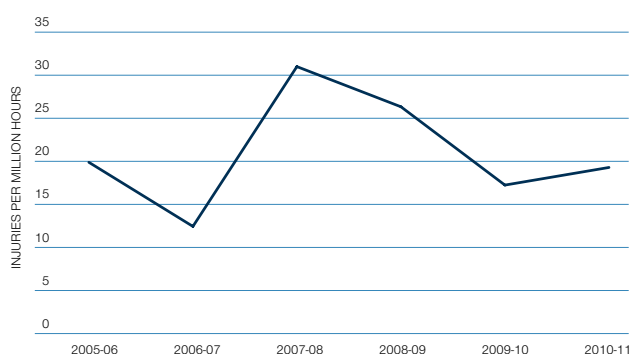
This year we experienced 3 Lost Time Injuries.

Two of these involved hernia injuries and the third involved a strained calf muscle, all of which arose from manual handling activities.

In response to our increased Lost Time Injury Frequency Rate, we have increased the number of regionally based expert safety advisors who are devoted to helping our people undertake more effective task-based risk assessments, particularly in situations where unexpected changes in circumstances have occurred on the job.

We are also increasing the coverage of assurance audits to ensure the quality and overall effectiveness of risk management processes.

TOTAL RECORDABLE INJURY FREQUENCY RATE



There has been a slight rise in our Total Recordable Injury Frequency Rate in 2010-11 (compared with 2009-10) which currently stands at 18.9. We consider this to be unacceptably high and are committed to a series of initiatives to improve our performance. This will include increasing attention to the application of local safety risk assessment and management, improving business-wide access to safety-related information, increased safety assurance audits and health checks at key project phases, enhanced reporting and analysis of safety related leading and lagging indicator statistics and improved safety hazard reporting tools.

Workplace safety is our top priority

We recognise that more can always be done to improve workplace safety and we have pursued a range of activities aimed at delivering further improvements including:

- Establishment of a Senior Executive position with a clearer accountability for safety
- Reviewing the approach to contractor engagement, monitoring and reporting
- Improving risk identification and reporting to improve line of sight to management
- Further strengthening the involvement of senior leadership in the identification of risks and work observations
- Reducing our Total Recordable Injury Frequency Rate to industry best practice.

To ensure our workplace and associated infrastructure is as safe as possible for our staff, the 2 year, \$14.4M Intersafe project was implemented state-wide and upgrade works are now 97% complete.

In 2010-11 we further developed our safety awareness programs and all SunWater employees participate in monthly toolbox talks to discuss safety topics in detail.

A monthly Safety Dashboard displaying key lagging and leading indicators has also been made accessible to all levels of the organisation.

Our safety programs are endeavouring to actively target all workers engaged either directly or indirectly by SunWater including our contractors, volunteers and consultants.

We are also refreshing our safety induction, management and monitoring processes for all workers and contractors engaged by SunWater.

Pleasing results from our safety culture staff survey

In 2010-11 we undertook a safety culture staff survey that showed that our people place a high value upon conducting their work in a professional and safe manner.

After benchmarking the responses of our staff against other 'safe' companies, it was pleasing to find that our culture aligns with best practice and safe organisations in a number of key areas including:

- All injuries can be prevented
- Injuries, safety incidents, near misses and the like are analysed in SunWater
- We have up-to-date, clearly defined and established safety values

- Achievements in safety are recognised and high safety performance is celebrated by SunWater
- Staff felt empowered by those in supervisor/management positions to take action to ensure their own safety and that of others with whom they work.

The survey helped to identify areas for further development including a number of detailed suggestions for improving the effectiveness of safety meetings within the business.

Leaders in dam safety management

In recognition that we are one of Australia's leading organisations in dam safety management, the Queensland dam safety regulator requested that SunWater provide education seminars externally for other dam owners. These seminars cover dam design and construction, dam safety regulations, safety surveillance, inspections and emergency action planning. In 2010-11 we delivered the 3 day program to 19 participants from other organisations.

Our Dam Safety Management Program uses industry standards to ensure that dams under our management are maintained and operated to a safe standard.

The program includes:

- Employment of specialist dam safety staff
- Training programs and competency assessment of operators
- Annual inspections of every dam
- 5 yearly comprehensive inspections and audits including running of Emergency Action Plan scenarios
- 20 year dam safety design reviews

- Emergency preparedness and maintenance of regulatory dam safety documentation
- Periodic review of hazard categories and failure impact ratings on dams and weirs
- Flood advisory service to operators and Emergency Event Coordinators using predictive flood routing models to aid with dam flood operations and EAP communications.

Upgrading our dams to new safety standards

As an outcome of the comprehensive risk assessments that were completed in 2010, a Dam Safety Upgrade Program has been developed to ensure that our dams comply with new regulatory guidelines and moderate risks to an acceptable level. Upgrades will be undertaken as part of a continuous rolling design and construction program with priority given to upgrades at dams with the highest level of overall risk. The program is planned for completion by 2020.

Highlights of the works undertaken for the 2010-11 Dam Safety Upgrade Program include:

- Completion of the \$24M, 3 year dam safety upgrade of Tinaroo Falls Dam
- Completion of geotechnical investigation and conceptual design for the \$30M, 3 year dam safety upgrade on Kinchant Dam (completion of the detailed design and construction is planned for 2013)
- Commencement of investigation and conceptual design for stage 1 of the Burdekin Falls Dam Safety Upgrade Program.



We emphasise ongoing staff training and rigorous site checks to make safety our first priority every day.

ENVIRONMENTALLY RESPONSIBLE EVERY DAY

Our focus is to apply responsible management practices that ensure our operational outcomes and environmental outcomes are in balance with the environmental agenda.

Undertaking environmental assessments

We undertake an environmental assessment process for all of our proposed projects to ensure that any potential environmental impacts are understood and the appropriate mitigation and offset strategies are developed. When a project is designated as a project of significance, we pursue the EIS process to minimise the impact of our proposed infrastructure projects on all aspects of the environment including air and water quality, noise levels, native flora and fauna, soil conditions, and areas of historic and cultural interest. In 2010-11 we undertook EIS activities on the following major projects:

Connors River Dam and Pipeline

▶ EIS complete and undergoing supplementary EIS approval process

Nathan Dam and Pipelines

▶ EIS underway

Fitzroy River Infrastructure Project

▶ EIS underway

No environmental compliance breaches

We have had no environmental compliance breaches during the past year.

We operate an Environmental Management System which complies with the requirements of AS/NZS ISO14001:2004.

We have a long-standing record of ensuring our water infrastructure right across regional Queensland is not only of benefit to communities, but also that the operation of our infrastructure does not impact adversely on the surrounding environment.

On 7 October 2008 the Wide Bay Burnett Conservation Council commenced an action in the Federal Court against Burnett Water seeking orders that the fishways at Paradise Dam are not suitable for lungfish. On 4 March 2011 Justice Logan dismissed the proceedings. The judgement confirmed that the fish transfer devices are suitable for lungfish in accordance with the Federal Environmental Approval.

Following on from Burnett Water's success in the Federal Court case, the Federal Department of SEWPAC has published an addendum to the 2007 Compliance Audit setting out that, in line with the Federal Court judgement, periods of non-operation of the fish transfer devices did not constitute a breach of the Federal Environmental Approval.

We are committed to continued compliance with all environmental approvals.

Facilitating passage of fish and turtles

To minimise any impact from our operations on the waterway's natural inhabitants such as fish and turtles, specialised structures are incorporated in our infrastructure. These structures facilitate safe passage to assist these species to maintain their natural breeding cycles.

To better understand and facilitate turtle movement, \$4M from the dividend reinvestment program will be invested into the research and development of a turtleway at Tartrus Weir on the Mackenzie River. This 2 year project in conjunction with the Department of Environment and Resource Management will give researchers a better understanding of how we can assist turtle movements around man-made structures.

We have completed construction of the new \$5.3M fishway at the Bowen River Weir to provide fish passage within the catchment, thereby allowing the natural breeding cycle of many fish species to occur. This project was partially funded by the State Government through our dividend reinvestment program, with the balance being recovered from commercial customers through future billings. Up to 20 different fish species are expected to benefit from the fishway once it is fully operational in August 2011.

Review of chemical management

We are conscious of ensuring that the chemicals necessary for our operations are compliant with industry standards and our chemical management procedures are best practice. In 2010-11 a state-wide review was undertaken of all chemicals used as part of our operations. An outcome of this review was a significant rationalisation of chemicals, update of licences and improved storage and handling procedures.

Greenhouse gas emissions and energy production

The following table summarises the greenhouse gas emissions and energy production reported for 2010-11.

GREENHOUSE GAS EMISSIONS & ENERGY CONSUMPTION	ENERGY CONTENT (GJ)	SCOPE 1 EMISSIONS (T CO ₂ -E)	SCOPE 2 EMISSIONS (T CO ₂ -E)
Fuel consumption/ energy (transport)	24,930	1,742	
Other fuel consumption (energy commodities – electricity from grid)	391,301		96,738
Total emissions	416,231		
ENERGY PRODUCTION			
Electricity (mini-hydro generation – Tinaroo and Paradise dams)	35,994		

Heavier than normal seasonal rainfall, flood and cyclone events have meant that lower volumes of water have been pumped, in turn significantly reducing the amount of electricity that we have drawn from the grid. This has resulted in a 40% reduction in electricity consumption-related emissions.

Fuel consumption emissions have reduced by around 34% largely resulting from a reduction in SunWater's vehicle fleet and less travel due to a heavier than normal seasonal rainfall.

Total energy production generated by the mini-hydros increased by 22% due to the larger dam inflows and dams operating at capacity volumes. This allowed optimum water release through the mini-hydro plants. This increase in generation was achieved despite the unit at Paradise being out of service due to flood damage which was sustained during the December to January flood events. In addition to the 2 existing mini-hydro facilities at Tinaroo Falls and Paradise Dams, SunWater is also supporting Stanwell in the development of a hydro-electric power generation project using water released from our Burdekin Falls Dam.

Undertaking groundwater investigations

In 2010-11 we commenced a \$3M project as part of the dividend reinvestment program to address rising groundwater and related salinity issues in the Burdekin River Irrigation Area (BRIA). The purpose of the 3 year project is to investigate and identify areas of water seepage from irrigation channels in the BRIA and develop strategies to reduce seepage. The project will also include monitoring to determine the effectiveness of the seepage reduction measures.

We have processes in place to minimise our environmental footprint and protect the environment every where we operate.



ACTIVELY INVOLVED IN OUR COMMUNITY **EVERY DAY**

Our focus is to maintain effective and productive relationships with our community stakeholders, so we can continue to deliver innovative solutions in response to their needs, feedback and concerns.

Working with landholders

During the planning and development phase for infrastructure development projects, we work closely with landholders to address any issues or concerns that may arise in relation to the project. If access to properties is required to carry out investigations or perform works, we ensure that our actions are in line with jointly agreed land access protocols. Our objective is to strive for an outcome that is mutually beneficial for us and the landholder.

Preserving cultural heritage

To ensure that Indigenous cultural heritage is protected and heritage values are preserved, we work closely with traditional land owners through the Cultural Heritage Management Plan (CHMP) process. In 2010-11 the following proposed developments were subject to the CHMP process to ensure that any potential impacts to culturally sensitive landscapes were identified and managed appropriately.

Connors River Dam and Pipeline CHMP

▶ Complete

Kenya to Chinchilla Weir Pipeline voluntary CHMP

▶ Complete

Water for Bowen CHMP

▶ Complete

Fitzroy River Infrastructure Project CHMP

▶ CHMPs completed and registered for 4 Traditional Owner Groups, and currently being finalised for the fifth and final Traditional Owner Group.

Nathan Dam and Pipelines CHMP

▶ Underway

Gorge Weir to Byerwen Pipeline CHMP

▶ Underway

Moranbah to Alpha Pipeline CHMP

▶ There will be 4 CHMPs required for the pipeline and these are in various stages of development with each of the 4 Traditional Owner Groups.

Keeping the community informed

To assist the community in keeping across proposed developments, we hold locally-based public information sessions to give interested community members the opportunity to access project information and discuss the project with project representatives. We have also established Community Liaison Groups to discuss issues associated with the Environmental Impact Statement (EIS) process for major projects and facilitate feedback to us 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. Our consultation database includes almost 3,000 individuals and organisational representatives state-wide, allowing a cross-section of stakeholders to remain informed of project specific developments and proposals.

See www.sunwater.com.au for more information.

Recreation site management opportunities

Facilities such as the lakes and parks surrounding our dams are valued by the local community and play an important part in the region's lifestyle and recreational activities. Although we maintain some of these areas for the enjoyment of the public, we recognise that there are other organisations within the local community who may be better placed to manage and maintain these recreation areas. In 2010-11, we identified 6 recreation area sites that could be beneficial to the community if the ownership and management of the sites were to be transferred to other entities, such as local councils. SunWater has engaged external consultants to undertake an assessment of the potential for these sites to be further developed into tourist attractions or opportunities that provide commercial investment.

Continuing our community safety initiatives

We recognise that our infrastructure and surrounding property is regularly visited by the community and we undertake programs to advise the community about staying safe when visiting our publicly accessible infrastructure.

In 2010-11 we undertook a number of proactive measures to keep the public safe and informed. These measures include improved signage, installation of safety marker buoys, maximising our relationship with local community safety agencies to deliver a more coordinated approach to local safety issues and increased surveillance at our infrastructure during peak visitor periods. Over the past 3 years we have invested in fencing of our infrastructure and assets where there were potential risks for the general public and adjacent landholders.

To coincide with these activities, we have also continued with our state-wide public safety awareness campaigns to educate the general public and primary school children about potential hazards associated with our infrastructure. To date, our public safety advertising campaign alone has reached a potential regional audience of 3.2M.

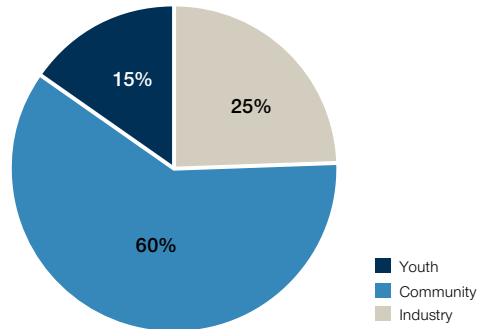
We are currently undertaking a review of the public use of our facilities and we are refreshing our public safety awareness campaign targeting visitors at our water infrastructure sites.

Sponsoring community initiatives

We aim to make a lasting contribution to the regions in which we operate. We provide financial support for community and youth-based initiatives, and industry forums that recognise innovation in business practice.

During 2010-11 our sponsorship program supported 49 events throughout regional Queensland. Our investment into the focus areas of community, industry and youth was distributed as follows:

SPONSORSHIP FOCUS AREAS 2010-11



Fundraising activities

Our staff supported a wide range of national and local fundraisers, including volunteering their time to help clean up flood damaged areas of Queensland as well as donating generously to the Premier's flood appeal. All staff donations were matched by a contribution from SunWater.

Our commitment to every community we work within is strong. Each year we invest more than \$70,000 in community events as part of our ongoing sponsorship program.



INVESTING IN OUR PEOPLE PERFORMANCE **EVERY DAY**

Our focus is to attract and retain the best people and provide them with opportunities to grow and develop the skills needed to deliver on our business objectives.

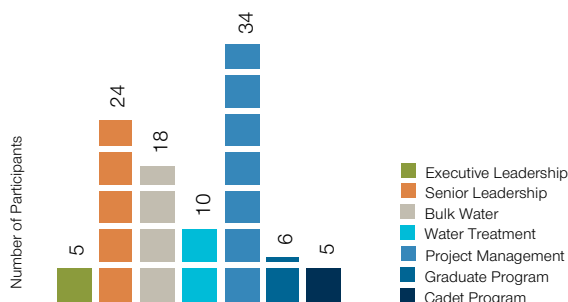
Expanding our learning and development

To ensure that our staff are adequately skilled to meet current and future workforce requirements, we have provided a series of tailored training and development programs. During 2010-11, 20% of our workforce participated in formal certified training or undertook a development program. Corporate training programs, including Achievement Development Planning and Code of Conduct training, were also rolled out to all staff across the organisation.

As part of our organisation-wide capability development process, Executive, Senior Management and emerging leaders are participating in a range of leadership development programs. These programs are designed to transfer learning through practical, authentic and work-related investigations and projects. The outcome is improved leadership performance and sustainable growth for our organisation.

Specialised safety training programs are now coordinated through a central system to ensure that appropriate licences and qualifications are maintained for specific job sets, and that staff have the appropriate training to perform their job safely.

TRAINING AND DEVELOPMENT PROGRAMS 2010-11



Reviewing and improving our HR systems and programs

During the financial year, system and program improvements were undertaken to help grow and develop our employees for current and future roles.

Some of the initiatives undertaken in 2010-11 included the:

- Review of the staff performance management program to ensure that the program best captures organisational objectives and our staff performance is closely aligned with our corporate and strategic plans
- Introduction of a new Learning Management System to improve our training needs analysis and professional development opportunities
- Launch of our new on-line induction program to ensure that all new starters are provided with a consistent, comprehensive induction and are 'job ready' from day one.

Supporting equal employment

We are committed to providing development and career opportunities for all employees. This includes initiatives that address diversity and gender equity. The recruitment/appointment of indigenous and women target groups particularly in male-dominated employment groups is encouraged.

Over the last year we have provided training to all staff in relation to our Code of Conduct and our values and behaviours. We have trained a number of employees to be Workplace Contact Officers to assist and support other staff if workplace issues arise.

Other 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.

We also continue to offer an Employee Assistance Program to employees and their families which provides a confidential counselling service and professional support in times of need.

Our staff survey was positive and identified SunWater as a rewarding place to work (see page 25). It also provided insight into areas of diversity that need developing.

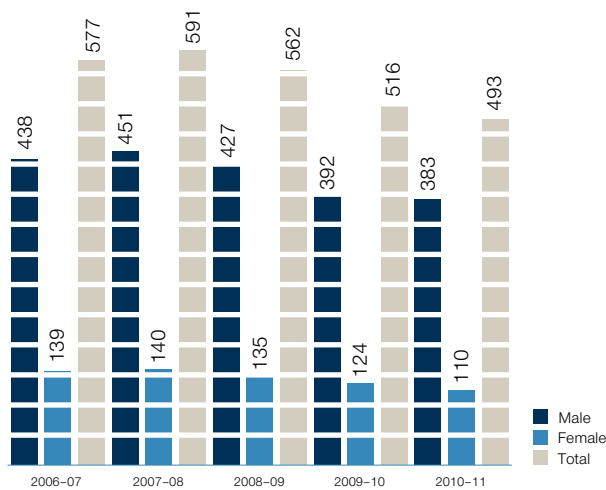
With the introduction of our new on-line hiring process it is anticipated that our ability to measure the diversity of our workplace in the future will improve. The manual survey used previously was optional and limited to those who chose to complete the census, therefore it was not always an accurate measure.



Similarly the introduction of a new electronic exit survey to better capture reasons for employees leaving the organisation will allow better targeting of programs in the future.

While our industry has traditionally been male-dominated, our ratio of male to female employees has improved against industry averages, with 78% male and 22% female. The graph below indicates our gender balance over the last 5 years.

EMPLOYEES BY GENDER



Developing career pathways

To assist with employee retention, it is important to our business that our staff are provided with a career, and not just a job. A capability framework that includes job families and career pathways is being developed to deliver a model for career planning and professional development. The model will aid in the identification of career pathways that exist within the business and will provide information about SunWater job families, their functions and roles.

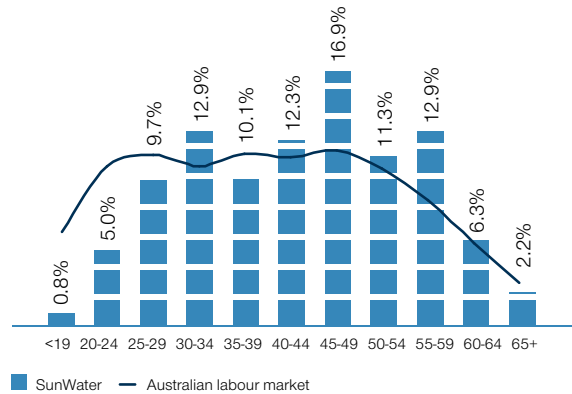
To date we have focused on career pathways specific to the Engineering, Technical and Project Management fields, to reflect the business' immediate strategic priorities. Career pathways for the remainder of the business will be developed in 2011-12.

Retaining corporate knowledge

Our succession planning process has assisted us to identify knowledge and skill gaps that may eventuate in the near future. Strategies to better attract and retain staff and skill new recruits through knowledge transfer programs are currently being developed to manage this risk and retain these years of corporate knowledge within the business.

We recognise that our workforce proportion from the ages of 45-64 is higher than the Australian labour market average and there is a risk that corporate knowledge could be lost if these people retire. We are undertaking a number of initiatives that focus on capturing and retaining this knowledge in-house including mentoring programs, an Alumni program that maintains contact with previous employees, and a transition to retirement program which provides employees of retirement age with the ability to work reduced hours.

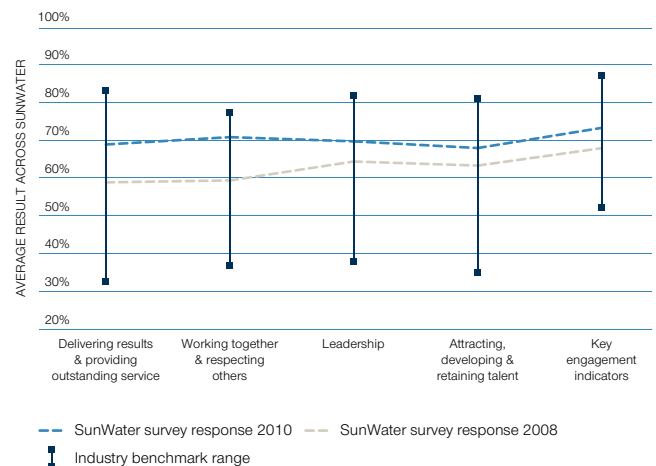
SUNWATER AGE BREAKDOWN BENCHMARKED AGAINST AUSTRALIAN LABOUR MARKET (PERCENTAGE)



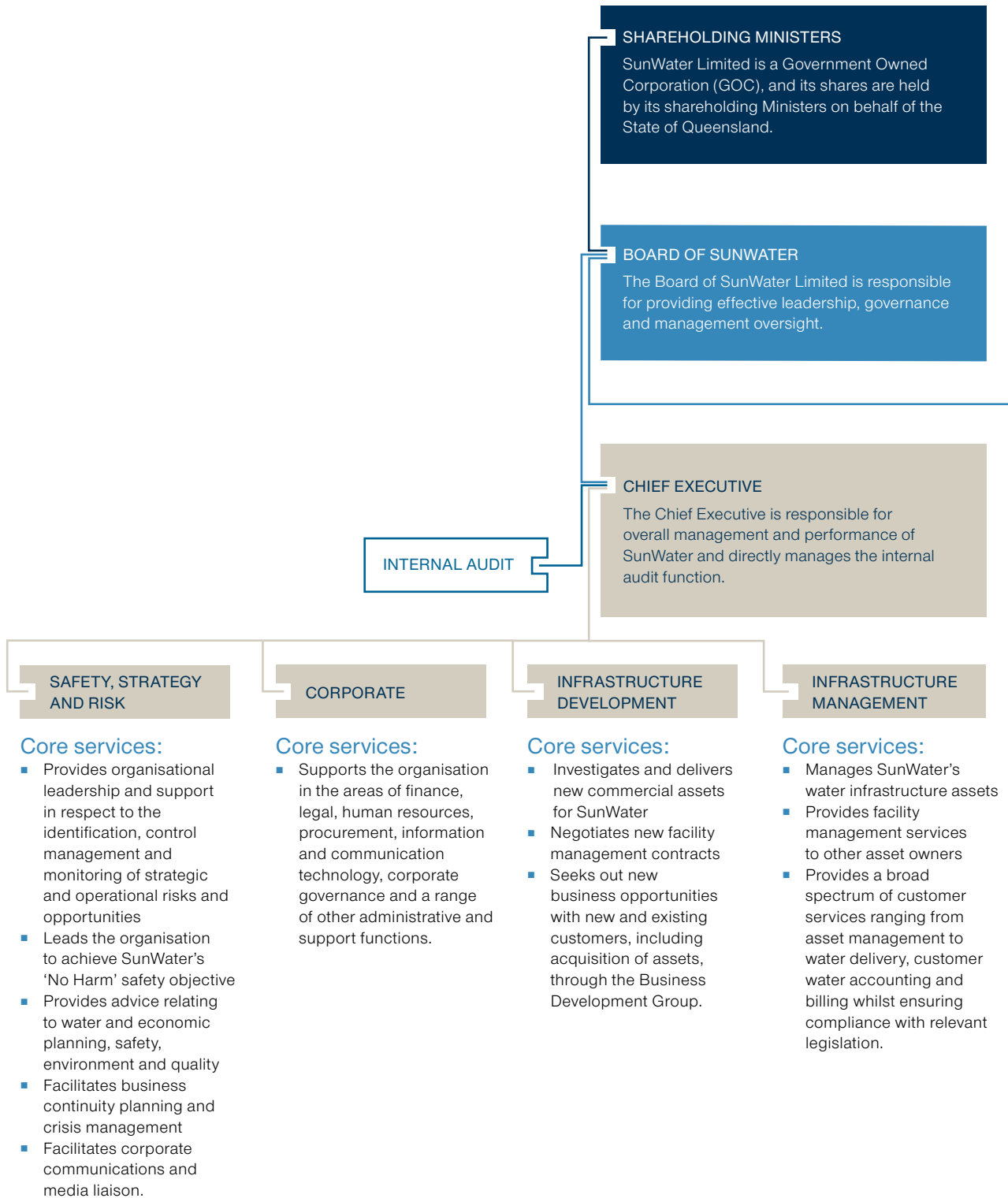
Positive staff survey outcomes

The staff survey outcomes from November 2010 were extremely positive and were above industry and SunWater benchmarks across most questions. The graph below demonstrates the marked improvement across all key areas in comparison to the previous survey results. Workshops are currently being held with a cross-section of staff from the business to develop strategies to specifically address any survey results that are a priority for action.

2010 STAFF SURVEY OUTCOMES



ORGANISATIONAL STRUCTURE

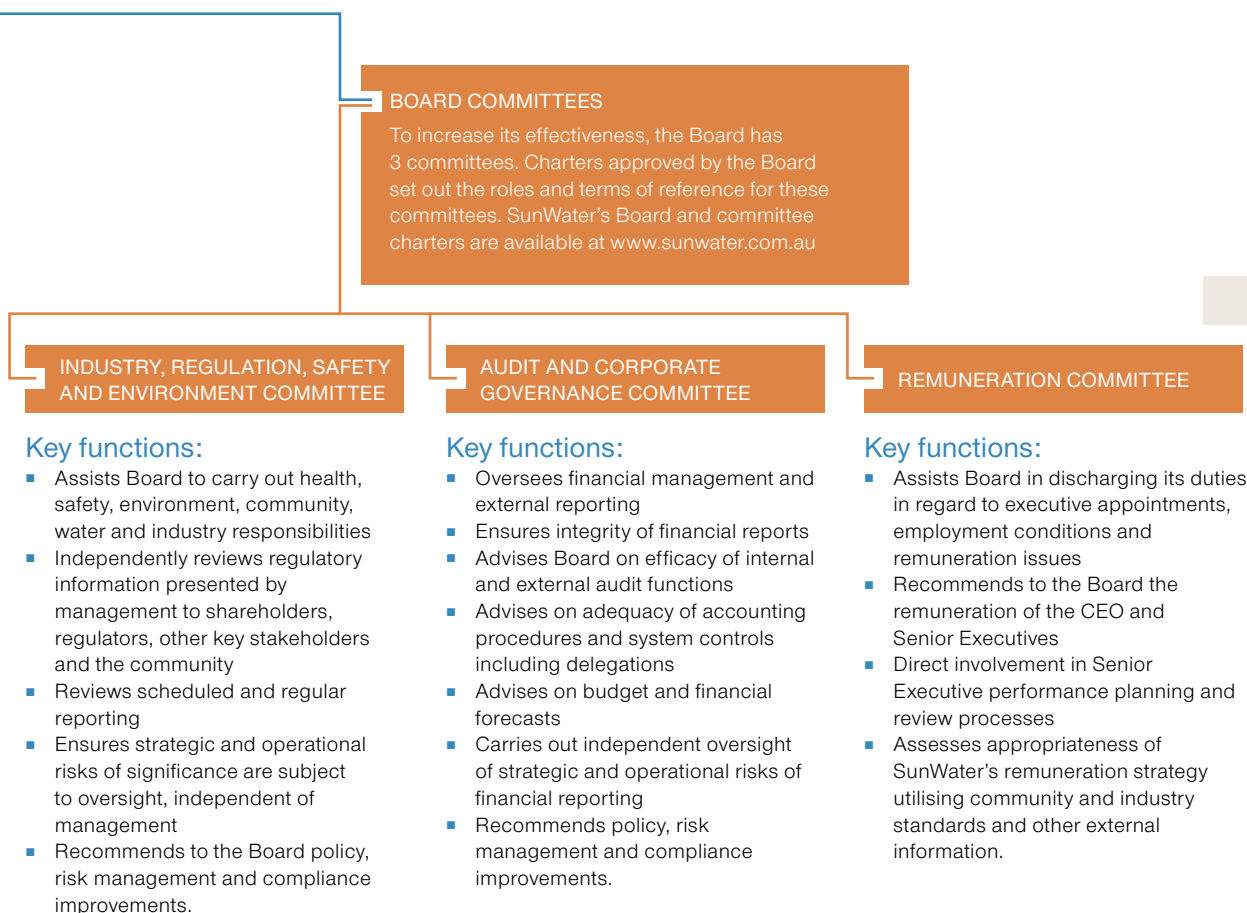


SHAREHOLDING MINISTERS:

SunWater's shareholding Ministers as at 30 June 2011 were the Honourable Stephen Robertson, Minister for Energy and Water Utilities, and the Honourable Rachel Nolan, Minister for Finance, Natural Resources and The Arts.

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
- 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 Council Member of the CSIRO Water for a Healthy Country.

JANE BERTELSEN

BSc, MSBA, FAICD

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. Former 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 01.10.2010 – 30.09.2013

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 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

Until recently was Chief Executive Officer of Sentic, a global safety consultancy providing Zero Incident Process (ZIP) cognitive-based safety training to the utilities, mining and resources industries. Previously Chief Operating Officer and Director of Corporate Services with the national law firm, Deacons (now Norton Rose). Admitted as a solicitor in Queensland and NSW and has honours degrees in Law and also Arts. Early career was spent as an Administration Officer in the Royal Australian Air Force.

Other interests

Kirstin was appointed to the Queensland Workplace Health & Safety Board in January 2011 and she is also currently completing her PhD through the Faculty of Business at the Queensland University of Technology (QUT).

Previously named Brisbane Young Manager of the Year by the Australian Institute of Management, and awarded a Churchill Fellowship in 2003. In 2010 Kirstin was CEO of the organisation named by BRW Magazine as the 5th 'Best Place to Work' in Australia.



JOHN GIBSON

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

Director

Initial appointment 01.08.2003

Current term 01.10.2010 – 30.09.2012

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, Ausdairy 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, CPA, Fellow FINSIA, MAICD

Director

Initial appointment 09.08.2007

Current term 01.10.2010 – 30.09.2013

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, Corporate Travel Limited, UAP Holdings 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.

ALAN MILLHOUSE

BCom, LLB(Qld), LLM(Lond)

Director

Initial appointment 01.10.2010

Current term 01.10.2010 – 30.09.2013

Skills, experience and expertise

Senior finance, commercial and infrastructure lawyer and partner of Allens Arthur Robinson for 30 years until retirement on 30 June 2009. Now consulting to Allens. Expertise in the water industry, having advised the Queensland Government and private sector corporations extensively in respect to the development of many major water projects in Queensland in recent years, including Wyaralong, Paradise and Nathan dam projects and the Western Corridor Recycled Water Project. Considerable experience in the financing and development of major infrastructure projects, both within Australia and in Asia.

Other interests

Advised boards of many Queensland GOCs in respect to their corporate governance obligations and in respect to directors' duties generally. Former president of the Infrastructure Association of Queensland, a former president of the Banking and Financial Services Law Association of Australia and an adjunct professor in law at the University of Queensland. Member of the Queensland Law Society, Infrastructure Association of Queensland, Banking and Financial Services Law Association of Australia, and the Australian Institute of Company Director.

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

Neil was a Justice of the Peace.

Other interests

Holder of the Centenary of Federation Medal.

* Mr Turner passed away on 04.07.2011.

OUR LEADERS – 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 recognised as a leading authority on water infrastructure management in Queensland. Throughout his career, he has gained extensive experience in senior management roles at a strategic and operational level.

Business direction

Peter believes that the industry is now moving to a more competitive and commercial model where water and water infrastructure services are recognised as being 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 service levels that enable customers to reach their business goals, and the provision of key infrastructure for the benefit of future generations. As a respected industry professional, Peter is experienced in all aspects of commercial water business management. He is focused on ensuring that SunWater delivers dependable and reliable infrastructure services to all its customers, whether they are local governments, commercial industries, or irrigation water users.

Career history

Peter commenced his role as CEO SunWater in April 2008, having held previous positions in the organisation including COO and General Manager of the Water Supply Services Division.

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 and 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, developing the Queensland Water Industry Training and 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 group and continues SunWater's drive to become a modern, customer-focused 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 COO in 2006.



TOM VANDERBYL

BE(Civil) Hons, IEAust, MAICD

General Manager Safety, Strategy and Risk

Appointment March 2011

Skills, experience and expertise

Tom has over 24 years experience as a water industry professional in Queensland. He has been instrumental in the development and implementation of water management, planning and institutional policies, processes and practises both in Queensland and nationally.

Business direction

Tom's primary focus at SunWater is to provide organisational leadership and support in respect of the identification, control, management and monitoring of strategic and operational risks and opportunities. He is also responsible for leading the organisation to achieve SunWater's 'No Harm' safety objective.

Career history

Tom has worked closely with the water industry to identify and adopt water management innovations that will assist in enhancing productivity and profitability of SunWater's customers. He has been an active participant in the national water reform scene and is currently a Director of the Board of Irrigation Australia Limited.

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

BA/LLB, ACIS

Corporate Counsel, Manager Legal Services, Alternate Company Secretary

Appointment December 2008

Skills, experience and expertise

Renee is an experienced corporate lawyer and accredited Company Secretary.

Business direction

Renee is responsible for leading SunWater's legal services team which supports SunWater's business in water supply arrangements, commercial agreements, procurement contracts, dispute resolution, statutory compliance, environment approvals and property management services. Renee also assists in co-ordinating SunWater's corporate governance processes to maintain best industry practice.

Career history

Prior to joining SunWater, Renee worked as in-house counsel for ASX listed companies and in private law firms in Queensland.

CORPORATE GOVERNANCE

Our focus is to ensure our business systems, processes and capabilities are consistent with ensuring compliance with regulatory and good governance obligations.

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

On 1 July 2008, SunWater transitioned to become a public company under the *Corporations Act 2001* (Cth) and became SunWater Limited ACN 131 034 985. SunWater is wholly owned by the Queensland Government.

SunWater is committed to best-practice corporate governance to ensure appropriate degrees of accountability and transparency to stakeholders. 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 SunWater 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*:

- 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 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 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 regularly reviewed and 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 of 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 29 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: a supplier of SunWater at 40% or more and a customer of SunWater at 5% or more; 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 and must notify the Board of changes to business interests and appointments.

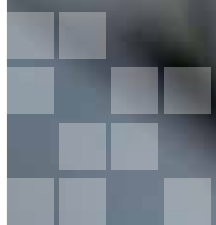
- The Board generally reviews all Director independence information on a monthly basis and Directors are required to disclose at the commencement of every Board and Committee meeting any matters relevant to their independence.
- The Board and Committees regularly review their information needs to ensure 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.
- 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.

Our corporate practices hold all Directors and employees to the highest standards of ethical behaviour. Our monitoring and reporting processes ensure transparent and responsible decision-making every day.



- 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.

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 4 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 2010-11 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 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

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 ISO31000:2009 has been adopted. SunWater 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 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 issued
 - Risk management forms part of normal business practice and is not undertaken as a separate task at set times
 - 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
 - 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 2 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 4 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.

See page 26 'Organisational Structure' and page 28 'Our Leaders – SunWater Board' which outlines the Board of SunWater and Board Committees.

MEETINGS ATTENDED BY DIRECTORS

	BOARD OF SUNWATER	COMMITTEES		
		AUDIT AND CORPORATE GOVERNANCE	INDUSTRY, REGULATION, SAFETY AND ENVIRONMENT	REMUNERATION
Total meetings	11	6	4	6
Scott Spencer	11	6		1
Jane Bertelsen	9		3	
Tom Connor	11		4	
John Gibson	10	6		6
Greg Moynihan	11	4		5
Kirstin Ferguson	10	5	3	6
Neil Turner**	11		4	
Alan Millhouse*	6/6			

* Alan Millhouse appointed to the Board 01.10.2010

** Neil Turner passed away on 04.07.2011

SUBSIDIARY COMPANIES

Each subsidiary company has a Board of Directors drawn from the SunWater Board, and meets on average 3 times per year to overview the management, operations, performance and financial reporting activities of that company.

REMUNERATION OF DIRECTORS

Remuneration of Directors is determined by the Governor-in-Council. Total remuneration levels for individual Directors are reported on page 68.

SENIOR EXECUTIVE AND STAFF REMUNERATION

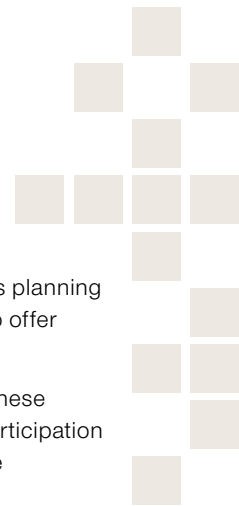
The Remuneration Committee of the Board oversees all employee remuneration. SunWater remuneration policies for the majority of SunWater staff, excluding staff members on individual contract, are determined by an Enterprise Agreement in accordance with the Queensland Government approved negotiating framework. 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, and 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 the CEO and Senior Executives based on agreed targets set by the Board and CEO was in place during 2010-11. The scheme was reviewed in accordance with Queensland Government guidelines.

DIVIDEND

SunWater's dividend policy, as stated in the 2010-11 SCI, takes into account the return its shareholders expect on their investment. SunWater's Board declared dividends amounting to \$34M in 2010-11.



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. The upgrade program has been developed using a decision criteria methodology that optimises the reduction of safety risks and ensures value for money investments. SunWater hopes to present the methodology to the 2011 ANCOLD conference.

QUALITY MANAGEMENT

The Quality Management Systems for operations and maintenance are certified under ISO9001:2008 and ensure that best-practice quality management and compliance is achieved across the business. SunWater is certified by the Australian Institute of Project Management as a Project Managed Organisation.

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 4801:2011 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* 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.

Amongst other commitments to the Queensland Government's Local Industry Policy, SunWater, in its planning for works, ensures work packages are developed 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 DEEDI 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.

LEGAL PROCEEDINGS

SunWater's internal Legal Services team provides representation for SunWater in respect to litigation or disputes with a view to resolving these in an appropriate and commercial manner. During the year the Legal Services team has been involved in the investigation and subsequent legal proceedings brought by Workplace Health and Safety Queensland in respect to the fatality of an employee of a contractor engaged by SunWater to design and construct a coffer dam at Marian Weir. Legal proceedings are also continuing in respect of a failure of an inflatable rubber dam at Bedford Weir in November 2008 which resulted in the fatality of a member of the public.

SunWater's Legal Services team manages legal proceedings with a view to resolving disputes efficiently and effectively. In addition to this, SunWater maintains a full range of commercial insurances.

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 3 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 qualified assessors and quality reviews by respective auditees at the end of each engagement.

Resourcing

For the 2010-11 financial year, Internal Audit outsourced technical projects to Deloitte and Protiviti Pty Ltd.

Completed audits

SunWater's Internal Audit has increased its focus this year on risks associated with accounts payable and cash management, crisis management and business continuity, right to information, IT governance and travel management.

Corporate planning and reporting

SunWater produces a Corporate Plan with a 5 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 within 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.

Government directives

CLAUDE WHARTON SUB-SCHEME

SunWater received a directive from shareholding Ministers for the Claude Wharton sub-scheme of the Upper Burnett Water Supply Scheme in November 2010.

The directive stated that any announced allocations of Medium Priority water allocations held by SunWater (Burnett Water Allocations) in the Claude Wharton sub-scheme (Zones NB, NA, GB and GY) must be made available for seasonal assignment, with the following conditions:

- Water can only be 'temporary transferred' to Medium Priority allocation holders within the Claude Wharton sub-scheme
- The volume to be 'temporary transferred' to Medium Priority water allocation holders is in proportion to their individual nominal volumes, and
- No Part A charge is to be levied by SunWater however, the relevant Part B charges will apply for any water taken.

IRRIGATION PRICING

A revised ministerial pricing direction was provided to the QCA and released publicly in late December. The revised direction removes requirements to transition towards upper bound for irrigators. This means water prices for irrigators are likely to remain constant in real terms where lower bound is already achieved, and trend towards lower bound at \$2 per ML per year elsewhere.

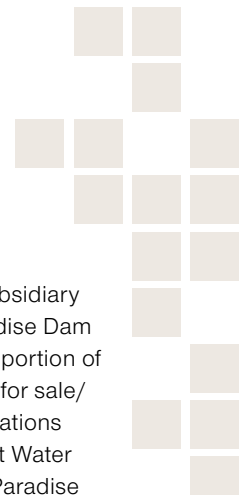
SUBSIDIARY REPORTING

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



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, and 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 small rural users along the route. The existing stage 1 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.

BURNETT WATER PTY LTD

Burnett Water Pty Ltd (BWPL) 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.

Paradise Dam, including the mini-hydro, sustained flood damage due to the significant flood events which occurred in the Burnett River during December 2010 and January 2011. The Defects Liability Period for Paradise Dam finished on 18 February 2011.

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

On 4 March 2011, BWPL was notified of its successful defence of an action brought by the Wide Bay Burnett Conservation Council. Details are outlined on page 20.

DIRECTORS' REPORT

For the year ended 30 June 2011

Your directors present their report together with the financial report of SunWater Limited and its subsidiaries ("SunWater") for the financial year ended 30 June 2011 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:

Mr S Spencer
Ms J Bertelsen
Mr T Connor
Ms K Ferguson
Mr J Gibson
Mr G Moynihan
Mr N Turner (deceased 4 July 2011)

Mr A Millhouse was appointed as a Director on 1 October 2010.

Further information about directors' qualifications, experience, term of appointment and attendance at meetings are detailed in the "Our Leaders – SunWater Board" and "Corporate Governance" sections of the Annual Report. (Information about the qualifications and experience of the company secretaries of SunWater Limited is detailed in the "Our Leaders" section of the Annual Report.)

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 \$46.371M (2010: \$44.761M profit). Further details of SunWater's financial performance are provided in the "Financial Report" section of the Annual Report.

Dividends

During the financial year, the following dividends were declared:

- Out of retained earnings, a dividend of \$8.953M was declared to the holders of fully paid ordinary shares; and
- In respect of the financial year ending 30 June 2011, a dividend of \$25.052M was declared to the holders of fully paid ordinary shares. (2010: \$10.640M declared for the financial year ending 30 June 2010 and paid in December 2010).

Both dividends were unpaid at 30 June 2011.

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 \$20.727M as a result of further Queensland Government investment in the company as follows:

- The 2009 dividend of \$7.625M was re-invested in specific pre-determined projects providing broad community benefits;
- \$13.102M was contributed during the year for the construction of the required dam safety upgrade to the Tinaroo Falls Dam.

SunWater has been participating in the independent Pricing Review of future irrigation water prices led by the Queensland Competition Authority (QCA) for the past 18 months. During the year, the Queensland Government extended the deadline for QCA's initial draft report from April 2011 to October 2011, with the final report now due in April 2012. This extension means that SunWater's new irrigation price path will now commence on 1 July 2012 and conclude on 30 June 2017. As a result, 2010-11 irrigation water prices will now be rolled over into 2011-12, with price increases in some schemes for 2011-12 over and above inflation. Full details are set out in the Financial Statements section of the Annual Report.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 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 "Infrastructure Management" and "Infrastructure Development" sections of the Annual Report.

Impact of natural disasters

At 30 June 2011, the repair of damages associated with the Queensland floods and Cyclone Yasi early in 2011 was estimated to cost in the order of \$10.5M. Remedial work has progressed throughout the remainder of the year, focussing effort on repairing SunWater's infrastructure to ensure both the safety of that infrastructure and its ability to provide reliable future water deliveries to our customers. A provision, based on reliable estimates has been taken up in the financial statements at 30 June 2011 for damage incurred but not yet rectified.

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 matters is disclosed in the "Environment" section of the Annual Report and in note 28 to the financial statements.

Safety

SunWater's water infrastructure assets are located throughout Queensland. The increasing age profile of those 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 safety upgrade;
- the commencement of construction of the Kinchant Dam safety upgrade;
- the continuation of a wide-ranging upgrade program for the safe operation of the assets;
- the continuation of a media campaign to encourage positive safety behaviours on and around SunWater's infrastructure by members of the public; and
- the continuation of internal programs to eliminate or minimise risks to health and safety, and processes to receive and respond to information about incidents, hazards and risks.

Insurance of officers

During the financial year, SunWater paid a premium of \$80,179 (exclusive of GST) (2010: \$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 SunWater and its subsidiaries, and any other payments arising from liabilities incurred by those officers in connection with such proceedings. This does not include liabilities that arise from conduct involving a wilful breach of duty by these officers or the improper use by these 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 below.

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 and the financial report. Amounts in the directors' report and the financial 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 30 of the *Auditor-General Act 2009*. No non-audit services are provided to SunWater by the Auditor-General. Further information is set out in note 24 to the financial statements.

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

S N SPENCER
Chairman

Brisbane, Qld
24 August 2011

J L GIBSON
Director

AUDITOR'S INDEPENDENCE DECLARATION

(for entities subject to the *Corporations Act 2001*)

To the Directors of SunWater Limited

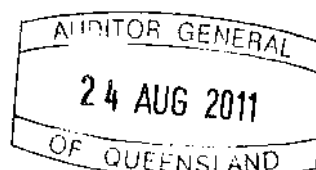
This auditor's independence declaration has been provided pursuant to s.307C of the *Corporations Act 2001*.

Independence Declaration

As lead auditor for the audit of SunWater Limited for the year ended 30 June 2011, 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

FINANCIAL REPORT

For the year ended 30 June 2011

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General information

The financial statements cover both SunWater Limited as the parent entity and the consolidated entity consisting of SunWater Limited and its subsidiaries.

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.

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

Level 10, 179 Turbot Street
BRISBANE QLD 4000

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	NOTES	CONSOLIDATED		PARENT	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Revenue from continuing operations	4	202,561	196,442	192,232	207,701
Other income	5	1,808	3,605	1,808	3,579
EXPENSES FROM CONTINUING OPERATIONS:					
Employee benefits expense		(36,852)	(39,431)	(36,897)	(40,970)
Depreciation and amortisation expense		(22,594)	(24,377)	(18,037)	(17,702)
Impairment expense		(383)	(3,041)	-	(1,916)
Contracted services expense		(17,052)	(10,760)	(16,962)	(26,904)
Electricity expense		(13,374)	(18,783)	(12,391)	(18,079)
Materials expense		(3,947)	(3,124)	(4,160)	(6,884)
Plant hire expense		(3,605)	(2,763)	(3,625)	(2,876)
Motor vehicle operating leases expense		(2,356)	(2,556)	(2,356)	(2,556)
IT charges		(785)	(1,160)	(785)	(1,160)
Loss on disposal of assets		(1,430)	(66)	(1,425)	(66)
Travel expense		(1,063)	(1,438)	(1,065)	(1,509)
Accommodation expense		(2,215)	(2,706)	(2,215)	(2,776)
Insurance expense		(4,508)	(5,202)	(4,232)	(4,758)
Legal expense		(3,295)	(2,820)	(3,529)	(982)
Rates and land tax expense		(1,656)	(1,352)	(1,525)	(1,213)
Telephone, facsimile and data lines expense		(1,279)	(1,580)	(1,275)	(1,576)
Cost of water allocations sold		(131)	(739)	-	-
Other expenses		(2,836)	(1,572)	(2,813)	(1,653)
Finance costs	6	(17,996)	(17,413)	(16,833)	(15,583)
Profit before income tax equivalents		67,012	59,164	63,915	62,117
Income tax equivalents expense	7	(20,641)	(14,403)	(14,761)	(13,627)
Profit for the year		46,371	44,761	49,154	48,490
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		46,371	44,761	49,154	48,490

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

BALANCE SHEETS

As at 30 June 2011

	NOTES	CONSOLIDATED		PARENT	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
ASSETS					
Current assets					
Cash	8	253,364	216,517	236,146	202,806
Receivables	9	4,662	8,076	12,970	8,062
Inventories	10	2,356	2,572	2,356	2,572
Other current assets	11	20,718	16,499	13,533	11,740
Total current assets		281,100	243,664	265,005	225,180
Non-current assets					
Receivables	9	-	126	24,576	27,529
Other financial assets	12	-	-	81,296	81,296
Property, plant and equipment	13	704,606	667,288	595,624	553,859
Intangible assets	14	54,855	54,843	6,039	5,895
Deferred tax assets	15	8,028	9,636	6,240	7,536
Total non-current assets		767,489	731,893	713,775	676,115
Total assets		1,048,589	975,557	978,780	901,295
LIABILITIES					
Current liabilities					
Payables	16	24,307	20,932	22,926	19,477
Provisions	17	52,826	18,042	52,826	18,042
Borrowings	18	2,914	2,839	21,770	21,034
Other	19	5,846	7,362	5,846	7,362
Total current liabilities		85,893	49,175	103,368	65,915
Non-current liabilities					
Provisions	17	1,186	1,173	1,186	1,173
Borrowings	18	244,359	245,977	230,273	230,273
Other	19	2,018	2,226	2,018	2,226
Deferred tax liabilities	20	39,200	34,166	23,068	18,717
Total non-current liabilities		286,763	283,542	256,545	252,389
Total liabilities		372,656	332,717	359,913	318,304
Net assets		675,933	642,840	618,867	582,991
EQUITY					
Contributed equity	22	380,047	359,320	380,047	359,320
Retained earnings		295,886	283,520	238,820	223,671
Total equity		675,933	642,840	618,867	582,991

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2011

	NOTES	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
CONSOLIDATED				
Balance at 1 July 2009		288,711	249,399	538,110
Total comprehensive income for the year		-	44,761	44,761
Transactions with owners as owners				
Contributions of equity	22	70,609	-	70,609
Dividends	23	-	(10,640)	(10,640)
Balance at 30 June 2010		359,320	283,520	642,840
Total comprehensive income for the year		-	46,371	46,371
Transactions with owners as owners				
Contributions of equity	22	20,727	-	20,727
Dividends	23	-	(34,005)	(34,005)
Balance at 30 June 2011		380,047	295,886	675,933
PARENT				
Balance at 1 July 2009		288,711	185,821	474,532
Total comprehensive income for the year		-	48,490	48,490
Transactions with owners as owners				
Contributions of equity	22	70,609	-	70,609
Dividends	23	-	(10,640)	(10,640)
Balance at 30 June 2010		359,320	223,671	582,991
Total comprehensive income for the year		-	49,154	49,154
Transactions with owners as owners				
Contributions of equity	22	20,727	-	20,727
Dividends	23	-	(34,005)	(34,005)
Balance at 30 June 2011		380,047	238,820	618,867

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 2011

	NOTES	CONSOLIDATED		PARENT	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST and refunded GST)		191,962	206,458	167,424	179,373
Community service obligations received		7,737	2,354	3,241	1,125
Interest received		146	158	131	132
Intercompany taxes received		-	-	3,241	3,284
Payments to suppliers and employees (inclusive of GST)		(99,719)	(102,484)	(98,391)	(126,256)
Intercompany taxes paid		-	-	(1,611)	-
Income taxes paid		(7,167)	-	(7,167)	-
Net cash inflow (outflow) from operating activities	25	92,959	106,486	66,868	57,658
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		2,760	2,480	2,760	2,443
Proceeds from term debtors		5	9	5	9
Repayments of intercompany borrowings		-	-	1,477	3,162
Interest received		7,238	4,912	9,175	5,273
Dividends received		-	-	16,500	14,000
Payments for property, plant and equipment		(58,244)	(79,350)	(57,050)	(49,113)
Net cash inflow (outflow) from investing activities		(48,241)	(71,949)	(27,133)	(24,226)
CASH FLOWS FROM FINANCING ACTIVITIES					
Government grant received		355	266	-	-
Equity contributions		20,727	70,609	20,727	70,609
Interest paid		(16,765)	(15,186)	(16,482)	(13,926)
Repayments of borrowings		(1,548)	(1,185)	-	-
Dividends paid		(10,640)	(7,625)	(10,640)	(7,625)
Net cash inflow (outflow) from financing activities		(7,871)	46,879	(6,395)	49,058
Net increase (decrease) in cash held		36,847	81,416	33,340	82,490
Cash at the beginning of the financial year		216,517	135,101	202,806	120,316
Cash at the end of the financial year		253,364	216,517	236,146	202,806

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

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, the *Corporations Act 2001* and the provisions of the *Government Owned Corporations Act 1993 (Qld)* (GOC Act).

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 13.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the parent entity as at 30 June 2011 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 12).

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

(i) Community service obligation (CSO) payments

The parent entity receives 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, urban water deliveries to a local council and certain other activities for which there are no other revenue sources. As these are subsidies from the Queensland Government, no conditions (apart from normal commercial considerations in maintaining water deliveries) are required to be met. These amounts are recorded as revenue. 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 unearned revenue. Revenue is recognised on a systematic basis over the accounting periods in which the consumption of the asset is recognised.

(ii) Water allocations

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 (refer note 1(o)(i)). All other water allocations granted free of charge are recognised, when granted, at fair value which is nominal cost (\$1) (refer note 1(o)(ii)).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 1 Summary of significant accounting policies (continued)

(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.

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 16).

(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.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, 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) 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. All other assets are assessed on an annual basis for indicators of impairment.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 1 Summary of significant accounting policies (continued)

Where an indicator of impairment exists, an estimate of the recoverable amount of the asset is undertaken. 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 applied in estimating the recoverable amount. An impairment loss is recognised immediately in the statements of comprehensive income.

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. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which cannot exceed the original cost or deemed cost of that asset. A reversal of an impairment loss is recognised in the statements of comprehensive income.

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.

(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 twelve 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) Trade 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. All known bad debts are written off. An allowance 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 statements of comprehensive income. 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 statements of comprehensive income.

(ii) Term trade debtors

Term trade debtors represent the term sale of water allocations. The settlement date on these debtors is within twelve months.

(l) Inventories

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

(m) 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 1 *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(r)). 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 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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 1 Summary of significant accounting policies (continued)

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%

(o) 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 1 *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, all water allocations are carried at cost less any accumulated impairment losses. Water allocations have an indefinite life and are not amortised but are tested annually for impairment by comparing their carrying amounts with their recoverable amounts. No recognition threshold is applied.

(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.

(p) 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.

(q) 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.

(r) 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.

(s) 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 2011

Note 1 Summary of significant accounting policies (continued)

(t) 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.

(u) 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. As sick leave is non-vesting, no liability is recognised.

(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.

(v) 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.

(w) 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.

(x) 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.

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. SunWater's assessment of the impact of these new standards and interpretations is set out below.

(i) 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, measurement and derecognition of financial assets and financial liabilities. 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. However, a preliminary view is that when adopted, the standard is not expected to significantly affect the group's accounting for its financial assets and liabilities.

(ii) 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. This is expected to reduce the group's related party disclosures. There will be no impact on any of the amounts recognised in the financial statements.

(iii) 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 operate a defined benefits superannuation scheme (refer note 1 (u) (iii)).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 1 Summary of significant accounting policies (continued)

(iv) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)*

On 30 June 2010 the AASB released a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between the tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

SunWater is a government owned corporation and it is likely that Treasury will mandate adoption of tier 1 reporting. As a consequence, the two standards will have no impact on the financial statements of the entity.

(v) *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)*

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from financial assets. This standard does not impact SunWater as it does not sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

(vi) *AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)*

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. This standard does not impact SunWater as it does not own investment properties.

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 primarily 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 ageing 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 2010-11, 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 2010-11, 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 2 Financial risk management (continued)

CONSOLIDATED	CARRYING AMOUNT \$'000	PROFIT \$'000	2011 INTEREST RATE RISK			
			-1%	EQUITY \$'000	PROFIT \$'000	+1%
FINANCIAL INSTRUMENTS						
Cash	253,364	(2,299)	(2,299)	2,299	2,299	2,299
QTC borrowings	247,273	2,768	2,768	(2,768)	(2,768)	(2,768)
Overall effect on profit and equity		469	469	(469)	(469)	(469)

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

(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 \$25M 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 2010-11, SunWater had no transactions involving derivative financial instruments.

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	2011 \$'000	2010 \$'000
CONSOLIDATED			
Cash at bank and at call invested in Australian institutions rated AA- or higher*	8	48,506	74,975
Held-to-maturity investments in Australian institutions rated A- to A+*	8	51,700	20,257
Held-to-maturity investments in Australian institutions rated AA- or higher*	8	153,150	121,274
Other cash and cash equivalents	8	8	11
Receivables – current	9	4,662	8,076
Receivables – non-current	9	-	126
Advance to Burnett Dam Alliance	11	1,000	1,000
		259,026	225,719
PARENT			
Cash at bank and at call invested in Australian institutions rated AA- or higher*	8	31,288	61,264
Held-to-maturity investments in Australian institutions rated A- to A+*	8	51,700	20,257
Held-to-maturity investments in Australian institutions rated AA- or higher*	8	153,150	121,274
Cash and cash equivalents	8	8	11
Receivables – current	9	12,970	8,062
Receivables – non-current	9	24,576	27,529
		273,692	238,397

* Inclusive of accrued interest.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 2 Financial risk management (continued)

For some trade receivables, SunWater may also obtain security in the form of bank guarantees. 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 or financial circumstances.

(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.

SunWater had an approved borrowing program of \$50M during 2010/11 (undrawn). This facility is reviewed and renewed annually. SunWater has a rolling \$30M working capital facility with QTC. This facility (undrawn during 2010/11) operates as an overdraft arrangement which is used to cover temporary funding shortfalls. The facility is repayable on demand.

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.

2011 CONSOLIDATED	CARRYING AMOUNT \$'000	LESS THAN 1 YEAR \$'000	1-5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CASH FLOWS (CONTRACTUAL) \$'000
Payables	24,307	24,307	-	-	24,307
Borrowings – QTC	247,273	19,570	78,150	242,502*	340,222
Deposits payable	439	14	25	400	439
Other	19	19	-	-	19
	272,038	43,910	78,175	242,902	364,987
PARENT					
Payables	22,926	22,926	-	-	22,926
Borrowings – QTC	217,543	16,013	63,922	216,223*	296,158
Intercompany loan	34,501	20,625	13,876	-	34,501
Deposits payable	439	14	25	400	439
Other	19	19	-	-	19
	275,428	59,597	77,823	216,623	354,043
2010 CONSOLIDATED	CARRYING AMOUNT \$'000	LESS THAN 1 YEAR \$'000	1-5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CASH FLOWS (CONTRACTUAL) \$'000
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
	270,158	40,278	77,323	242,918	360,519
PARENT					
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
	271,194	55,167	76,970	213,316	345,453

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

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 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.

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

- Water charges applied to irrigators are regulated by the Queensland Government which subsidises water prices by way of community service obligation payments for the forecast shortfall between revenue raised in accordance with the regulated charges and the estimated efficient costs of storage and distribution of water for irrigation purposes. As the regulated price does not provide for a commercial return on capital, the reduced cash flows substantially impact on the values assigned to the water infrastructure assets.
- The Queensland Competition Authority (QCA) has been appointed to conduct an independent review and make recommendations to government on future irrigation water pricing.

The deadline for the QCA's report has been revised by government to April 2012. The result of this extension is that SunWater's new irrigation price path will now commence on 1 July 2012. In the intervening period, SunWater's 2010/11 prices will be rolled over into 2011/12 with price increases in some schemes exceeding inflation. These changes have been incorporated into a direction by the government.

The QCA's report will inform the government's determination of price paths to apply to SunWater's irrigation water prices for the period commencing 1 July 2012 and ending 30 June 2017.

- 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 inputs.

In the absence of an approved future pricing structure after 1 July 2012, 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 and incorporating approved interim increases. Estimates of future cash outflows have been based on SunWater's Network Service Plans that have been submitted to the QCA to assist in their reviews.

However, as outcomes from SunWater's model are sensitive to small variations in the key inputs, possible outcomes, subject to QCA review, 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 minimise 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 review, 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 anticipate that business efficiencies will be achieved over time to meet QCA determined efficient costs and that future price paths will recover 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(n).

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 4 Revenue

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
REVENUE FROM CONTINUING OPERATIONS ACTIVITIES				
Industrial water charges	102,617	99,919	75,350	74,272
Irrigation water charges	42,460	49,815	41,383	48,863
Urban water charges	7,548	6,855	7,382	6,855
Drainage charges	1,316	1,287	1,316	1,287
Water allocations revenue	10,919	11,991	10,010	9,151
Consulting and facilities services revenue	14,576	13,259	21,571	41,453
Electricity generation	841	684	595	587
Community service obligation – irrigation	1,224	1,635	1,224	1,635
Community service obligation – urban	4,799	1,162	-	-
Community service obligation – other	695	493	695	493
Other fees and charges	165	367	165	367
Grants	345	736	(10)	736
Interest	14,256	7,250	15,336	7,089
Dividends received	-	-	16,500	14,000
Rent received	189	240	189	240
Other	611	749	526	673
Total revenue from continuing operations	202,561	196,442	192,232	207,701

Note 5 Other income

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
OTHER INCOME				
Gain on disposal of non-current assets	1,652	1,423	1,652	1,397
Proceeds from insurance settlement	156	2,182	156	2,182
Total other income	1,808	3,605	1,808	3,579

Note 6 Finance costs

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest and finance charges paid/payable	17,996	17,413	16,833	15,583
Finance costs expensed	17,996	17,413	16,833	15,583

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 7 Income tax and income tax equivalents

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Income tax equivalents expense				
Current tax equivalents expense	13,606	11,012	8,721	10,063
Deferred tax equivalents expense	6,642	3,825	5,647	3,998
Under/(over)-provided in prior years	393	(434)	393	(434)
	20,641	14,403	14,761	13,627
Income tax equivalents expense is attributable to:				
Profit from continuing operations	20,641	14,403	14,761	13,627
Deferred tax equivalents expense included in income tax equivalents expense comprises:				
Decrease/(increase) in deferred tax assets (note 15)	1,608	870	1,296	468
Increase in deferred tax liabilities (note 20)	5,034	2,955	4,351	3,530
	6,642	3,825	5,647	3,998
(b) Numerical reconciliation of income tax equivalents expense to prima facie tax equivalents payable				
Profit from continuing operations before income tax equivalents expense	67,012	59,164	63,915	62,117
Tax at 30%	20,103	17,749	19,173	18,635
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment expenses	20	23	20	23
Dividends from subsidiaries	-	-	(4,950)	(4,200)
Sundry items	125	44	125	55
Prior year under/(over) provision	393	(434)	393	(434)
Investment allowance	-	(2,979)	-	(452)
Income tax equivalents expense	20,641	14,403	14,761	13,627

Note 8 Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash on hand	8	11	8	11
Cash at bank	9,130	1,878	2,536	1,384
Deposits on call	39,376	73,097	28,752	59,880
Term deposits	204,850	141,531	204,850	141,531
	253,364	216,517	236,146	202,806

(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:

Balances as per statement of cash flows	253,364	216,517	236,146	202,806
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(b) Risk exposure

SunWater's risk exposure is reported in note 2.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 9 Receivables

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
CURRENT				
Trade debtors	5,784	9,138	5,484	4,424
Term trade debtors	178	38	178	38
Intercompany receivables	-	-	3,288	1,460
Intercompany taxation receivables	-	-	5,320	3,240
	5,962	9,176	14,270	9,162
Less: Allowance for impairment of receivables	1,300	1,100	1,300	1,100
	4,662	8,076	12,970	8,062
NON-CURRENT				
Term trade debtors	-	126	-	126
Intercompany receivables	-	-	24,576	27,403
	-	126	24,576	27,529

(a) Impaired receivables

The ageing of trade receivables is as follows:

	GROSS RECEIVABLE		GROSS RECEIVABLE	
	2011 \$'000	IMPAIRMENT 2011 \$'000	2010 \$'000	IMPAIRMENT 2010 \$'000
CONSOLIDATED				
Not past due	3,164	202	6,272	256
Past due 0-30 days	1,444	279	805	125
Past due 31-60 days	256	297	930	102
More than 60 days	920	522	1,131	617
	5,784	1,300	9,138	1,100

Movements in the allowance for impairment of receivables are set out below:

	2011 \$'000	2010 \$'000
At 1 July	1,100	1,100
Allowances added/(written back)	200	-
Carrying amount at 30 June	1,300	1,100

The addition to the allowance for impairment of receivables has been included in "other expenses" in the statements of comprehensive income.

(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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 10 Inventories

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Materials and stores	2,356	2,572	2,356	2,572

Inventory expense

Inventories recognised as expense during the year ended 30 June 2011 amounted to \$1.439M (2010: \$1.765M). There were no write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2011 (2010: nil). Inventory to the value of \$0.078M was written off during the year (2010: \$0.341M). There were no reversals of previous write-downs (2010: nil).

Note 11 Other current assets

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
GST receivable	1,593	1,054	1,530	961
Prepayments	887	1,172	887	1,172
Advance to Burnett Dam Alliance	1,000	1,000	-	-
Accrued revenue ⁽¹⁾	17,238	13,273	11,116	9,607
	20,718	16,499	13,533	11,740

⁽¹⁾ Includes water delivered to 30 June but not invoiced.

Note 12 Other financial assets

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Shares in controlled entities – at cost	-	-	81,296	81,296

Information relating to the controlled entities is set out below.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2011 %	2010 %
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

Note 13 Property, plant and equipment

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Land⁽¹⁾	7,904	8,134	7,904	8,134
Buildings and land improvements ⁽¹⁾	14,969	13,569	14,935	13,535
Less: accumulated depreciation	3,207	2,998	3,198	2,990
Total buildings and land improvements	11,762	10,571	11,737	10,545
Plant and equipment ⁽¹⁾	19,615	18,453	19,604	18,442
Less: accumulated depreciation	10,287	9,591	10,284	9,588
Less: accumulated impairment	365	365	365	365
Total plant and equipment	8,963	8,497	8,955	8,489
Water infrastructure ⁽¹⁾	796,023	749,922	640,663	596,643
Less: accumulated depreciation	104,300	86,656	64,130	51,040
Less: accumulated impairment	105,630	105,247	99,273	99,273
Total water infrastructure	586,093	558,019	477,260	446,330
Assets under construction⁽¹⁾⁽²⁾	89,884	82,067	89,768	80,361
Total property, plant and equipment	704,606	667,288	595,624	553,859

⁽¹⁾ At cost or deemed cost.

⁽²⁾ 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, the full value is written off at that time. During the year, 2 projects were discontinued and accumulated costs of \$5.069M were written off direct to the statements of comprehensive income (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 13 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 each period are set out below.

	LAND \$'000	BUILDINGS & LAND IMPROVEMENTS \$'000	PLANT & EQUIPMENT \$'000	WATER INFRASTRUCTURE \$'000	ASSETS UNDER CONSTRUCTION \$'000	TOTAL \$'000
CONSOLIDATED						
YEAR ENDED 30 JUNE 2011						
Carrying amount at 1 July 2010	8,134	10,571	8,497	558,019	82,067	667,288
Additions	103	2,452	2,757	48,421	62,977	116,710
Disposals	(333)	(812)	(60)	(1,333)	-	(2,538)
Transfer between classes	-	10	(10)	-	(55,160)	(55,160)
Depreciation expense	-	(459)	(2,221)	(18,631)	-	(21,311)
Impairment loss	-	-	-	(383)	-	(383)
Carrying amount at 30 June 2011	7,904	11,762	8,963	586,093	89,884	704,606
YEAR ENDED 30 JUNE 2010						
Carrying amount at 1 July 2009	8,454	11,572	9,333	545,781	46,278	621,418
Additions	-	223	1,243	33,815	71,113	106,394
Disposals	(322)	(738)	(11)	(52)	-	(1,123)
Transfer between classes	2	27	8	(37)	(35,324)	(35,324)
Transfer from non-current assets held for sale	-	-	-	1,916	-	1,916
Depreciation expense	-	(513)	(2,076)	(20,363)	-	(22,952)
Impairment loss	-	-	-	(3,041)	-	(3,041)
Carrying amount at 30 June 2010	8,134	10,571	8,497	558,019	82,067	667,288
PARENT						
YEAR ENDED 30 JUNE 2011						
Carrying amount at 1 July 2010	8,134	10,545	8,489	446,330	80,361	553,859
Additions	103	2,452	2,757	46,333	62,479	114,124
Disposals	(333)	(812)	(60)	(1,328)	-	(2,533)
Transfer between classes	-	10	(10)	-	(53,072)	(53,072)
Depreciation expense	-	(458)	(2,221)	(14,075)	-	(16,754)
Impairment loss	-	-	-	-	-	-
Carrying amount at 30 June 2011	7,904	11,737	8,955	477,260	89,768	595,624
YEAR ENDED 30 JUNE 2010						
Carrying amount at 1 July 2009	8,454	11,572	9,331	455,549	37,846	522,752
Additions	-	223	1,243	4,514	48,539	54,519
Disposals	(322)	(738)	(9)	(42)	-	(1,111)
Transfer between classes	2	-	-	(2)	(6,024)	(6,024)
Transfer from non-current assets held for sale	-	-	-	1,916	-	1,916
Depreciation expense	-	(512)	(2,076)	(13,689)	-	(16,277)
Impairment loss	-	-	-	(1,916)	-	(1,916)
Carrying amount at 30 June 2010	8,134	10,545	8,489	446,330	80,361	553,859

Impairment

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

	CONSOLIDATED		PARENT	
	LOSS \$'000	(REVERSED) \$'000	LOSS \$'000	(REVERSED) \$'000
Kirar Weir ⁽¹⁾	383	-	-	-

⁽¹⁾ This CGU comprises the Kirar Weir water infrastructure asset owned by SunWater's subsidiary company, Burnett Water Pty Ltd. The impairment loss arises because the carrying amount of the asset exceeds its recoverable amount (determined as its value in use). The excess carrying amount is the result of additional post commissioning expenditure required to bring the weir to operating condition.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 14 Intangible assets

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Software ⁽¹⁾	15,481	13,939	15,481	13,939
Less accumulated amortisation	13,604	12,206	13,604	12,206
Less accumulated impairment	359	359	359	359
	1,518	1,374	1,518	1,374
Trade names	8	8	8	8
Water allocations ⁽¹⁾	53,329	53,461	4,513	4,513
	54,855	54,843	6,039	5,895

⁽¹⁾ At cost or deemed cost.

Reconciliations

Reconciliations of the carrying amounts of intangible assets at the beginning and end of each period are set out below.

	SOFTWARE \$'000	TRADE NAMES \$'000	WATER ALLOCATIONS \$'000
CONSOLIDATED			
YEAR ENDED 30 JUNE 2011			
Carrying amount at 1 July 2010	1,374	8	53,461
Additions – at cost	1,427	-	-
Disposals/retirements	-	-	(132)
Amortisation expense	(1,283)	-	-
Carrying amount at 30 June 2011⁽¹⁾	1,518	8	53,329
YEAR ENDED 30 JUNE 2010			
Carrying amount at 1 July 2009	2,564	8	54,200
Additions – at cost	235	-	-
Disposals/retirements	-	-	(739)
Amortisation expense	(1,425)	-	-
Carrying amount at 30 June 2010⁽¹⁾	1,374	8	53,461

⁽¹⁾ Net of retirements (fully written down).

	SOFTWARE \$'000	TRADE NAMES \$'000	WATER ALLOCATIONS \$'000
PARENT			
YEAR ENDED 30 JUNE 2011			
Carrying amount at 1 July 2010	1,374	8	4,513
Additions – at cost	1,427	-	-
Disposals/retirements	-	-	-
Amortisation expense	(1,283)	-	-
Carrying amount at 30 June 2011⁽¹⁾	1,518	8	4,513
YEAR ENDED 30 JUNE 2010			
Carrying amount at 1 July 2009	2,564	8	4,513
Additions – at cost	235	-	-
Disposals/retirements	-	-	-
Amortisation expense	(1,425)	-	-
Carrying amount at 30 June 2010⁽¹⁾	1,374	8	4,513

⁽¹⁾ Net of retirements (fully written down).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 15 Deferred tax assets

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:				
Allowance for impairment of receivables	390	330	390	330
Property, plant and equipment	1,756	2,083	-	-
Accrued payables	1,359	35	1,327	18
Accrued employee benefits	1,340	1,272	1,340	1,272
Revenue received in advance	605	936	605	936
Provision for Rocklea land commitment	356	352	356	352
Unearned renewal annuity	1,524	1,993	1,524	1,993
Rent incentive	698	761	698	761
Tax losses included in deferred tax assets	-	1,874	-	1,874
Balance at 30 June	8,028	9,636	6,240	7,536
MOVEMENTS:				
Opening balance at 1 July	9,636	17,920	7,536	15,419
Credited/(charged) to the income statement	177	(435)	489	(34)
Losses utilised to offset current tax payable	(1,785)	(7,849)	(1,785)	(7,849)
Closing balance at 30 June	8,028	9,636	6,240	7,536
Deferred tax assets to be recovered after more than 12 months	4,939	7,906	3,183	5,916
Deferred tax assets to be recovered within 12 months	3,089	1,730	3,057	1,620
Closing balance at 30 June	8,028	9,636	6,240	7,536

Note 16 Payables

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade creditors	5,122	4,118	5,119	4,107
Intercompany taxation payables	-	-	437	2,291
Other creditors and accruals	19,185	16,814	17,370	13,079
	24,307	20,932	22,926	19,477

Note 17 Provisions

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
CURRENT				
Employee benefits (note 21) ⁽¹⁾	4,467	4,239	4,467	4,239
Flood repairs ⁽²⁾	2,852	-	2,852	-
Legal costs ⁽³⁾	1,508	-	1,508	-
Income tax	9,994	3,163	9,994	3,163
Dividends	34,005	10,640	34,005	10,640
	52,826	18,042	52,826	18,042
NON-CURRENT				
Land commitment ⁽⁴⁾	1,186	1,173	1,186	1,173
	1,186	1,173	1,186	1,173

⁽¹⁾ The current provision for employee benefits includes accrued annual leave, banked time and time off in lieu (TOIL). The entire amount of the provision is presented as current since SunWater does not have an unconditional right to defer settlement of any of these obligations.

⁽²⁾ SunWater's water infrastructure suffered damage in late 2010 and early 2011 due to the impact of widespread flooding and cyclone Yasi. The provision represents management's estimate of the amount of damage incurred but not rectified as at 30 June 2011. All remedial works are expected to be carried out within the next financial year.

⁽³⁾ The provision represents management's estimate of the costs associated with certain legal proceedings. (Refer also to note 28).

⁽⁴⁾ 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 17 Provisions (continued)

Movements in provisions

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

	FLOOD REPAIRS \$'000	LEGAL COSTS \$'000	INCOME TAX \$'000	LAND COMMITMENT \$'000
CONSOLIDATED				
Carrying amount at 1 July 2010	-	-	3,163	1,173
Provisions added/(written back)	2,852	1,508	13,998	13
Payments made during the year	-	-	(7,167)	-
Carrying amount at 30 June 2011	2,852	1,508	9,994	1,186
PARENT				
Carrying amount at 1 July 2010	-	-	3,163	1,173
Provisions added/(written back)	2,852	1,508	13,998	13
Payments made during the year	-	-	(7,167)	-
Carrying amount at 30 June 2011	2,852	1,508	9,994	1,186

Note 18 Borrowings

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unsecured⁽¹⁾				
QTC loan	247,273	248,816	217,542	217,530
Intercompany loan	-	-	34,501	33,777
	247,273	248,816	252,043	251,307
Represented by:				
Current	2,914	2,839	21,770	21,034
Non-current	244,359	245,977	230,273	230,273
	247,273	248,816	252,043	251,307

⁽¹⁾ Borrowings by subsidiary company are secured by parent entity guarantee.

(a) Financing arrangements

The loans from QTC are interest bearing. Parent entity non-current borrowings are interest only and have no fixed repayment date. The terms of the facilities are reviewed by QTC annually. 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 through QTC's generic debt pool. SunWater may draw up to the amount of the approved borrowing program of \$50 million in 2011 (2010: nil). This facility was unused at 30 June 2011.

SunWater has a rolling \$30 million working capital facility with QTC. This facility, which is repayable on demand, operates as an overdraft arrangement which is used to cover temporary funding shortfalls. The facility was undrawn as at 30 June 2011 (2010: undrawn).

(b) Fair value

	CONSOLIDATED			
	2011		2010	
	CARRYING AMOUNT \$'000	FAIR VALUE \$'000	CARRYING AMOUNT \$'000	FAIR VALUE \$'000
The carrying amounts and fair values of interest bearing liabilities at balance date are:				
Borrowings	247,273	256,124	248,816	258,828
	PARENT			
	2011		2010	
	CARRYING AMOUNT \$'000	FAIR VALUE \$'000	CARRYING AMOUNT \$'000	FAIR VALUE \$'000
The carrying amounts and fair values of interest bearing liabilities at balance date are:				
Borrowings	217,542	224,667	217,530	225,781

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 19 Other liabilities

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
CURRENT				
Deposits payable	439	392	439	392
Unearned annuity	5,078	6,642	5,078	6,642
Rent incentive	310	310	310	310
Other	19	18	19	18
	5,846	7,362	5,846	7,362
NON-CURRENT				
Rent incentive	2,018	2,226	2,018	2,226
	2,018	2,226	2,018	2,226

Note 20 Deferred tax liabilities

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:				
Accrued interest receivable	-	95	-	79
Inventories	589	646	589	646
Accrued revenue	5,295	3,620	2,861	2,319
Water allocations	7,185	7,200	1,354	1,354
Property, plant and equipment	26,131	22,605	18,264	14,319
Closing balance at 30 June	39,200	34,166	23,068	18,717
MOVEMENTS				
Opening balance at 1 July	34,166	31,209	18,717	15,186
Charged/(credited) to the income statement	5,034	2,957	4,351	3,531
Closing balance at 30 June	39,200	34,166	23,068	18,717
Deferred tax liabilities to be settled after more than 12 months	33,316	29,805	19,618	15,673
Deferred tax liabilities to be settled within 12 months	5,884	4,361	3,450	3,044
Closing balance at 30 June	39,200	34,166	23,068	18,717

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 21 Employee benefits

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
EMPLOYEE BENEFITS LIABILITY				
Provision for employee benefits (note 17)	4,467	4,239	4,467	4,239
Accrued salaries and wages	222	1,209	222	1,209
Aggregate employee benefits liability	4,689	5,448	4,689	5,448

EMPLOYEE NUMBERS

	2011	2010	2011	2010
Number of employees (full time equivalents excluding casuals) as at 30 June	470	494	470	494

Note 22 Contributed equity

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000

(a) Share capital

Issued and paid up capital:

2 ordinary shares of \$190.0235M each ⁽¹⁾	380,047	359,320	380,047	359,320
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⁽¹⁾ Shares have no par value.

	NUMBER OF SHARES	CONTRIBUTION PER SHARE \$'000	TOTAL \$'000
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(b) Movements in ordinary share capital

Opening balance 1 July 2010	2	179,660	359,320
Equity injections	-	10,363	20,727
Closing balance 30 June 2011	2	190,023	380,047

(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 2011, SunWater's strategy was to maintain a market gearing ratio with a 50% upper limit (2010: 40%). The market gearing ratios at 30 June 2011 and 30 June 2010 were as follows:

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Total borrowings	247,273	248,816	252,043	251,307
Total equity	675,933	642,840	618,867	582,991
Total capital	923,206	891,656	870,910	834,298
Market gearing ratio	27%	28%	29%	30%

SunWater's strategy may alter in the future if some or all of the portfolio of water infrastructure projects referred to in note 29 receive final approvals to commence development in which case both equity and borrowing requirements will increase consistent with SunWater retaining an investment grade credit rating.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 23 Dividends

	PARENT	
	2011 \$'000	2010 \$'000
Ordinary shares		
2010 interim dividend of \$5.3200M per share declared ⁽¹⁾⁽²⁾	-	10,640
2010 final dividend of \$4.4765M per share declared in respect of prior financial year's profit from continuing operations and provided for but not paid as at 30 June 2011 ⁽¹⁾⁽²⁾	8,953	-
2011 first and final dividend of \$12.5260M per share declared and provided for but not paid as at 30 June 2011 ⁽¹⁾⁽²⁾	25,052	-
	34,005	10,640

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

⁽²⁾ Dividend declared in accordance with s131 of the *Government Owned Corporations Act 1993* (Qld) and provided for as disclosed in note 17.

Note 24 Remuneration of auditors

During the year, fees of \$0.153M (2010: \$0.128M) 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 25 Reconciliation of profit after income tax equivalents to net cash inflow from operating activities

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit for the year	46,371	44,761	49,154	48,490
Depreciation and amortisation	22,594	24,377	18,037	17,702
Impairment	383	3,041	-	1,916
Bad and doubtful debts	200	11	200	11
Net (gain)/loss on sale or disposal of non-current assets	(221)	(1,358)	(227)	(1,331)
Interest received	(7,238)	(4,912)	(9,175)	(5,273)
Interest paid	16,765	16,791	16,495	15,035
Dividends received	-	-	(16,500)	(14,000)
Change in assets and liabilities:				
(Increase)/decrease in inventories and intangibles	347	807	216	67
(Increase)/decrease in deferred tax assets	1,608	8,284	1,296	7,882
(Increase)/decrease in receivables	2,586	(1,377)	(3,437)	(26,618)
(Increase)/decrease in other assets	(6,240)	6,762	(1,571)	6,651
(Decrease)/increase in creditors	7,721	2,566	3,846	1,001
(Decrease)/increase in deferred revenue	(3,782)	614	(2,647)	(569)
(Decrease)/increase in income taxes payable	6,830	3,163	6,830	3,163
(Decrease)/increase in deferred tax liabilities	5,035	2,956	4,351	3,531
Net cash inflow from operating activities	92,959	106,486	66,868	57,658

Note 26 Commitments for expenditure

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000

(a) Capital expenditure commitments

Capital expenditure commitments (including GST) contracted for but not brought to account are as follows:

ICT projects	341	247	341	247
Water infrastructure projects	32,651	27,330	32,651	27,831
	32,992	27,577	32,992	28,078

Payable:

Not later than one year	32,992	27,577	32,992	28,078
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NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 26 Commitments for expenditure (continued)

	CONSOLIDATED		PARENT	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(b) Non-cancellable operating lease expense commitments				
Future operating lease commitments (including GST) not brought to account and payable:				
Within one year	3,195	3,135	3,195	3,135
Later than one year but not later than five years	13,354	13,420	13,354	13,420
Later than five years	10,084	14,964	10,084	14,964
	26,633	31,519	26,633	31,519

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 29.

Note 27 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* (Qld). 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.

Key management personnel compensation disclosures by category

CATEGORY	2010-11 \$'000	2009-10 \$'000
CONSOLIDATED		
Short-term employee benefits	1,475	1,383
Post-employment benefits	123	141
	1,598	1,524
PARENT		
Short-term employee benefits	1,443	1,352
Post-employment benefits	121	139
	1,564	1,491

Compensation – directors

	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
CONSOLIDATED – 2011			
Scott Spencer, Chair	53	5	58
Jane Bertelsen, Deputy Chair	40	4	44
Tom Connor	31	2	33
John Gibson	37	3	40
Greg Moynihan	35	3	38
Kirstin Ferguson	32	3	35
Neil Turner*	32	-	32
Alan Millhouse (commenced 1.10.2010)	18	2	20

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 27 Related parties disclosures (continued)

	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
CONSOLIDATED – 2010			
Phil Hennessy, Chair (retired 30.9.2009)	14	1	15
Scott Spencer, Chair (commenced 1.10.2009)	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
PARENT – 2011			
Scott Spencer, Chair	53	5	58
Jane Bertelsen, Deputy Chair	24	2	26
Tom Connor	27	2	29
John Gibson	33	3	36
Greg Moynihan	31	3	34
Kirstin Ferguson	32	3	35
Neil Turner*	28	-	28
Alan Millhouse (commenced 1.10.2010)	18	2	20
PARENT – 2010			
Phil Hennessy, Chair (retired 30.9.2009)	12	1	13
Scott Spencer, Chair (commenced 1.10.2009)	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

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$80,179 (2010 – \$72,253) 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.

* Deceased 4.7.2011

Compensation – executives

	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
PARENT 2011			
Chief Executive Officer	427	22	449
General Manager, Corporate	259	32	291
General Manager, Infrastructure Management	222	17	239
General Manager, Infrastructure Development	223	22	245
General Manager Safety, Strategy and Risk (appointed 1.3.2011)	66	8	74
PARENT 2010			
Chief Executive Officer	411	38	449
General Manager, Corporate	264	33	297
Acting General Manager, Infrastructure Management (completed service 15.11.2009)	83	9	92
General Manager, Infrastructure Management (appointed 16.11.2009)	136	17	153
General Manager, Infrastructure Development	226	24	250

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 27 Related parties disclosures (continued)

Performance payments to employees

FINANCIAL YEAR	AGGREGATE AT-RISK PERFORMANCE REMUNERATION \$'000	TOTAL FIXED SALARIES AND WAGES PAYMENTS \$'000	EMPLOYEES RECEIVING PERFORMANCE PAYMENTS
2010-11	98	1,295	3
2009-10	73	1,193	3

Transactions with director-related entities

SunWater and its controlled entities used the legal services of Allens Arthur Robinson, a firm of which Mr Alan Millhouse is a consultant. During the period of Mr Millhouse's directorship, total value of the legal services (inclusive of GST) was \$682,496. The services were procured on a commercial basis in accordance with board-approved processes and the State Purchasing Policy.

SunWater used the services of Sentis, an organisation of which Ms Kirstin Ferguson was the CEO during the period in which the services were provided. The services, valued at approximately \$20,000 inclusive of GST were provided at no cost to SunWater.

Transactions with subsidiaries

The parent entity within the group is SunWater Limited. Interests in subsidiaries are set out in note 12. 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:

	2011 \$'000	2010 \$'000
Sales of water to subsidiaries	4,218	4,011
Sales of water from subsidiaries	213	-
Sales of services to subsidiaries	7,009	28,194
Interest received from subsidiaries	1,941	496
Interest paid to subsidiaries	1,099	479
Current tax payable assumed from tax consolidated subsidiaries	5,320	3,241
Current tax losses assumed from tax consolidated subsidiaries	437	2,291
Dividends received from subsidiaries	16,500	14,000
Loan received from subsidiary	680	8,880
Loan issued to subsidiary	478	26,306

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

	2011 \$'000	2010 \$'000
Receivables and loans (note 9)	33,184	32,103
Payables and borrowings (notes 16, 18)	34,938	36,068

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	2011 \$'000	2010 \$'000
Cash (note 8)	Deposits on call	11,889	42,385
Receivables (note 9)	Water sales	1,954	3,140
Receivables (note 9)	Consultancies	471	463
Receivables (note 9)	Sale of goods, rent	-	(23)
Borrowings (note 18)	QTC borrowings	247,273	248,816
Payables (note 16)	Electricity, regulatory charges	1,249	1,190
Contributed equity (note 22)	Equity contributions from shareholders	20,727	70,609
Dividends (note 23)	Dividends declared	34,005	10,640
Revenue – interest (note 4)	Interest received from QTC	1,609	4,392
Revenue – all other (note 4)	Water sales, CSO, grants	20,232	17,094
Revenue – consulting fees (note 4)	Consultancies	5,554	9,357
Revenue – other revenue (note 4)	Sale of goods, rent	-	(37)
Expense – interest (note 6)	Interest paid to QTC	17,610	16,953
Expense – all other	Electricity, regulatory charges	44,896	47,998

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 28 Contingencies

Resolution of prior year's contingency:

During the 2008 year an audit of Paradise Dam under the *Environment Protection and Biodiversity Conservation Act 1999* was carried out by the Department of Sustainability, Environment, Water, Populations and Communities (SEWPaC), previously the Department of the Environment, Water, Heritage and the Arts (DEWHA). The findings of the SEWPaC report concluded that Paradise Dam was partially compliant in relation to the operation of the fishway required to be installed under Condition 3 of the Approval. As a result of the successful defence of the Wide Bay Burnett Conservation Council (WBBCC) action (refer below), SEWPaC has published an addendum to the Final Compliance Audit Report which confirms that periods of non-operation of the fishway did not constitute a breach of Condition 3 of the Approval.

SunWater had contingent liabilities at 30 June 2011 in respect of:

- (a) 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 an ongoing Workplace Health and Safety Queensland prosecution and may be subject to a later inquiry by the Coroner. In September 2009, the relatives of the deceased person also instituted legal action for personal injuries. At the date of this report, legal proceedings are continuing. A provision of \$0.790M has been made in the financial statements for legal costs associated with these proceedings.
- (b) 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 Queensland prosecution. At the date of this report, legal proceedings are continuing. A provision of \$0.600M has been made in the financial statements for legal costs associated with these proceedings.
- (c) During the year, SunWater signed a letter of guarantee with a potential mining customer which requires delivery of an agreed water solution at a pre-determined time in the future. If SunWater is unable to supply the water solution as agreed, it will incur a financial penalty for every day the solution is delayed, up to a cap of \$19.900M. At this date, there is no indication that the solution will be delayed or that the financial penalty will be incurred.
- (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) At 30 June 2011, SunWater was engaged in commercial disputes under various contracts. One of those disputes has 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.

SunWater had contingent assets at 30 June 2011 in respect of:

- (a) In September 2008, the WBBCC commenced legal proceedings against Burnett Water Pty Ltd (BWPL), a wholly owned subsidiary of SunWater Limited, in connection with the design and subsequent operation of the upstream fish lift and the downstream fishway at Paradise Dam.

BWPL has successfully defended the action and in June 2011, was awarded a cost judgement of \$1.040M. All costs associated with the legal proceedings have been expensed, and the proceeds of this judgement will be brought to account as received. No amounts had been received as at 30 June 2011.
- (b) SunWater anticipates that it will make a claim under its insurance policies for losses attributable to the recent flooding events and the impact of cyclone Yasi. At 30 June 2011, no revenue from insurance proceeds has been taken up in the statements of comprehensive income.
- (c) SunWater anticipates that it will make a claim under its insurance policies for legal costs associated with the Bedford Weir and Marian Weir incidents. At 30 June 2011, no revenue from insurance proceeds has been taken up in the statements of comprehensive income.
- (d) SunWater anticipates that it will make a claim under its insurance policies for legal costs associated with the Commission of Inquiry into the recent flood events. At 30 June 2011, no revenue from insurance proceeds has been taken up in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2011

Note 29 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) and Bjelke Petersen Dam (2008). Tinaroo Falls Dam upgrade achieved practical completion in 2011.

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 the current prioritisation and estimate of cost for each upgrade currently scheduled.

SAFETY UPGRADE	COMMENCEMENT	ESTIMATED COSTS
Tinaroo Falls Dam	2008	\$24.634M
Kinchant Dam	2011	\$30.000M
Burdekin Falls Dam – Stage 1	2012	\$11.700M
Burdekin Falls Dam – Stage 2	2018	\$178.832M
Teemburra Dam	2014	\$6.328M
Coolmunda Dam	2015	\$4.634M
Wuruma Dam	2016	\$8.911M

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.

Note 30 Subsequent events

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

DIRECTORS' DECLARATION

In accordance with the *Corporations Act 2001* (Cth), the directors declare that:

- (a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) the 2010-2011 financial statements and notes set out on pages 1 to 46:
 - (i) comply with Accounting Standards;
 - (ii) comply with international financial reporting standards as set out in Note 1(a); and
 - (iii) give a true and fair view of the company's financial position and performance and the financial position and performance of the consolidated entity;
- (c) the directors have been given declarations pursuant to section 295A of the *Corporations Act 2001* (Cth) by the Chief Executive, General Manager – Corporate and Manager Finance.

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

S N SPENCER

Chairman

Brisbane, Qld
24 August 2011

J L GIBSON

Director

INDEPENDENT AUDITOR'S REPORT

To the Members of SunWater Limited

Report on the Financial Report

I have audited the accompanying financial report of SunWater Limited, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence 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*, which has been given to the directors of SunWater Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards 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 1 July 2012. As the financial model used by SunWater Limited 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.

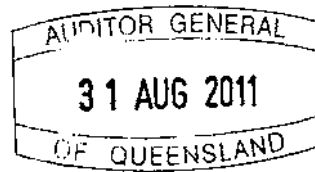


Other Matters – Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of SunWater Limited and the consolidated entity for the year ended 30 June 2011. Where the financial report is included on SunWater Limited's website the company's directors are responsible for the integrity of SunWater Limited's website and I have not been engaged to report on the integrity of SunWater Limited's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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

G G POOLE FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane

STATEMENT OF CORPORATE INTENT SUMMARY

The 2010-11 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 1 of its rolling 5 year corporate plan.

SunWater's achievements are documented throughout this Annual Report including specific reporting of financial performance on page 43. Those areas of performance targeted in the SCI which are not specifically covered elsewhere in the Annual Report are summarised below.

Non-financial performance targets

PERFORMANCE INDICATORS	UNIT	2009-10 ACTUAL	2010-11 ACTUAL AS AT 30 JUNE 2011
Water entitlements	M ML (million megalitres)	2.600	2.629
Water entitlements assigned to non-price path customers	%	22.80	19.97
Seasonal water assignments	ML (megalitres)	38,594	8,673
Water allocated as a % of High Priority water entitlements	%	97.01	100
Water allocated as a % of other water entitlements	%	99.8	97.5
Water delivered	M ML	1.35	0.496
Water delivered as a % of water allocated	%	56.7	21.77
Distribution system efficiency	%	80	64
Unplanned network supply service interruptions	Hrs per interruption	653 (48) ⁽¹⁾	52
Customer service levels (Number of exceptions)	No.	20	9
Resource Operations Licence/Resource Operations Plan (ROL/ROP) number of show cause notices	No.	0	0
Compliance with statutory reporting timeframes	%	100	100
Environmental compliance breaches	No.	0	0
Total CO₂ emissions	Tonnes	160,753	96,790
Greenhouse gas intensity	CO ₂ /ML delivered	0.119 ⁽²⁾	0.196
Total Recordable Injury Frequency Rate (TRIFR)	No.	16.8	18.9
Lost Time Injury Frequency Rate (LTIFR)	No.	0	3.6
Lost Time Injury Duration Rate (LTIDR)	No.	0	18
Staff turnover (annualised)	%	20	21.2
Full Time Equivalent (FTE) staff numbers	No.	494	470.5
Planned maintenance undertaken as a % of scheduled Refurbishment & Enhancement (R&E) work⁽³⁾	%	78.3	107.89
Capital expenditure (for shareholder approved projects)⁽⁴⁾	\$M	-	9.569
Tinaroo Falls Dam Cost Performance Index (CPI)	Index	NA	0.98
Tinaroo Falls Dam Schedule Performance Index (SPI)	Index	NA	0.95
Bowen River Weir Fishway CPI	Index	NA	1.00



PERFORMANCE INDICATORS	UNIT	2009-10 ACTUAL	2010-11 ACTUAL AS AT 30 JUNE 2011
Bowen River Weir Fishway SPI	Index	NA	1.00
Water for Bowen CPI Business Case Phase	Index	NA	1.00
Water for Bowen SPI Business Case Phase	Index	NA	0.95
Fitzroy River Weirs CPI Business Case Phase	Index	NA	1.00
Fitzroy River Weirs SPI Business Case Phase	Index	NA	0.95
Connors River Dam and Pipelines CPI Business Case Phase	Index	NA	1.00
Connors River Dam and Pipelines SPI Business Case Phase	Index	NA	0.95

Water deliveries, seasonal water assignments and a number of associated measures including total CO₂ emissions have all been affected by lower demand for water deliveries, due to significant rainfall and flood events during the year.

- ⁽¹⁾ 2009-10 reporting against unplanned network supply service interruptions was based on the total customer hours affected by unplanned interruptions. 2010-11 reporting has been amended to reflect the average number of hours customers are affected by unplanned interruptions. A comparable figure between the two reporting years – for 2009-10 – is shown in brackets.
- ⁽²⁾ From 2011-12 this measure will be based on water pumped figures rather than water delivered as they more closely reflect electricity usage and therefore greenhouse gas emissions produced.
- ⁽³⁾ Non-routine expenditure was higher than planned due to flood repair work.
- ⁽⁴⁾ Capital expenditure for shareholding Minister approved projects reports on the delivery of the Bowen River Weir Fishway, Kinchant Dam Safety Upgrade and the Tinaroo Falls Dam Safety Upgrade projects. The year end overspend predominantly relates to project timing differences in all three projects and a cost over run on the Tinaroo project. The Tinaroo cost over run resulted from an 8 week delay in the project schedule due to the extensive rainfall which fell during the 3rd quarter and the impact of tropical cyclone Yasi.

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).

CSO funding provided in 2010-11 equalled:

CSO CATEGORY	FUNDING YEAR 2010-11 \$'000
Rural water subsidy (all schemes)	1,224
ROP development	695
Urban water subsidy (Cloncurry CSO)	4,799
Total	6,718

Government policies

SunWater complied with the government policies listed, and with all amendments advised during 2010-11:

- 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)

Dividend reinvestments

SunWater has recently commenced implementing the 3 dividend reinvestment projects approved by shareholding Ministers. The projects relate to SunWater's dividend from the 2008-09 financial year and are summarised as:

BURDEKIN HAUGHTON WATER SUPPLY SCHEME RISING GROUNDWATER PROJECT

A \$3M study of ways to reduce rising groundwater and related salinity issues in the Burdekin River Irrigation Area (BRIA). The purpose of the 3 year project is to investigate and identify areas of water seepage from irrigation channels in the BRIA and develop strategies to reduce seepage. The project will also include monitoring to determine the effectiveness of the seepage reduction measures.

BURDEKIN FALLS, PETER FAUST, EUNGELLA, KINCHANT AND TEEMBURRA DAM RECREATION AREA STRATEGY PROJECT

A \$625,000 review of the future ownership and management of community recreation areas at SunWater's bulk water infrastructure (in particular, dams).

TURTLEWAY PILOT PROJECT

A \$4M project aimed at better understanding and further facilitating turtle movement through the development of a turtleway at Tartrus Weir on the Mackenzie River. This 2 year project – in conjunction with DERM – will give researchers a better understanding of how we can assist turtle movements around man-made structures.

Dividend reinvestment projects (2010-11 implementation)

PROJECT	APPLICABLE DIVIDEND REINVESTMENT YEAR	APPROVED BUDGET \$'000	ACTUAL TOTAL EXPENDITURE TO DATE \$'000	BALANCE OF BUDGET REMAINING \$'000	FORECAST TOTAL EXPENDITURE \$'000	FORECAST PROJECT COMPLETION DATE	PROJECT STATUS SUMMARY
Burdekin groundwater management	2008-09	3,000	105	2,895	3,000	Feb 2014	Initial data gathering and planning underway
Turtleways	2008-09	4,000	32	3,968	4,000	Nov 2015	Planning finalised, research and design phase underway, DERM being engaged
Recreational facilities	2008-09	625	0	625	625	Dec 2011	Planning commenced, consultants appointed
Total		7,625	137	7,488	7,625		

Corporate hospitality, sponsorships, advertising and donations

The table following summarises SunWater's expenditure on sponsorship, advertising, corporate entertainment, donations and other marketing activities during 2010-11 and specifically lists individual items over \$5,000. Individual expenditure items in each category that are below \$5,000 are totalled under 'Other'.

MARKETING ACTIVITY (ACTIVITIES/ EVENTS OVER \$5000 LISTED)	EXPENDITURE TO 30 JUNE 2011
Sponsorship	
Southern Cross Soloists ^(a)	10,000
2010 ANCOLD Conference ^(b)	5,000
SunWater Burdekin Water Festival (Ayr) ^(c)	7,500
Torres Strait Cultural Festival ^(c)	-
Other	41,601
Total sponsorship	64,101
Advertising	
Water safety advertising campaign ^(d)	215,000
School safety program ^(e)	29,400
Other	-
Total advertising	244,400
Corporate entertainment	
Staff awards ceremony ^(f)	13,181
Brisbane Office Christmas Party ^(g)	14,378
Other	30,533
Total corporate entertainment	58,092
Donations	55,000⁽¹⁾
Other related activities	
Total other related activities budget^(c)	23,600
(Children's promotional products that support the public safety campaign)	
Total all activities	445,193

⁽¹⁾ In January 2011, SunWater donated \$55,000 to the Premier's Disaster Relief Appeal.

^(a) To provide opportunities for regional school children to develop and enhance their music ability.

^(b) Water Industry conference to stay in touch with new developments and best practice.

^(c) Promote the corporation and gain valuable feedback from industry and the public.

^(d) To promote safe public behaviour on and around SunWater assets, especially dams.

^(e) To encourage and promote public safety around channels, weirs and dams.

^(f) To recognise and reward staff who go over and above their duties to maximise benefits to SunWater and the state.

^(g) Opportunities for the CEO and executive managers to convey their thanks to all staff directly for their contribution during the year and to reflect on achievements and challenges.



We undertake our core business with the objective of maximising returns to our shareholders.

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 2009–2012* (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:

- 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 (i.e. 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
- no forced redundancies subject to the acceptance of reasonable retraining and/or redeployment options and approval of shareholding Ministers.

Enterprise agreement productivity initiatives

The table following summarises SunWater's productivity savings as negotiated under the Enterprise Bargaining Framework approved by government.

Name of agreement: SunWater Enterprise Agreement 2009–2012

PERIOD OF AGREEMENT: (01.07.2009 TO 30.06.2012)

Number of employees covered by agreement: 442

Progress on productivity gains/savings (as at 30 June 2011)

PRODUCTIVITY INITIATIVES	2010-11 ACTUAL GAINS/SAVINGS (\$)	ACTUAL GAINS / SAVINGS ACHIEVED OVER THE LIFE OF THE AGREEMENT TO DATE (\$)
Discretionary costs	272,568	289,568
Consolidation of ICT services	85,215	195,215
Centralise customer service and call centre	378,398	470,398
Review Business Services function	161,824	249,824
Centralise Asset Management function	320,437	820,437
Totals	1,218,442	2,025,442

Debt drawdown

No debt drawdowns occurred during 2010-11.

Derivative transactions

No derivative transactions occurred during 2010-11.

Revenue/expenditure contracts of significance

The following revenue contracts were entered into by SunWater during 2010-11:

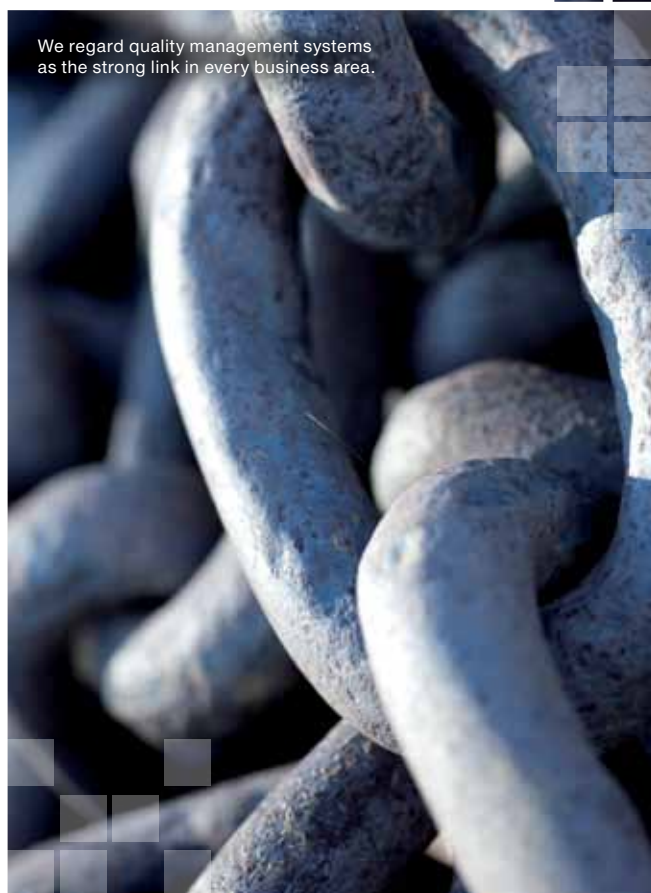
- Mount Isa Mines – Water Supply Agreement
- Mount Isa Water Board – Water Supply and Distribution Losses Agreements
- Mount Isa City Council – Water Supply Agreement

Available borrowing facilities 2010-11

SunWater applied via the State Borrowing Program for an additional term borrowing facility of \$50M and an increase in the working capital facility of \$15M (to \$30M). These additional facilities will provide funds if any of the projected infrastructure projects (such as Connors River Dam and associated pipelines) are required to commence construction earlier than expected. Final approval from the Treasurer was received in late September 2010.

Overseas travel report

No overseas travel expenses were incurred during 2010-11.



KEY STATISTICS

Summary of storage situation 2010-11

STORAGE NAME	WATER SUPPLY SCHEME	TOTAL CAPACITY	DEAD STORAGE	STORAGE AT JULY 2010		STORAGE AT JULY 2011		MINIMUM STORAGE JUL 2010 TO JUN 2011		MAXIMUM STORAGE JUL 2010 TO JUN 2011	
		ML	ML	ML	%FULL	ML	%FULL	ML	%FULL	ML	%FULL
Allan Tannock Weir	Cunnamulla	4,770	500	4,770	100%	4,770	100%	4,770	100%	4,770	100%
Bedford Weir*	Nogoa Mackenzie	17,973	3,290	17,973	100%	12,572	70%	10,961	61%	17,973	100%
Ben Anderson Barrage	Bundaberg	30,300	6,650	24,946	82%	30,148	99%	12,631	42%	30,300	100%
Ben Dor Weir	Macintyre Brook	700	20	478	68%	652	93%	436	62%	700	100%
Bingegang Weir	Nogoa Mackenzie	8,060	1,400	7,889	98%	8,060	100%	7,605	94%	8,060	100%
Bjelke-Petersen Dam	Barker Barambah	134,900	1,000	59,997	44%	134,900	100%	58,735	44%	134,900	100%
Boondooma Dam	Boyne River & Tarong	204,200	8,360	188,254	92%	202,958	99%	184,295	90%	204,200	100%
Bowen River Weir (Collinsville Weir)	Bowen Broken Rivers	940	0.5	940	100%	940	100%	940	100%	940	100%
Bucca Weir	Bundaberg	11,600	930	7,561	65%	11,600	100%	6883	59%	11,600	100%
Buckinbah Weir	St George	5,120	780	4,196	82%	4,416	86%	4,146	81%	5,120	100%
Burdekin Falls Dam	Burdekin Haughton	1,860,000	7,860	1,842,776	99%	1,860,000	100%	1,774,648	95%	1,860,000	100%
Callide Dam	Callide Valley	136,370	2,880	30,170	22%	129,882	95%	28,442	21%	136,300	100%
Cania Dam	Three Moon Creek	88,500	650	30,328	34%	88,500	100%	22,165	25%	88,500	100%
Chinchilla Weir	Chinchilla	9,780	120	7,531	77%	9,780	100%	6,993	72%	9,780	100%
Clare Weir	Burdekin Haughton	15,900	10	14,597	92%	15,452	97%	8,828	56%	15,900	100%
Claude Wharton Weir*	Upper Burnett	8,089	120	7,779	96%	8,089	100%	7,537	93%	8,089	100%
Coolmunda Dam	Macintyre Brook	69,000	220	8,760	13%	60,122	87%	8,714	13%	69,000	100%
Dumbleton Weir*	Pioneer River	6,108	130	6,108	100%	6,108	100%	6,108	100%	6,108	100%
Beardmore Dam	St George	81,700	3,120	68,713	84%	81,700	100%	64,718	79%	81,700	100%
Eden Bann Weir	Lower Fitzroy	35,900	9,650	35,900	100%	35,900	100%	35,900	100%	35,900	100%
Eungella Dam	Bowen Broken Rivers	112,400	1,400	112,306	100%	112,400	100%	110,282	98%	112,400	100%
Fairbairn Dam	Nogoa Mackenzie	1,301,000	12,300	1,252,196	96%	1,290,700	99%	1,224,445	94%	1,301,000	100%
Fred Haigh Dam	Bundaberg	562,000	4,390	450,630	80%	562,000	100%	446,985	80%	562,000	100%
Gattonvale Offstream Storage	Bowen Broken Rivers	5,230	0	4,475	86%	3,644	70%	2,292	44%	4,475	86%
Glebe Weir	Dawson Valley	17,700	430	17,700	100%	17,700	100%	17,487	99%	17,700	100%
Gyranda Weir	Dawson Valley	16,500	2,120	16,410	99%	16,500	100%	15,902	96%	16,500	100%
Jack Taylor Weir	St George	10,270	200	8,374	82%	10,149	99%	8,215	80%	10,270	100%
Joe Sippel Weir	Barker Barambah	710	96	710	100%	710	100%	710	100%	710	100%

Summary of storage situation 2010-11 (continued)

STORAGE NAME	WATER SUPPLY SCHEME	TOTAL CAPACITY	DEAD STORAGE	STORAGE AT JULY 2010		STORAGE AT JULY 2011		MINIMUM STORAGE JUL 2010 TO JUN 2011		MAXIMUM STORAGE JUL 2010 TO JUN 2011	
		ML	ML	ML	%FULL	ML	%FULL	ML	%FULL	ML	%FULL
John Goleby Weir	Upper Burnett	1,690	160	1,498	89%	1,690	100%	1,396	83%	1,690	100%
Jones Weir	Upper Burnett	3,720	10	3,671	99%	3,720	100%	3,300	89%	3,720	100%
Julius Dam	Julius Dam	107,500	8,190	99,487	93%	101,386	94%	87,018	81%	107,500	100%
Kinchant Dam	Eton	62,800	600	62,616	100%	61,790	98%	60,138	96%	62,800	100%
Kirar (Eidsvold) Weir	Upper Burnett	9,540	21	7,719	81%	9,540	100%	7,000	73%	9,540	100%
Kolan Barrage	Bundaberg	4,020	1,630	3,672	91%	4,020	100%	3,493	87%	4,020	100%
Kroombit Dam	Callide Valley	14,600	30	10,450	72%	13,697	94%	7,877	54%	14,600	100%
Leslie Dam	Upper Condamine	106,200	2,130	9,944	9%	104,969	99%	9,768	9%	106,200	100%
Marian Weir	Pioneer River	3,980	110	3,980	100%	3,980	100%	3,980	100%	3,980	100%
Mary Barrage	Mary River	12,000	5,050	12,000	100%	12,000	100%	7,025	59%	12,000	100%
Mirani Weir*	Pioneer River	2,730	410	2,730	100%	2,730	100%	2,730	100%	2,730	100%
Moolabah Weir	St George	2,580	440	2,216	86%	2,112	82%	1,461	57%	2,580	100%
Moura Offstream Storage	Dawson Valley	2,820	140	2,820	100%	2,536	90%	2,536	90%	2,820	100%
Moura Weir	Dawson Valley	7,700	600	7,700	100%	7,700	100%	7,233	94%	7,700	100%
Ned Churchward Weir	Bundaberg	29,500	2,600	28,748	97%	29,500	100%	27,800	94%	29,500	100%
Neville Hewitt Weir	Dawson Valley	11,300	2,120	11,300	100%	11,300	100%	10,390	92%	11,300	100%
Orange Creek Weir	Dawson Valley	6,140	2,320	6,140	100%	6,140	100%	5,843	95%	6,140	100%
Paradise (Burnett River) Dam	Bundaberg	300,000	13,390	292,144	97%	300,000	100%	284,512	95%	300,000	100%
Peter Faust Dam	Proserpine River	491,400	970	434,673	88%	491,400	100%	423,860	86%	491,400	100%
Silverleaf Weir	Barker Barambah	580	26	507	87%	580	100%	370	64%	580	100%
Tartus Weir	Nogoa Mackenzie	12,000	2,530	12,000	100%	12,000	100%	12,000	100%	12,000	100%
Teemburra Dam	Pioneer River	147,500	8,300	147,449	100%	147,500	100%	146,808	100%	147,500	100%
Theodore Weir	Dawson Valley	4,760	750	4,760	100%	4,760	100%	4,760	100%	4,760	100%
Tinana Barrage	Mary River	4,750	2,015	4,750	100%	4,750	100%	4,750	100%	4,750	100%
Tinaroo Falls Dam	Mareeba Dimbulah	438,920	1,300	370,969	85%	434,068	99%	336,555	77%	438,920	100%
Whetstone Weir	Macintyre Brook	506	3	411	81%	361	71%	307	61%	506	100%
Wuruma Dam	Upper Burnett	165,400	2,430	12,929	8%	165,248	100%	12,746	8%	165,400	100%
Combined total		6,710,356	126,892	5,789,750		6,659,829		5,557,429		6,709,531	

* Rubber bags have been deflated.

Scheme summary – water allocation and use 2010-11

SCHEME	SEGMENT	NO OF CUSTOMERS	WATER ENTITLEMENTS ML ⁽¹⁾	AVAILABLE WATER ML ⁽²⁾	WATER DELIVERIES ML ⁽³⁾	TEMPORARY TRANSFERS ML ⁽⁴⁾	
						TEMPORARY TRANSFER SALES	TEMPORARY TRANSFER PURCHASES
Awoonga Callide Pipeline Water is transported from Gladstone Area Water Board's Awoonga Dam to Callide Dam for use by the Callide power stations.	Non-Price Path			15,369	15,369		
	Price Path						
	SunWater						
	Total	29		15,369	15,369		
Barker Barambah Water is released from Bjelke-Petersen Dam to customers who draw water from weirs and supplemented sections of Barker and Barambah creeks.	Non-Price Path		2,909	2,809	635		
	Price Path		30,712	31,345	2,120	166	166
	SunWater		694	794			
	Total	170	34,315	34,948	2,755	166	166
Bowen Broken Rivers 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.	Non-Price Path		32,356	32,356	10,602	6	6
	Price Path		5,676	5,676	312		
	SunWater		898	898			
	Total	54	38,930	38,930	10,914	6	6
Boyne River and Tarong 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.	Non-Price Path		33,369	33,712	16,612	1	1
	Price Path		9,461	9,442	899		
	SunWater		1,625	1,625			
	Total	158	44,455	44,779	17,510	1	1
Bundaberg 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.	Non-Price Path		25,096	25,132	2,130		
	Price Path		185,724	187,104	29,457	650	709
	SunWater		169,509	169,450	4,237	59	
	Total	1,122	380,329	381,685	35,824	709	709
Burdekin Haughton 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.	Non-Price Path		261,280	236,312	38,659		615
	Price Path		398,241	479,576	110,682	515	380
	SunWater		420,078	420,078	31,436	480	
	Total	394	1,079,598	1,135,965	180,776	995	995
Callide Valley 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.	Non-Price Path		5,959	5,332	3,558		
	Price Path		18,316	11,934	2,481		
	SunWater		22	22	4		
	Total	138	24,297	17,288	6,042	0	0
Chinchilla Weir ⁽⁵⁾ Water from Chinchilla Weir supplements streamflows 35km downstream of the weir for use by irrigators.	Non-Price Path		1,172	1,172	410		
	Price Path		2,872	2,872	1,326		
	SunWater		5	5			
	Total	31	4,049	4,049	1,736	0	0
Cunnamulla The Allan Tannock Weir supplies water to landholders adjoining the ponded area of the weir for irrigation, stock and domestic supplies and for the town of Cunnamulla.	Non-Price Path		120	120			
	Price Path		2,492	2,492	836		
	SunWater						
	Total	23	2,612	2,612	836	0	0

Scheme summary – water allocation and use 2010-11 (continued)

SCHEME	SEGMENT	NO OF CUSTOMERS	WATER ENTITLEMENTS ML ⁽¹⁾	AVAILABLE WATER ML ⁽²⁾	WATER DELIVERIES ML ⁽³⁾	TEMPORARY TRANSFERS ML ⁽⁴⁾	
						TEMPORARY TRANSFER SALES	TEMPORARY TRANSFER PURCHASES
Dawson Valley ⁽⁵⁾ 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.	Non-Price Path		5,459	5,087	3,317	26	80
	Price Path		52,305	47,048	14,252	3,807	3,883
	SunWater		4,173	4,248	1,685	130	
	Total	155	61,937	56,383	19,253	3,963	3,963
Eton ⁽⁵⁾ 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.	Non-Price Path		1,674	1,181	31		14
	Price Path		51,500	51,457	1,942	77	63
	SunWater		9,389	9,389	3,036		
	Total	313	62,563	62,026	5,009	77	77
Julius Dam 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.	Non-Price Path		38,000	38,000	7,922		
	Price Path						
	SunWater		10,850	10,850			
	Total	5	48,850	48,850	7,922	0	0
Lower Fitzroy River 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.	Non-Price Path		24,042	24,042	13,505	1	1
	Price Path		3,101	3,101			
	SunWater		1,478	1,478			
	Total	24	28,621	28,621	13,505	1	1
Lower Mary River Water for this scheme is taken from the Mary River and Tinana Creek barrages for irrigation, urban and industrial use.	Non-Price Path		1,190	1,189			
	Price Path		22,017	21,554	838	182	182
	SunWater		11,252	11,041	59		
	Total	186	34,459	33,783	897	182	182
Macintyre Brook 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.	Non-Price Path		463	450	184		
	Price Path		23,719	23,427	2,428	4,025	19
	SunWater		81	1,076	4,130	790	4,090
	Total	96	24,997	24,953	6,742	4,815	4,108
Maranoa River 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.	Non-Price Path		800	800	14		
	Price Path						
	SunWater		5	5	3		
	Total	4	805	805	17	0	0
Mareeba Dimbulah Releases from the Tinaroo Falls Dam gravitate through 176km of main channel, as well as subsidiary channels, pipelines and supplemented streams, to the various sections of the scheme. Deliveries exclude those for hydro.	Non-Price Path		9,119	9,535	4,819	363	3,296
	Price Path		150,298	187,407	69,287	8,669	8,538
	SunWater		45,007	45,050	10,373	2,846	44
	Total	1,130	204,424	241,992	84,479	11,879	11,879
Nogoa Mackenzie 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 coal mines around Blackwater.	Non-Price Path		39,699	39,991	16,348	646	1,000
	Price Path		161,575	169,027	55,840	19,030	18,674
	SunWater		32,722	33,879	6,275		2
	Total	377	233,996	242,897	78,463	19,676	19,676

Scheme summary – water allocation and use 2010-11 (continued)

SCHEME	SEGMENT	NO OF CUSTOMERS	WATER ENTITLEMENTS ML ⁽¹⁾	AVAILABLE WATER ML ⁽²⁾	WATER DELIVERIES ML ⁽³⁾	TEMPORARY TRANSFERS ML ⁽⁴⁾	
						TEMPORARY TRANSFER SALES	TEMPORARY TRANSFER PURCHASES
Pioneer River The scheme is based on Teemburra Dam, the Mirani, Marian and Dumbleton weirs and a supplemented section of the Pioneer River.	Non-Price Path		18,440	18,440	11,416	333	333
	Price Path		47,390	47,390	514		
	SunWater		12,280	12,280	3		
	Total	10	78,110	78,110	11,933	333	333
Proserpine River 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.	Non-Price Path		15,793	13,013	3,836		
	Price Path		37,745	38,812	1,341		
	SunWater		6,537	9,317			
	Total	90	60,075	61,142	5,177	0	0
St George 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.	Non-Price Path		2,069	2,590	688		
	Price Path		71,785	85,315	58,388	13	16
	SunWater		10,721	13,585	4,775		0
	Total	162	84,575	101,490	63,850	13	16
Three Moon Creek 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.	Non-Price Path		610	690	133		20
	Price Path		14,124	14,042	1,531	20	
	SunWater						
	Total	88	14,734	14,732	1,664	20	20
Upper Burnett 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.	Non-Price Path		1,880	1,880	611		
	Price Path		28,988	34,856	3,549	54	5,373
	SunWater		17,682	12,363		5,319	
	Total	159	48,550	49,099	4,160	5,373	5,373
Upper Condamine 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.	Non-Price Path		4,214	3,336	1,222		
	Price Path		29,485	27,162	9,179	1,107	1,107
	SunWater		98	51			
	Total	100	33,797	30,549	10,400	1,107	1,107
TOTAL ALL SCHEMES		5,018	2,629,078	2,751,058	585,236	49,314	48,610

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

⁽²⁾ 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

⁽³⁾ 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

⁽⁴⁾ Includes transfer of customer and SunWater allocations

⁽⁵⁾ 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
Teemburra	Teemburra 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 2010-11

WATER SUPPLY SCHEME	
Barker Barambah	21,366
Callide Valley	421,256
Cunnamulla	32,387
Maranoa River	68,404
Mareeba Dimbulah	312,853
Three Moon Creek	232,309
Upper Burnett	128,410
Other	7,010
Totals	1,223,995

Asset sustainability

IRRIGATION SECTOR ANNUITIES

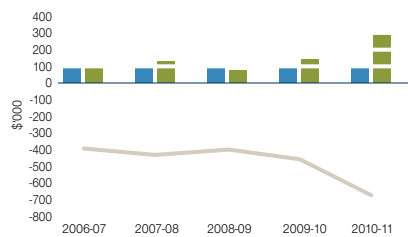
The level of expenditure required to maintain the serviceability and integrity of the asset portfolio can vary significantly from year to year. To even out the effect of expenditure peaks and troughs in irrigation prices, SunWater utilises an annuity approach for the irrigation sector. This ensures that 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.

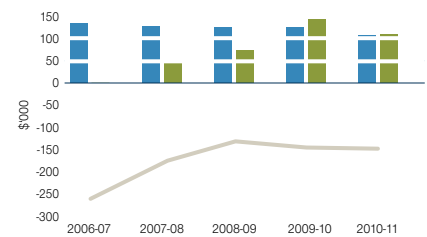
Irrigation annuity balances in a number of schemes across Queensland have declined significantly over the past 2 financial years. This is due primarily to additional costs incurred to repair flood damage, safety upgrades to channel systems and lower annuity revenue collected from customers due to low water demands.

- Annuity collected
- Renewals spend
- Annuity balance

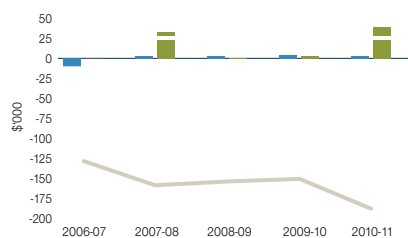
BARKER BARAMBAH



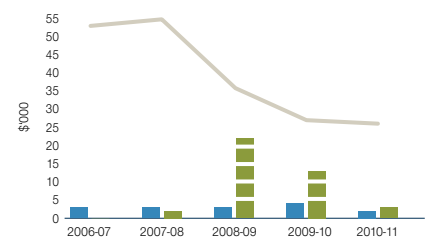
CALLIDE VALLEY



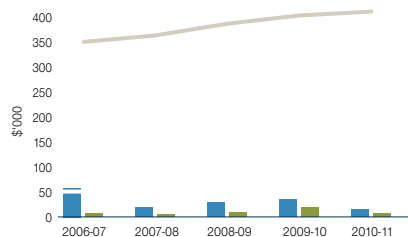
BOWEN BROKEN RIVERS



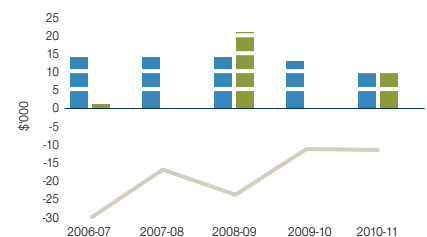
CHINCHILLA WEIR



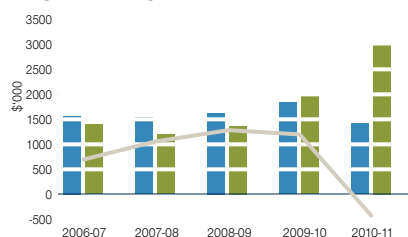
BOYNE RIVER AND TARONG



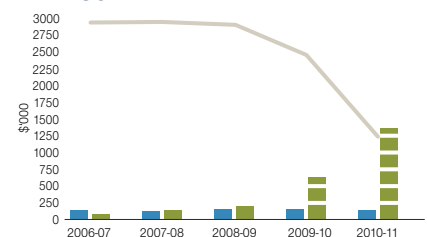
CUNNAMULLA



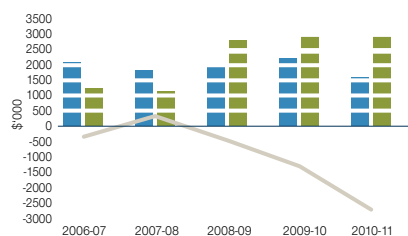
BUNDABERG



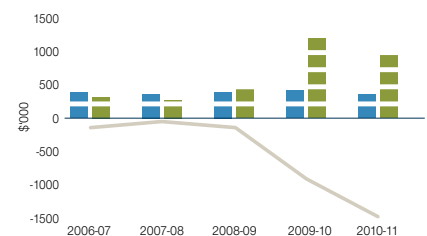
DAWSON VALLEY

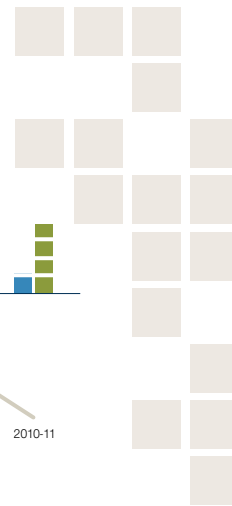


BURDEKIN HAUGHTON

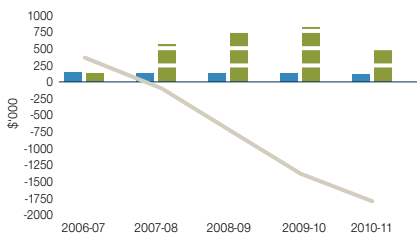


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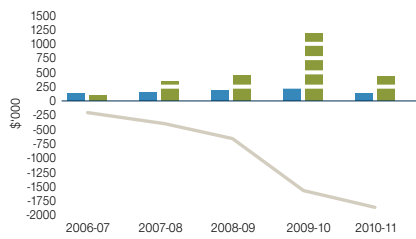




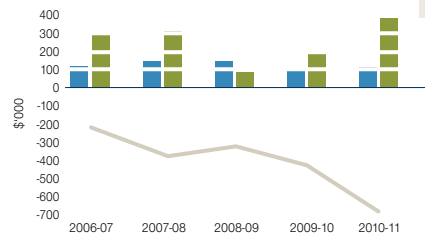
MACINTYRE BROOK



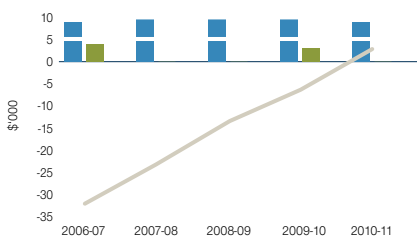
PIONEER RIVER



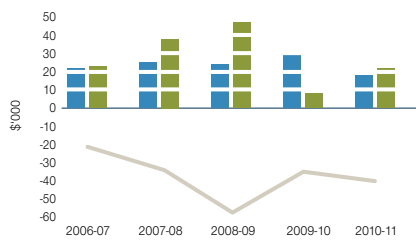
UPPER CONDAMINE



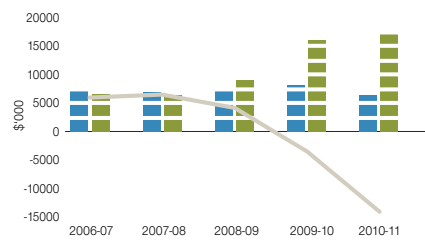
MARANOVA RIVER



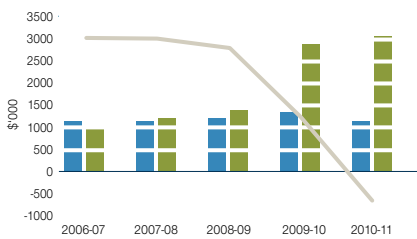
PROSERPINE RIVER



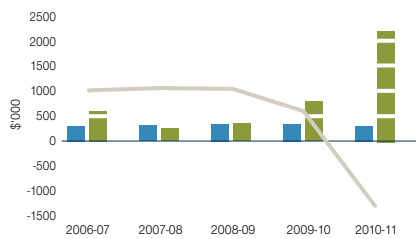
SUNWATER



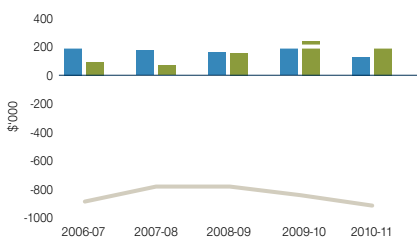
MAREEBA DIMBULAH



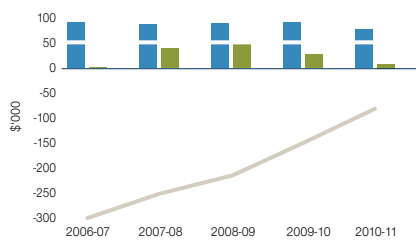
ST GEORGE



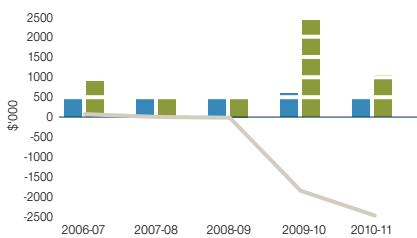
LOWER MARY RIVER



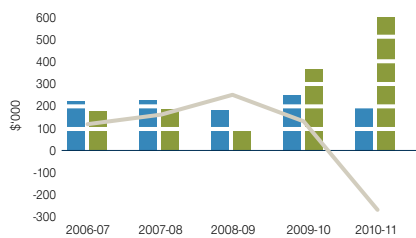
THREE MOON CREEK



NOGOA MACKENZIE



UPPER BURNETT



GLOSSARY

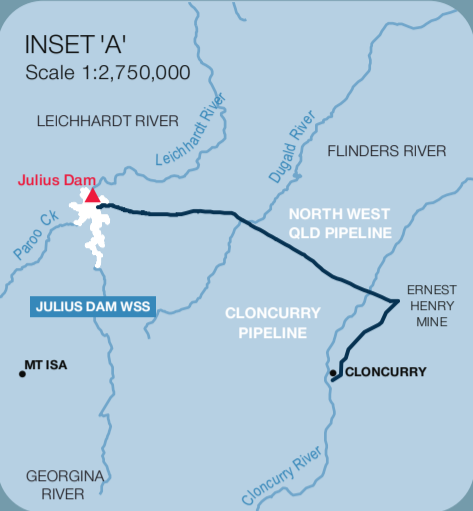
AASB	Australian Accounting Standards Board	GST	Goods and Services Tax
ACN	Australian Company Number	IAC	Irrigation Advisory Committees
AIFRS	Australian equivalents to International Financial Reporting Standards	IFRS	International Financial Reporting Standards
AM	Member of the Order of Australia	km	Kilometre
ANCOLD	Australian National Committee on Large Dams	LNG	Liquefied Natural Gas
AO	Officer of the Order of Australia	LTI	Lost Time Injury
ARC	Accountability Referrals Committee	LTIDR	Lost Time Injury Duration Rate
ATO	Australian Tax Office	LTIFR	Lost Time Injury Frequency Rate
AWRIS	Australian Water Resource Information System	M	Million
B	Billion	ML	Megalitre (1,000,000 litres)
BMA	BHP Mitsubishi Alliance	NGER	National Greenhouse Energy Reporting
BWPL	Burnett Water Pty Ltd	NPAT	Net Profit After Tax
CEO	Chief Executive Officer	NTER	National Tax Equivalent Regime
CGU	Cash Generating Units	NWI	National Water Initiative
CHMP	Cultural Heritage Management Plans	OGOC	Office of Government Owned Corporations
CLG	Community Liaison Group	QAO	Queensland Audit Office
CMC	Crime and Misconduct Commission	QCA	Queensland Competition Authority
COO	Chief Operating Officer	QGC	Queensland Gas Company
CPI	Consumer Price Index	QMS	Quality Management System
CRA	Comprehensive Risk Assessment	QPIF	Queensland Primary Industries and Fisheries
CSG	Coal Seam Gas	QTC	Queensland Treasury Corporation
CSO	Community Service Obligation	QWI	Queensland Water Infrastructure Pty Ltd
DEEDI	Department of Employment, Economic Development and Innovation	ROP	Resource Operations Plan
DERM	Department of Environment and Resource Management	SCI	Statement of Corporate Intent
DEWHA	Department of Environment Water Heritage and the Arts	SEWPAC	Department of Sustainability, Environment, Water, Population and Communities
EAP	Emergency Action Plan	SLAM	Stop Look Assess Manage
EBIT	Earning Before Interest and Tax	TFR	Total Fixed Remuneration
EBITDA	Earning Before Interest and Tax Depreciation and Amortisation	TRIFR	Total Recordable Injury Frequency Rate
EIS	Environmental Impact Statement	WACC	Weighted Average Cost of Capital
EMS	Environmental Management System	WASB	Water Accounting Standards Board
EWP	Eungella Water Pipeline	WBBCC	Wide Bay Burnett Conservation Council
FTE	Full Time Equivalent	WH&S	Workplace Health and Safety
GOC	Government Owned Corporation	WIT	Water Industry Training



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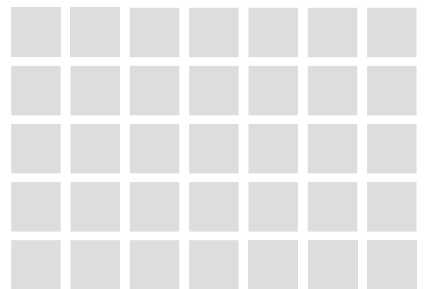
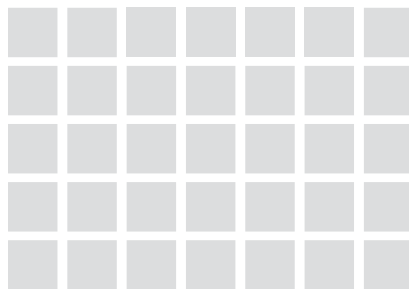
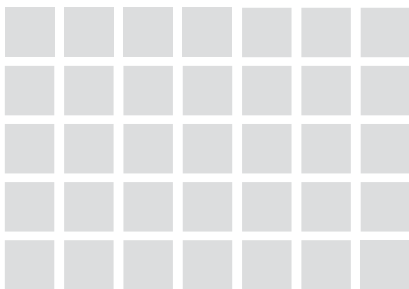
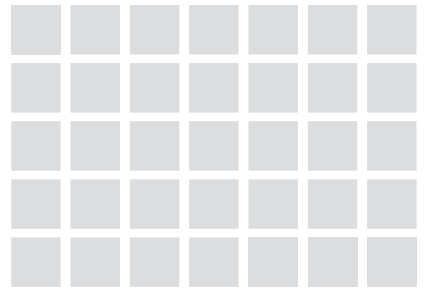
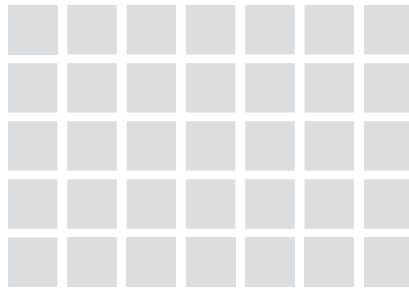
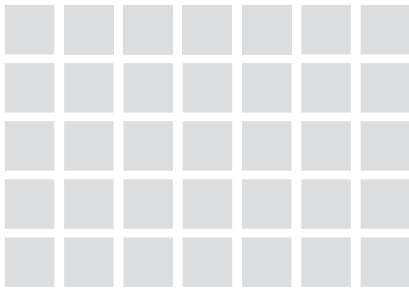
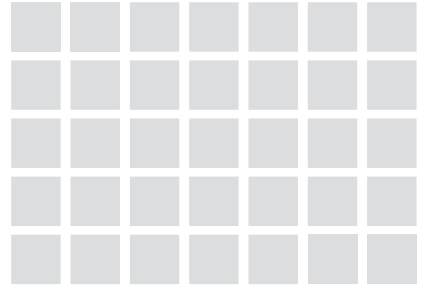
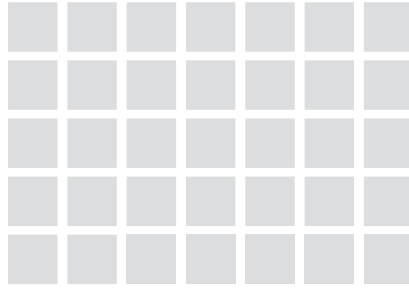
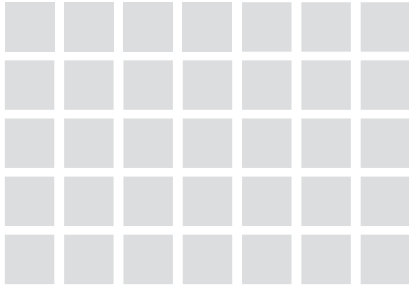
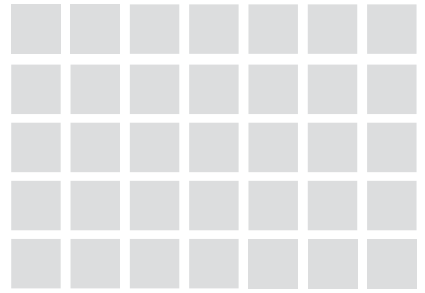
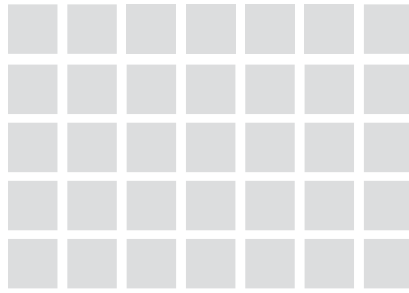
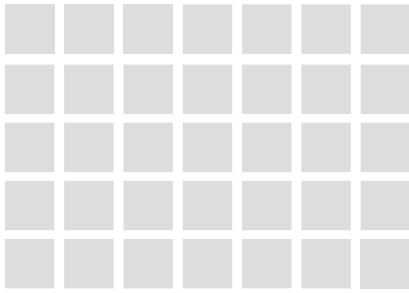


LEGEND

- ▲ 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
- Galilee Basin
- Surat Basin
- Bowen Basin
- BRISBANE** SunWater Brisbane Office
- AYR** SunWater Regional Depots

FOR DETAILS OF JULIUS DAM WSS SEE INSET 'A'





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