

SUNWATER
ANNUAL
REPORT
2014-2015



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CEO AND CHAIRMAN'S REVIEW

In 2014–15, SunWater again demonstrated the value it delivers to regional Queensland and to its shareholders. The organisation was required to respond to a range of challenges in the most diligent and professional manner, to ensure the safety of communities and that the integrity of its infrastructure was maintained.

During the year we experienced an adjustment in the business direction associated with the change in government, most notably with respect to the previously proposed divestment of the industrial pipelines business.

In the first half of the year, SunWater worked closely with Queensland Treasury Corporation (QTC) and a range of advisors to support the due diligence phase of the previous Government's proposed asset divestment program. Whilst the divestment did not occur, the process of closely evaluating the key risks and issues associated with the business in the context of a potential transaction has reaped many benefits for the business. These benefits have been captured through an internal lessons learned process, and are now being incorporated into many of our business as usual activities.

SunWater also provided significant financial support, and committed significant organisational effort to the evaluation and due diligence process for the proposed Local Management Arrangements (LMA) for the channel distribution systems. Throughout the process SunWater has emphasised the need to ensure that all parties adopt a long term view, and that the interests of our customers and staff are at the forefront of decision making.

In the interim, SunWater remains committed to providing excellent customer service to our irrigation customers in the channel system, at the best possible cost, in close consultation with customers and their representatives.

In 2015–16, in preparation for the next irrigation water price review, we will be

working with irrigation customers in all areas to more closely scrutinise and review our future works programs and asset management strategies with the objective of achieving significant reductions in costs, and better aligning asset strategies to customer expectations.

The safety of our employees, local communities and the general public continues to be a key focus for SunWater. Significant improvements were achieved in our efforts to ensure the safety of members of the public when visiting SunWater's recreational areas and the safety of communities living adjacent to and downstream of SunWater infrastructure.

However, the February flood event in the Callide Valley has demonstrated the need for SunWater to work closer with local disaster management groups, local councils and other agencies in respect of emergency management arrangements. Following the February flood, the Government directed the Inspector General Emergency Management (IGEM) to conduct a review of the flood, and the management of Callide Dam. The IGEM review confirmed that the dam was operated correctly and in accordance with the required operating procedures.

Nevertheless, the IGEM identified a number of areas where improvements can be made. Of the 13 recommendations in the report, one is a sole SunWater activity associated with providing downstream residents of the Callide Dam with easy to understand information regarding the dam's operations, five require SunWater to respond as part of a multi-agency approach and the balance being the responsibility of other agencies. SunWater is working closely with those agencies to ensure that all recommendations are followed through. SunWater is also examining the implications for its operations at other dams throughout the State, and is liaising with local disaster management groups in other locations in that respect.

SunWater's workplace health and safety performance in 2014–15 was the best since adoption of the industry standard metrics of Total Recordable Injury Frequency Rate (TRIFR) and Loss Time Injury Frequency Rates (LTIFR). This declining TRIFR rate now rests at its lowest point in SunWater's history and comes as an outcome of the continuing and persistent effort by all staff in the business to make safety a priority. These are pleasing results and we recognise that improving SunWater's safety performance starts with the individual. This is why awareness, education and empowerment of our employees has been, and will continue to be, the key that supports our high level safety performance.

SunWater also continued to achieve positive results in improving our environmental performance. After being severely damaged by flood, the Paradise Dam fishways are now fully operational and repairs to other fishways are nearing completion. SunWater has been active in identifying how best to manage water borne weeds and algae, which have the potential to significantly impact on the delivery of water to irrigation customers. Research is underway to examine better ways to use copper sulphate in the Mareeba-Dimbulah water supply channel systems.

The safety of our dams is of the highest importance to the organisation, and SunWater has in place a comprehensive monitoring, inspection, and review program. As part of SunWater's ongoing program of dam improvements we completed upgrades to the embankment filters and drainage at Kinchant Dam near Mackay and in 2015–16 SunWater will commence the Eungella and Paradise Dam improvement projects.

During the year, we completed the fifth revision of the portfolio assessment, incorporating new and updated information from individual dam risk assessments. The portfolio risk assessment (PRA) provides a prioritised program of dam improvements, based on overall risk and adherence to the Queensland Dam Safety Regulator's requirements and industry standards. Since the commencement of this program in 2005 SunWater has completed four dam safety improvement projects at Fred Haigh, Bjelke Petersen, Tinaroo Falls and

Kinchant dams. The updated Portfolio Risk Assessment will be provided to the Dam Safety Regulator early in the 2015–16 financial year.

While construction activities were more subdued than in previous years, SunWater continued to progress water infrastructure projects such the Woleebee Creek to Glebe Weir pipeline. The pipeline was successfully commissioned and became operational in early 2015 in-line with the expectations of our customer and at a cost significantly less than the agreed budget. The completion of this pipeline represents the second successful Beneficial Use Scheme undertaken by SunWater and is a great example of how the Coal Seam Gas and water sectors can work together to deliver value for irrigators.

Looking forward, the future opportunities to develop new regional bulk water supplies are encouraging. The recent release of the white papers on Developing Northern Australia and Agricultural Competitiveness, by the Federal government, reinforces the strategic role that water infrastructure plays in securing Queensland's and Australia's economic future. These papers identify that significant development within the agricultural, resources, industrial and urban sectors are forecast which will require substantial water supply infrastructure within regional Queensland. As the proponent for several prospective water supply projects, SunWater will work closely with both the State and Federal Government agencies to develop innovative delivery models that enable development of this critical infrastructure.

In the 2015 financial year significant natural events and the changes to the business environment have required SunWater to be agile and adaptable. Individually and collectively SunWater's employees have risen to the challenge, and have more than delivered for the organisation, our customers and the community.

On behalf of the SunWater Board and Management we would like to express our appreciation to all SunWater employees for their dedication and commitment to navigate through the testing times and deliver on our wide-ranging responsibilities as a regional bulk water provider. We would also like to acknowledge and thank the contribution of our retiring Director, Dr Kirstin Ferguson who has served on the Board for nearly seven years.

The combined in-depth understanding of the interests of our customers, communities and stakeholders will ensure that we continue to address important topics and challenges in the years ahead. We look forward to delivering on our commitments in the coming year.

Ross Dunning
Chairman

Peter Boettcher
Chief Executive

PRINCIPAL ACTIVITIES

SunWater Limited (SunWater) owns and manages bulk water, pipeline and irrigation distribution assets throughout Queensland. We also provide a full range of facility and water management services to other water supply asset owners.

SunWater's core business includes, but is not limited to:

- bulk water storage and distribution
- water treatment, reticulation and drainage
- water infrastructure development (where it aligns with Government expectations)
- water facilities management
- customer water account management and billing
- flood hydrology, hydraulics and flood management
- specialist consultancy services including design and design review services

KEY BUSINESS

SunWater Limited owns, operates, develops and facilitates the development of bulk water supply infrastructure. Assets include 19 major dams, 63 weirs, 82 major pumping stations, 3100 kilometres (km) of pipelines and open channels and 740 km of drains.

The main operating companies within SunWater, and their activities, include:

- **Eungella Water Pipeline P/L (EWP)** owns and operates a 123 km-long pipeline and associated pumping equipment that transports water from Eungella Dam near Mackay to Moranbah principally for use by the mining industry. EWP also owns and operates 116 km of Eastern and Southern Spur pipelines that take water from the Eungella Water Pipeline and the Burdekin-Moranbah Pipeline to coal mines and related users in the northern Bowen Basin.
- **North West Queensland Water Pipeline P/L (NWQWP)** owns and operates a 113 km-long pipeline and associated pumping equipment that transports water from Lake Julius near Mount Isa to the Ernest Henry Mine and a number of rural users. NWQWP also owns and operates the Cloncurry Pipeline, a 38 km extension pipeline from the NWQWP to the township of Cloncurry for domestic and industrial supply.
- **Burnett Water P/L (BW)** owns and operates Paradise Dam and Kirar Weir in the Burnett River catchment and 147,261 megalitres (ML) of water allocations which are being offered for sale/lease.

REVIEW OF OPERATIONS

As agreed with its shareholders through the development and sign-off of the 2014–15 Statement of Corporate Intent (SCI), SunWater delivered the following outcomes in 2014–15:

OUTCOME 1: Prudent and efficient management of the company to ensure sustainable and reliable services are delivered to customers and communities in accordance with shareholder expectations

SunWater strives to deliver a safe and reliable source of bulk water and irrigation supply to more than 5000 customers throughout Queensland.

In 2014–15, SunWater operated and maintained existing assets to ensure continued delivery of water to customers and communities in line with shareholder expectations and in accordance with the efficient costs determined by the current irrigation water price path.

SunWater also continued to support Government's expectations around supporting industry-led development opportunities that deliver long-term returns to Queenslanders.

NETWORK SERVICE PLANS

As part of an improvement program aimed at providing greater transparency to our customers on the performance of our schemes, SunWater produces Network Service Plans (NSPs) for each of its 30 irrigation service contracts. The plans are produced in draft form for consultation with customers from April each year with feedback incorporated into SunWater's final implementation plans

In addition, SunWater produces Annual Scheme Performance Reports, published in October each year, which provide customers an opportunity to review SunWater's performance in the previous year against cost targets set by the QCA when prices were set in 2012.

IMPLEMENTATION OF TARGETED EFFICIENCIES

In 2014–15, SunWater achieved efficiency savings of \$4.337M against the targeted \$3.779M.

INSURANCE ISSUES MANAGEMENT

SunWater targets value for money from its insurance renewals, and in early 2015, as a result of multiple presentations given in Sydney and London, managed to reduce 2015–16 premiums by almost 11%.

FLOOD DAMAGE REPAIRS

In 2014–15, SunWater continued to progress its flood repair program to restore to normal operations infrastructure damaged by severe weather events in 2011, 2013 and 2015.

More detail regarding SunWater's flood repair program is provided under Outcome 4 on pages 7 and 8 of the Annual Report 2014–2015.

STAKEHOLDER CONSULTATION

SunWater continued to consult with customers and its owners on potential asset development and enhancement projects, NSPs and the impact of flood damage and the level of repair work required.

OUTCOME 2: Support for the Government's review into the implementation of local management arrangements for SunWater's eight irrigation distribution systems and preparing for transfer to local management entities should Government make this decision

SunWater paused work on this initiative following the January 2015 election and change of Government, pending the new Government's review of its policy position on local management.

OUTCOME 3: Support for the Government's review into the benefits of offering SunWater's industrial water pipelines for divestment and preparing for divestiture should Government make this decision

SunWater ceased work on this initiative of the previous Government following the January 2015 election and change of Government.

OUTCOME 4: Strengthened regional bulk water supply, dam safety, planning and pricing arrangements and services

SunWater aims to deliver safe and reliable water solutions to customers and continues to seek opportunities to work with development proponents to secure funding for critical water infrastructure that supports economic growth across the State.

In this role SunWater engages with relevant agencies to ensure investment in and delivery of water infrastructure remains consistent with Government expectations.

During the year SunWater also continued to undertake repairs to infrastructure damaged by severe weather events in 2011 and 2013, to ensure the ongoing safety and functionality of our assets.

SunWater also continued to implement planned maintenance programs to ensure the ongoing safety and functionality of its assets.

Active projects, investigations and repair programs in 2014–15 included:

WOLEEBEE CREEK TO GLEBE WEIR PIPELINE PROJECT

PROJECT PURPOSE: This project delivers an additional water supply solution of treated coal seam gas (CSG) water to the Dawson Valley region of Central Queensland.

PIPELINE LENGTH: 119 km

PIPELINE CAPACITY: Maximum pumped flow 36,500 ML/annum.

TIMING: Pipeline construction commenced in April 2013 with the final section of pipe installed in December 2013. Dry commissioning of the pipeline was completed on 20 May 2014.

ESTIMATED COST: \$360M

KEY BENEFITS: The pipeline delivers additional water supply solution of treated CSG water to customers along the pipeline and improves scheme supplies for customers within the Dawson Valley Water Supply Scheme.

PROGRESS: Practical completion of the project was achieved on 14 November 2014 with operational commencement, and the first discharge of treated CSG water into Glebe Weir, occurring on 7 February 2015. Daily production flows have been ongoing since the end of March 2015, with the pipeline in automatic operation.

KENYA TO CHINCHILLA WEIR PIPELINE PROJECT

PROJECT PURPOSE: QGC contracted SunWater to build, own, operate and maintain a pipeline to transport treated CSG water from QGC's Kenya water treatment plant to the Chinchilla Weir. The pipeline provides treated CSG water for the agricultural community along the pipeline and along the Condamine River, within the boundaries of the Chinchilla Weir Water Supply Scheme. The pipeline also supplements the town of Chinchilla's water supply from the Chinchilla Weir.

PIPELINE LENGTH: 19 km

PIPELINE CAPACITY: Transport capacity approximately 31,025 ML/annum.

COST: \$55M

KEY BENEFITS: The pipeline was the first of its kind in Queensland to deliver treated CSG water for agricultural purposes and provides additional water for the township of Chinchilla.

PROGRESS: Although final commissioning of the pipeline occurred in 2013–14 a number of issues were identified post commissioning which required modifications to the pump station, pipeline and control system. This work was progressed in 2014–15 and all modifications are now complete and the pipeline is delivering the benefits expected.

NATHAN DAM AND PIPELINES PROJECT

PROJECT PURPOSE: This project aims to provide a reliable, long-term water supply in the Surat-Dawson region of Central Queensland for mining, power, urban and existing agricultural customers. The Nathan Dam site is located on the Dawson River approximately 75 km downstream of Taroom and 11 km downstream of Glebe Weir. The pipeline will extend from the dam through the Surat Coal Basin to Warra.

DAM CAPACITY: 888,000 ML

DAM YIELD: Expected to supply up to 66,000 ML/annum of high priority water for new customers in addition to providing improved supply performance for the existing customers in the Dawson Valley Water Supply Scheme.

PIPELINE LENGTH: 215 km (inclusive of Woleebee Creek to Glebe Weir Pipeline) from Nathan Dam to Warra.

TIMING: Project timing is dependent on the demand expectations of key customers in the coal sector, and the completion of a commercial business case.

ESTIMATED COST: \$650M for dam construction and \$540M for pipeline construction.

KEY BENEFITS: In addition to providing reliable water supplies to enable industrial and mining developments in the region, the project will provide significant regional economic benefits including local employment, new opportunities for local businesses and recreational opportunities for local communities and visitors to the region.

PROJECT PROGRESS: Investigations undertaken in 2008–13 for the Environmental Impact Statement (EIS) and supplementary report demonstrated that the population of the Boggomoss Snail (*Adclarkia dawsonensis*) is larger and more widespread than was previously understood. SunWater surveys have also been recognised as making a significant contribution towards knowledge of the species and its distribution in the region.

SunWater is currently working with the Department of Environment and Department of Environment and Heritage Protection to update the Recovery Plan in light of this new information.

A final decision on the EIS approval is not expected before February 2016. A market demand assessment for the project is ongoing.

LOWER FITZROY RIVER INFRASTRUCTURE PROJECT

PROJECT PURPOSE: SunWater and the Gladstone Area Water Board (GAWB) are joint proponents for the raising of Eden Bann Weir and/or the construction of Rookwood Weir. The project is identified as strategic development that will enable access to the nominal reserve (76,000 ML) identified in the Fitzroy Basin Water Resource Plan 2011. Water will be used for existing and new customers.

YIELD: The project will be implemented by way of a flexible strategy that will allow for the rapid delivery of water to meet anticipated future demands when they arise. Recent modelling shows that the stages will produce a range of yields and that the nominal reserve (76,000 ML) can be achieved through various staged options.

TIMING: The project may be triggered by increasing demand (industry, urban or agriculture), drought or level of service requirements, with financial approval subject to a commercial business case.

ESTIMATED COST: The total estimated project cost for Eden Bann Weir Stage 3 is \$234M, and for Rookwood Weir Stage 2 is \$261M.

KEY BENEFITS: The additional high priority water will be available for Rockhampton, Gladstone and surrounding regions.

PROJECT PROGRESS: A draft EIS was released for public display in July 2015. During the public display phase the public will be invited to lodge submissions on the draft EIS. All submissions will be addressed following the public display phase.

The information regarding the above outlined projects is current as at August 2015. For updated projects status, please visit www.sunwater.com.au

TROPICAL CYCLONE MARCIA AND CALLIDE DAM

In late February 2015, Tropical Cyclone Marcia passed directly over Callide Dam, resulting in record rainfall intensity. The severe weather caused water levels upstream of the dam to rise more than seven metres in three hours, with similar rainfall experienced in other downstream and adjacent catchments. Substantial flooding and damage occurred downstream at Biloela and Jambin. Throughout the severe weather event SunWater staff followed the protocols and procedures outlined in the dam's Emergency Action Plan (EAP).

Following the severe weather, the Queensland Government announced an independent review on the Callide Creek flooding to report on disaster management arrangements, and to examine the operation of Callide Dam. The review was headed by Inspector-General Emergency Management (IGEM) Ian MacKenzie.

The IGEM's report was released on 4 June 2015 and found that SunWater operated Callide Dam in line with established and approved operating procedures and confirmed the Callide Valley would have experienced major flooding regardless of the operation of Callide Dam.

A number of recommendations were identified in the IGEM's report and SunWater is currently working in liaison with other agencies to address the recommendations. SunWater in

collaboration with other agencies will provide regular updates to the Callide Valley community on how these activities progress.

The recommendations of relevance to SunWater include:

- SunWater and the Department of Energy and Water Supply (DEWS) to undertake studies that consider the feasibility of operating Callide Dam as a flood mitigation dam;
- SunWater to develop community awareness by making available information that will assist downstream residents in understanding dam operation and the potential impacts of outflows;
- SunWater and DEWS to investigate adopting more flexible approaches with respect to EAPs;
- SunWater, the Banana Shire Council (BSC) and the Bureau of Meteorology, in association with the Department of Natural Resources and Mines, to identify requirements for a suitable gauge network for flood warnings in the Callide Valley;
- SunWater and the BSC to develop a multi-channel warning strategy for residents downstream of dams and develop common messaging and procedures; and
- SunWater and the BSC to pre-format emergency alert messages, identify alert areas and test alert systems in liaison with the State Disaster Coordination Centre.

PARADISE DAM REPAIRS

The flood event in the Burnett River catchment in early 2013 resulted in significant damage to SunWater's infrastructure in the region. In particular, Paradise Dam, located near Childers in South East Queensland, suffered major damage to the spillway dissipator and the river bed downstream of the dissipator.

While the dam has been assessed as safe under normal loading there was a potential risk to the dam if it was subjected to a further major flood event. To mitigate this risk, emergency works and interim works were carried out to enable the dam to withstand a late-season flood.

In response to the damage caused by the 2013 floods, SunWater has brought forward the next scheduled 20-year Dam Safety Review and Comprehensive Risk Assessment (CRA) from 2025 to 2014.

The Dam Safety Review, which identified a number of issues requiring further investigation and attention, was provided to the Queensland Dam Safety Regulator in October 2014. A CRA for Paradise Dam was then completed which took into account the findings of the review as well as the Dam Safety Regulator's analyses and conclusions. All risks associated with the dam were assessed and a range of potential remedies were identified for mitigating those risks.

Ultimately, the CRA recommended a 4-stage dam improvement program, with each stage progressively reducing the consequences and/or likelihood of dam failure. The Dam Safety Regulator was provided with the CRA in February 2015.

In May 2015, SunWater commenced detailed planning and design to undertake stage 2 works that will strengthen the toe of two sections of the primary spillway. These works are scheduled to be commenced in May 2016 and completed by September 2016. In addition, SunWater has commenced stage 1 improvements to emergency response planning in liaison with local and district disaster management groups.

BOONDOOMA DAM SPILLWAY REPAIRS

During the 2010–11 and 2013 Queensland floods, Boondooma Dam, located near Proston in southern Queensland, suffered damage to the spillway discharge channel as a result of the large volumes of water being discharged through the spillway. While the dam has been assessed as safe under normal loading, further damage to the spillway could occur in the event of a similar or larger flood.

During the year SunWater completed repairs to the outlet works at Boondooma Dam and undertook further detailed investigations into a preferred design to repair the damage to the spillway channel. These investigations included undertaking geotechnical drilling in the vicinity of the spillway as well as physical hydraulic modelling at SunWater's Rocklea Hydraulics Laboratory and comprehensive scour modelling associated with alternative design options.

Selection of the preferred design is scheduled to be completed in early November 2015, after which planning will commence on the detailed design and construction phase of the project.

OTHER FLOOD DAMAGE REPAIRS

Other flood repairs performed during 2014–15 include:

- Repairs at Bjelke-Petersen Dam and Mary River Barrage were completed on time and on budget in late 2014.
- On-site work for outlet repairs at Boondooma Dam, Bjelke-Petersen Dam, Fred Haigh Dam, Ben Anderson Barrage and Cania Dam are now complete.
- Works at Fred Haigh Dam to clear the channel within the downstream watercourse and assess scour below the spillway were completed in June 2015.
- Upstream civil works at Ben Anderson Barrage commenced, with work scheduled for completion in late 2015.
- Repair work at Don Beattie Pump Station, Eden Bann Weir and Bucca Weir is on going and will continue into 2015–16.

- Repair works associated with the damage caused by Tropical Cyclone Marcia have been identified at 20 sites in the Central Region. Public safety issues associated with site access and security have been addressed at Kirar and Claude Wharton Weirs. Site clean-ups and inspections to define scope of works have been completed and repair programs are currently being implemented. The majority of repairs are planned to be addressed prior to the 2015–16 wet season.

FLOOD PREPAREDNESS

In line with annual preparations in advance of the wet season, SunWater progressed an update of the EAPs for each of its dams. During 2014–15 SunWater started a project to redevelop its portfolio of 22 EAPs to a new format. The Dam Safety Regulator has to date approved three EAPs to the new format.

Communication and notification lists in all EAPs were reviewed, updated and reissued before the wet season. Prior to the commencement of the wet season staff training in EAPs including scenario-based testing was undertaken. In addition to staff rosters and contact details which are developed specifically for use over the Christmas/New Year period, SunWater has in place all year round a roster of emergency event coordinators, dam safety technical decision makers and flood operations centre staff whom assist during dam emergency events.

Other routine pre-wet season preparations were delivered to SunWater's annual schedule including functional testing of equipment, emergency fuel stores and staff accommodation.

Crisis Preparedness and Business

Continuity Planning – SunWater's crisis handbook was updated in December 2014.

DAM IMPROVEMENT PROGRAM

SunWater is undertaking a dam improvement program to ensure the highest level of safety for our dams is maintained.

Our prioritised improvement program will ensure SunWater dams continue to be able to hold and safely release excess volumes of water during periods of extreme rainfall and satisfy modern standards.

SunWater commenced its Dam Improvement Program in 2005 and has since completed improvements to Fred Haigh Dam, Bjelke-Petersen Dam, Borumba Dam, Tinaroo Falls Dam and Kinchant Dam.

In 2014–15 SunWater continued the Dam Improvement Program, including:

Kinchant Dam – the Kinchant Dam Improvement Project was completed in March 2015. Following completion of on-ground works, an updated CRA was completed to include additional information in relation to the improved works, and the CRA report was submitted to the Dam Safety Regulator along with other necessary documentation. All other ancillary works were completed by May 2015.

Eungella Dam – minor works on the embankment of Eungella Dam were completed in May 2015, increasing the flood immunity of the embankment to 1:2000 Annual Exceedance Probability (AEP). Anchoring works in the spillway are on schedule to commence in August 2015. These works will anchor the spillway to increase its capacity to safely pass a 1:10,000 AEP event.

EFFICIENT MAINTENANCE AND SAFE OPERATION OF WATER SUPPLY SCHEMES

Several schemes experienced extended hot and dry conditions during the summer of 2014. Despite these dry conditions, and the associated high water demand, no major supply issues were encountered.

In 2014–15 a total of 152 planned shutdowns and 108 unplanned shutdowns took place throughout SunWater's water supply schemes. This compares to 120 planned shutdowns and 177 unplanned shutdowns in 2013–14. The increase in planned shutdowns and decrease in unplanned shutdowns are largely due to the introduction of a pre-emptive strategy for treating aquatic weeds.

SunWater staff actively manage customer communications for all planned and unplanned shutdowns in the lead-up to and during events to minimise customer impacts.

OUTCOME 5: Ensure organisational capacity and workforce capability continues to closely align with, and adjust to, Government's expectations for high performance, commercial returns and efficient operations

With a focus on ensuring a sustainable workforce, SunWater aims to balance resourcing needs and skill development with the requirement to maintain safe and reliable bulk water supply to customers and communities throughout Queensland.

During the year SunWater continued to maintain a close alignment between its capacity to deliver services, the expectations of shareholders for cost effectiveness and customers' demand for the services it provides.

SunWater's longer-term workforce planning continues to consider industry sector trends and business development opportunities that are consistent with Government's expectations.

OUTCOME 6: Ensure organisational safety and environmental performance aligns with Government's expectations of high performance

The safety of staff and local communities remains SunWater's first priority. We are committed to delivering a high standard of safety performance through the continuous improvement of our safety management systems and a series of initiatives to drive a positive safety culture.

In 2014–15 SunWater continued to work towards the safety target of "No Harm" and improve environmental performance in all operations and business activities. This was achieved through a number of undertakings, including:

- Rigorous adherence to, and continual evaluation and improvement of, SunWater's comprehensive Safety Management System.
- Ensuring compliance with due diligence obligations under the *Queensland Work Health and Safety Act 2011* through safety training for new staff and refresher training for existing staff.
- Internal review and audits by third party ISO certification bodies to improve SunWater's systems and training programs and drive environmental and safety performance.
- Conducting workplace health and safety risk assessments for operations at a range of SunWater sites.

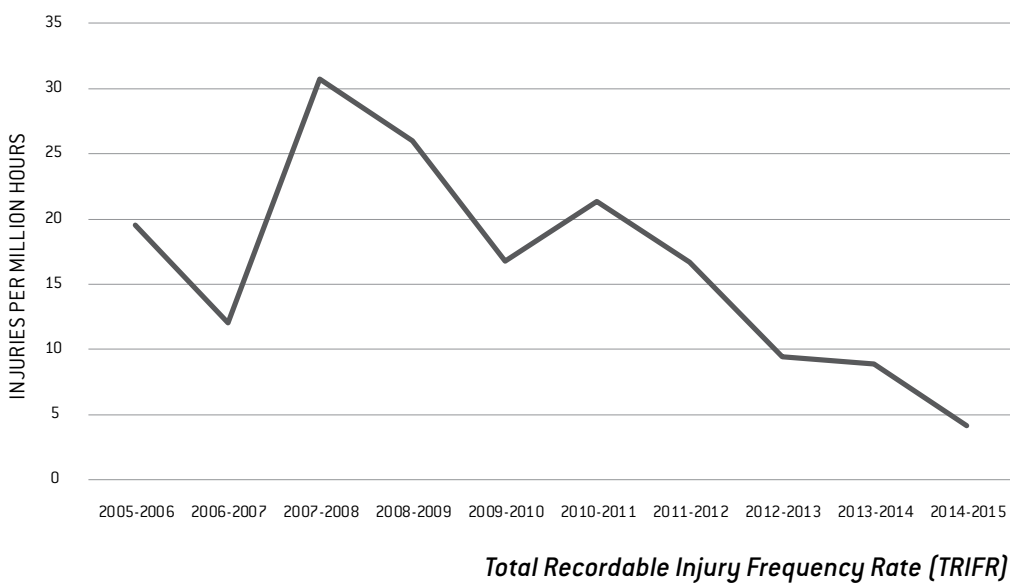
SAFETY STATISTICS

SunWater's primary safety statistics – Lost Time Injury Frequency Rates (LTIFR) and Total Recordable Injury Frequency Rates (TRIFR) – continue to improve against comparable industry standards.

New work cover claims during the year were also significantly lower than industry averages, resulting in SunWater's Work

Cover insurance premiums being 50% below comparable industry rates and delivering annual savings in the order of \$0.15M compared to SunWater's outgoings in 2012–13.

SunWater's incident statistics continue to trend towards "No Harm" with a TRIFR of 4.18 at end of June 2015.



SunWater's safety performance improved during the 2014–15 year when compared to the results from previous years. SunWater's TRIFR for the end of June 2015 was 4.18 which compared to 8.86 for end of June 2014. The LTIFR for the end of June 2015 was 0.0 which compared to 1.27 for end of June 2014.

| Marketing activity | Budget 2014–15 | Expenditure to 30 June 2015 |
|---|---------------------------|--|
| Sponsorship | | |
| Australian National Committee on Large Dams (ANCOLD) conference | 10,000 | 10,000 |
| Other (total of sponsorships below \$5000 per event) | 45,000 | 45,000 |
| Total sponsorship | 55,000 | 55,000 |
| Advertising | | |
| Water safety advertising campaign | 220,000 | 196,300 |
| School safety program | 30,000 | 12,500 |
| Other | | |
| Total advertising ⁽¹⁾ | 250,000 | 208,800 |
| Corporate entertainment | | |
| Staff awards ceremony | 13,000 | 12,080 |
| Brisbane office Christmas celebration | 16,000 | 11,267 |
| Other (total of corporate entertainment below \$5000 per event) | 31,500 | 23,257 |
| Total corporate entertainment ⁽²⁾ | 60,500 | 46,604 |
| Donations | - | - |
| Strategic community and stakeholder engagement activities ⁽¹⁾ | 30,000 | 8,500 |
| Total all activities | 395,500 | 318,904 |

⁽¹⁾ Underspends in 2014–15 reflect SunWater's review of past safety education activities. Additional activities are planned to be implemented in 2015–16 which aim to improve the safety of children in and around SunWater's areas of operation.

⁽²⁾ The significant changes that occurred during the year with respect to the previous Government's change agenda program and SunWater's business operating environment in general resulted in reduced corporate entertainment expenditure.

KEY PERFORMANCE INDICATORS

SunWater's key achievements can be further demonstrated by its performance against the KPIs agreed with shareholders for 2014–15.

Key Performance Indicators

| | Actual 2014–15 | Budget 2014–15 |
|--|-------------------|-------------------|
| Financial | | |
| Operating revenue (\$M) ⁽¹⁾ | 284.299 | 275.451 |
| Total assets (\$M) | 1,218.871 | 1,263.178 |
| EBITDA (\$M) | 141.875 | 145.499 |
| EBIT (\$M) | 24.408 | 103.718 |
| NPAT (\$M) | 6.573 | 60.384 |
| Economic profit (\$M) | -39.118 | 19.405 |
| Return on operating assets | 0.30% | 6.08% |
| Return on average contributed equity | 1.73% | 15.88% |
| Current ratio | 2.360 | 0.987 |
| Market gearing (debt to debt + equity ratio) | 28.26% | 21.67% |
| EBITDA interest cover | 8.150 | 8.336 |
| EBIT interest cover | 1.400 | 5.942 |
| Funds from operations interest cover | 7.520 | 7.986 |
| Cost efficiency savings (including Queensland Competition Authority targets) (\$M) | 4.337 | 3.779 |
| Non-Financial | | |
| Customer service levels – exceptions | 18 | 0 |
| Environmental compliance breaches (No.) | 0 | 0 |
| Distribution system efficiency % | 77 | 77 |
| Pump performance – target range (kWhr/ML/m) | 3.6 | 3.4 to 4.3 |
| Total recordable injury frequency rate (TRIFR) ⁽²⁾ | 4.18 | 0 |
| Lost time injury frequency rate (LTIFR) ⁽²⁾ | 0 | 0 |
| Lost time injuries (LTIs) | 0 | 0 |
| Medical treatment injuries (MTIs) | 2 | 0 |
| Total workforce | 408 | 393 |

⁽¹⁾ Includes grant income of \$2.030M and proceeds from insurance of \$10.666M, but excludes interest \$5.407M and other miscellaneous revenue \$0.500M.

⁽²⁾ YTD Actuals and financial year forecasts based on 12 month rolling calculation of incidents and exposure hours.

ORGANISATIONAL STRUCTURE

Board Committees

To increase its effectiveness, the Board has three committees. Charters approved by the Board set out the roles and terms of reference for these committees. SunWater's Board and committee charters are available at www.sunwater.com.au

INDUSTRY, REGULATION, SAFETY AND ENVIRONMENT COMMITTEE

Key functions:

- Assists Board to carry out health, safety, environment, community, water and industry responsibilities
- Independently reviews regulatory information presented by management to shareholders, regulators, other key stakeholders and the community
- Reviews scheduled and regular reporting
- Ensures strategic and operational risks of significance are subject to oversight, independent of management
- Recommends to the Board policy, risk management and compliance improvements.

REMUNERATION COMMITTEE

Key functions:

- Assists Board in discharging its duties in regard to executive appointments, employment conditions and remuneration issues
- Recommends to the Board the remuneration of the CEO and Senior Executives in accordance with relevant Government policies and expectations
- Direct involvement in Senior Executive performance planning and review processes
- Assesses appropriateness of SunWater's remuneration strategy utilising community and industry standards and other external information.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Key functions:

- Oversees financial management and external reporting
- Ensures integrity of financial reports
- Advises Board on efficacy of internal and external audit functions
- Advises on adequacy of accounting procedures and system controls including delegations
- Advises on budget and financial forecasts
- Carries out independent oversight of strategic and operational risks of financial reporting
- Recommends policy, risk management and compliance improvements.

SHAREHOLDING MINISTERS

SunWater Limited is a Government Owned Corporation (GOC) and its shares are held by its shareholding Ministers on behalf of the State of Queensland.

BOARD OF SUNWATER

The Board of SunWater Limited is responsible for providing effective leadership, governance and management oversight.

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.

- INTERNAL AUDIT
- CORPORATE RELATIONS AND STRATEGY
- BUSINESS DEVELOPMENT

CHIEF EXECUTIVE

The Chief Executive is responsible for overall management and performance of SunWater.

CORPORATE

The Corporate group provides enterprise-wide support services.

Core services:

- Managing SunWater's Corporate functions including finance, legal, technology and people and capability
- Providing specialised knowledge, best practices and technology to support internal (and sometimes external) customers and business partners
- Ensuring overall corporate assurance
- Understanding and managing risk
- Supporting the business to manage its revenue, expenses and profit line
- Understanding and prioritising (internal) customer needs
- Delivering high service standards.

OPERATIONS

Operations provides a range of services that support the ongoing management of SunWater's 23 water supply schemes and project delivery services within SunWater.

Core services:

- Engaging with all stakeholders to understand their expectations and to deliver a positive customer experience
- Operating and managing all operational assets including dams, weirs, pump stations, major pipelines and irrigation systems
- Sharing and delivering water to customers including regional urban centres, industrial water users and irrigators
- Managing and ensuring SunWater's compliance with dam safety requirements
- Conducting dam flood operations
- Developing and implementing SunWater's water pricing arrangements as well as asset management, repair and enhancement strategies and programs
- Providing workplace health and safety, public safety and environmental management services to the business.

ASSET DELIVERY

Asset Delivery provides engineering and project delivery services within SunWater.

Core services:

- Providing high level of service in design and delivery of reliable water infrastructure to meet customer expectations
- Ensuring high levels of safety in design and construction activities
- Maintaining asset integrity through design and delivery of refurbishment and enhancement (R&E) programs
- Delivering the capital works program on time, to budget and to stakeholder expectations
- Providing reliable and timely procurement services for all of SunWater
- Ensuring SunWater's quality, business and reporting systems are managed efficiently and meet stakeholder expectations.

SUNWATER BOARD

Ross Dunning AC

BE (Hons), B.Com, FIEAust, FIRSE
Chairman

Initial appointment 12.12.2013

Current term 12.12.2013–30.09.2016

SunWater Board Committee Membership as at 30 June 2015

Audit and Corporate Governance;
Remuneration; Industry, Regulation, Safety and Environment

Skills, experience and expertise

Ross has extensive experience in infrastructure management, project management and commercial corporate activity, particularly related to rail, ports and transport.

Ross has occupied non-executive positions with a number of ASX-listed companies, unlisted public companies and GOCs in Queensland and New South Wales and was former Chair of the Townsville Port Authority.

Ross currently serves as a non-executive Director of Engenco and Indec Consulting. He is also a member of The Council of St John's College within the University of Queensland.

Greg Moynihan

B.Com, GradDipSIA, CPA, FFIN, MAICD
Director

Initial appointment 09.08.2007

Current term 12.12.2013–30.09.2016

SunWater Board Committee Membership as at 30 June 2015

Audit and Corporate Governance (Chair);
Remuneration

Skills, experience and expertise

Greg has spent the majority of his career within the broad finance sector including banking, general insurance and investment management. He is Former Chief Executive Officer of Metway Bank Limited and has held senior executive positions in Citibank Australia, Metway Bank and Suncorp Metway Limited.

Greg is currently a non-executive director of several public companies and private investment companies.

Hon. Larry Anthony

B.Com, FFIN, FAICD
Director

Initial appointment 12.12.2013

Current term 12.12.2013–30.09.2016

SunWater Board Committee Membership as at 30 June 2015

Industry, Regulation, Safety and Environment (Chair)

Skills, experience and expertise

Larry has spent the majority of his career in the fields of politics and business.

He is a former Member of the Australian Parliament where he served as a Minister and Parliamentary Secretary in the Social Security and Trade portfolios respectively.

Larry has served as a non-executive director on numerous ASX listed companies and is currently Chairman or director of a number of private companies and charities in Australia.

Dr Kirstin Ferguson

PhD, BA (Hons), LLB (Hons), FAICD
Director

Initial appointment 01.10.2008

Current term 01.10.2011–06.08.2015

SunWater Board Committee Membership as at 30 June 2015

Industry, Regulation, Safety and Environment; Remuneration (Chair)

Skills, experience and expertise

Kirstin is a professional company director and currently sits on the boards of SunWater Ltd, CIMIC Ltd, SCA Property Group Ltd, Hyne Pty Ltd, as well as the Queensland Theatre Company. Kirstin is also an Adjunct Professor at QUT Business School as well as the Founder of Orbitas Group.

Kirstin has previously been the Chairman of the Thiess Advisory Board, a director of Dart Energy Ltd and was the first female director of Queensland Rugby Union.

During her executive career, Kirstin was the CEO of a global organisation operating in the mining and resources sector.

Kirstin has a PhD in Business, Bachelor of Laws (Honours) and Bachelor of Arts (Honours). Kirstin has been awarded the QUT Colin Brain Corporate Governance Fellowship, Sir Winston Churchill Fellowship and is a Fellow of the Australian Institute of Company Directors (AICD). Kirstin has been named by the Australian Financial Review as one of Australia's 100 Women of Influence.

Rachel Fennell

LLB (QUT), MAICD
Director

Initial appointment 12.12.2013

Current term 12.12.2013–30.09.2016

SunWater Board Committee Membership as at 30 June 2015

Audit and Corporate Governance

Skills, experience and expertise

Rachel's professional legal career specialised in property, commercial and finance law which she advanced as in-house counsel for property development businesses.

She has taken a more direct role in property development and real estate including managing private property development, organisation rationalisation, asset restructuring, project consultation, project design, project management and marketing.

Rachel has held multiple directorships in the property and investment industry and has exposure throughout Queensland regional centres.

Dr William Wild

PhD, BCom, LLB, LLM
Director

Initial appointment 20.12.2012

Current term 20.12.2012–30.09.2015

SunWater Board Committee Membership as at 30 June 2015

Audit and Corporate Governance

Skills, experience and expertise

William is a Brisbane-based barrister, and was previously an investment banker and finance academic. He was Head of Project Finance Syndication with KBC Bank in London and Vice President with Bank of America in Hong Kong.

William has a PhD in finance from QUT, LLM from Deakin University and LLB and BCom from the University of Queensland.

SUNWATER CONSULTANTS

Tom Connor AO

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

Consultant

Tom provides a special engineering advisory service to the Industry, Regulation, Safety and Environment Committee.

Skills, experience and expertise

Tom is the Vice President Technical Integrity for the Engineering and Construction Australian operations of the global engineering and construction firm, Kellogg Brown and Root Pty Ltd.

Tom has more than 35 years' experience in engineering and project management in the water sector in Australia and internationally.

Meetings attended during 2014–15

| | BOARD AND COMMITTEES | | | | SUBSIDIARIES | | |
|------------------|----------------------|--------------------------------|--|--------------|------------------------|-------------------------|---|
| | Board of SunWater | Audit and Corporate Governance | Industry, Regulation, Safety and Environment | Remuneration | Board of Burnett Water | Board of Eungella Water | Board of North West Queensland Water Pipeline |
| Ross Dunning | 11 | 6 | 4 | 3 | 3 | 3 | 3 |
| Greg Moynihan | 10 | 6 | - | 7 | - | 3 | 3 |
| Kirstin Ferguson | 9 | - | 4 | 7 | - | - | - |
| William Wild | 9 | 5 | - | - | 3 | - | - |
| Larry Anthony | 11 | - | 4 | - | 2 | - | - |
| Rachel Fennell | 10 | 6 | - | - | - | 3 | 3 |

SUNWATER MANAGEMENT

Peter Boettcher

BE(Agric), MBA

Chief Executive

Appointed CEO April 2008

Skills, experience and expertise

As CEO, Peter is charged with providing leadership and overall business management to SunWater. Peter is a water industry professional with over 26 years' experience in the development, management and commercial operations of bulk water infrastructure. Prior to his appointment as CEO in 2008, Peter held the positions of Chief Operating Officer and General Manager Water Supply Services.

Geoff White

BCom, FCA

General Manager Corporate and Company Secretary

Appointed as a General Manager 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. Geoff has previously worked with a wide range of organisations including public and private companies, joint ventures and non-profit organisations. He was a partner in a leading accounting firm for 14 years.

Tom Vanderbyl

BE(Civil) Hons, MIEAust, MAICD

General Manager Bulk Water and Irrigation Systems

Appointed as a General Manager March 2011

Skills, experience and expertise

Tom has over 28 years' experience as a water industry professional in Queensland. He has been instrumental in shaping and driving change initiatives that deliver measurable improvements in organisational performance, customer service, safety, environmental and community outcomes.

Tim Donaghy

BE (Civil) Hons, MBA, Med. (IAMA), AIPM

General Manager Industrial Pipelines

Appointed as a General Manager August 2012

Skills, experience and expertise

Tim, a civil engineer of 38 years' experience, has a vital knowledge of infrastructure project management with a focus on providing business needs and surpassing strategic outcomes. He achieves best practice project management with quality communication and interpersonal skills, through his mediation qualifications. Tim is currently completing a legal qualification in commercial arbitration.

Brad Watkins

Alternate Company Secretary

Appointed Alternate Company Secretary July 2013

Skills, experience and expertise

Brad has performed a number of varied roles ranging from being a partner in one of the large national law firms to being the General Counsel of a number of institutions. From those roles he has obtained extensive experience in areas of the law ranging from corporate and commercial; energy, resources and infrastructure; through to commercial and insolvency litigation.

DIRECTORS' REPORT

For the year ended 30 June 2015

Your directors present their report together with the financial report of SunWater Limited and its subsidiaries ("SunWater") for the financial year ended 30 June 2015 and the auditor's report thereon.

Directors

The following persons were directors of SunWater Limited during the whole of the financial year and, except where noted otherwise, up to the date of this Report:

- Mr R Dunning
- Mr L Anthony
- Ms R Fennell
- Mr G Moynihan
- Dr K Ferguson, resigned
6 August 2015
- Dr W Wild

Further information about directors' qualifications, experience, term of appointment and attendance at meetings is detailed in the SunWater Board section on pages 14 to 15 of the Annual Report 2014–2015. (Information about the qualifications and experience of the company secretaries of SunWater Limited is detailed in the SunWater Management section on page 16 of the Annual Report 2014–2015.)

Principal activities

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. SunWater's principal activities are further detailed under the Principal Activities section on page 4 of the Annual Report 2014–2015.

Financial performance

The consolidated after tax profit for the financial year amounted to \$6.573M (2014: \$52.626M). Further details of SunWater's financial performance are provided in the Financial Report section on page 20 of the Annual Report 2014–2015.

Dividends

SunWater's Dividend Policy, as stated in the 2014–15 SCI, takes into account the return its shareholders expect on their investment.

During the financial year, a dividend of \$5.258M (2014: \$42.100M) was declared and payable to the holders of fully paid ordinary shares.

Review of operations

Information on the operations of SunWater and the results of those operations are detailed in the Review of Operations section on pages 5–11 of the Annual Report 2014–2015.

Significant changes in the state of affairs

The recommendations of the final report of the Commission of Audit, released on 30 April 2013 and accepted by the previous Queensland Government, have been put on hold pending further consideration by Government, or will no longer be implemented.

During the financial year, investigations into Paradise Dam (owned by SunWater's subsidiary Burnett Water Pty Ltd) following on from the damage which occurred during the 2013 floods recommended that significant additional dam improvements were required. These improvements, which

will not contribute any additional revenue, triggered an assessment for impairment, which resulted in a write-down in the value of Paradise Dam water infrastructure and water allocations amounting to \$81.970M. This impairment required a matching write-down of the carrying value of the investment in subsidiaries in SunWater Limited.

Further information is set out in Note 19.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2015 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 notes 21, 22, 23 and 27 in the Financial Report.

Likely developments

An outline of the likely developments in SunWater's operations is included in the Review of Operations section of the Annual Report 2014–2015 on pages 5–11.

Impact of natural disasters

- a. During the 2010–11 and 2013 Queensland floods, Boondooma Dam located near Proston in southern Queensland suffered damage to the spillway channel from the large volumes of water being discharged through the spillway.

The dam has been assessed as safe under normal loading; however, SunWater's engineers believe that there is a likelihood of further damage to the spillway in the event of a similar or larger flood in the future. A number of detailed and complex studies have been carried out and a preferred long term solution to the damage is currently being formulated.

- b. During the flood event in the Burnett River catchment in early 2013, significant damage occurred to SunWater's infrastructure throughout the system. In particular, Paradise Dam located near Childers in South East Queensland suffered major damage to the spillway dissipator and the river bed downstream of the dissipator.

The dam has been assessed as safe under normal loading; however, there was a potential risk to the dam if it was subjected to a further major flood event. To mitigate this risk, Emergency Works (Phase 1) and Interim Works (Phase 2) were carried out to enable the dam to withstand a late-season flood.

A full Dam Safety Review and Comprehensive Risk Assessment (CRA) (Phase 3) have now been completed. An early outcome was capital works which have further reinforced the dissipator apron.

The CRA identified additional activities and works which need to be undertaken, the first two stages of which being to improve existing emergency response procedures, and to strengthen the toe of Monoliths "D" and "K" in the dam wall structure, are under way. Stages 3 and 4 of the CRA recommendations are undergoing additional investigation and, at this stage, any further works and costs associated with those stages are not known with any certainty.

- c. During the flood event in the Callide and Burnett River catchments caused by Cyclone Marcia in early 2015, damage occurred to SunWater assets across a wide area. The originating rain event caused by Cyclone Marcia extended over several catchments, and collectively caused significant flooding which resulted in widespread damage in downstream communities.

In the Callide Creek system, the flood event caused the automatic gates of Callide Dam to operate as designed in order to safely pass the flood and protect the dam. Subsequently, a number of Right to Information requests were received from law firms and news services, and a writ has now been lodged in the Supreme Court of Victoria seeking compensation from SunWater through a class action for losses caused by the operations of the dam during the flood. Since lodgement of the writ, the Inspector General Emergency Management (IGEM) has released a report which confirmed that SunWater's management and operation of Callide Dam during the flood was in accordance with the operational rules, and that regardless of how the dam was operated, the Callide Valley would have experienced major flooding.

To date, the writ has not been served. However, SunWater has consulted with its advisors and insurers and will defend any claim that eventuates.

In addition, the IGEM made a number of recommendations arising out of the Callide flood. These recommendations are being worked through with the Department of Energy and Water Supply (DEWS) and the Banana Shire Council (BSC). SunWater, in considering these recommendations, will examine whether they may require changes to SunWater's operating arrangements across its portfolio of dams in the future.

- d. Remedial work associated with the damage caused by the 2010–2011, 2013 and 2015 floods progressed throughout the 2014–15 year.

Efforts are focused 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 engineering estimates, has been taken up in the financial statements at 30 June 2015 where there is a constructive obligation to repair damage incurred but not yet rectified.

Further information relevant to these and other contingent matters is set out in note 21 of the financial statements.

Dam improvement program

SunWater has a Board-approved Dam Safety Upgrade Policy and supporting Dam Safety Upgrade Decision Criteria which mandate a comprehensive program of dam improvements for SunWater's portfolio of dams. The outcomes of this program are updated into a Portfolio Risk Assessment, which provides a prioritised dam improvement program.

In addition, SunWater has a Dam Safety Management Program which mandates a comprehensive program of surveillance, inspections and reviews for each dam in the portfolio. This program considers, in respect of each dam, its current condition and operating environment, and its conformance with current engineering standards to provide assurance that each dam meets Australian National Committee on Large Dams (ANCOLD) and regulatory requirements.

A number of dam improvement projects are ongoing and SunWater continues to discuss the balance of the program and funding with the Regulator and Government.

Further information is set out in note 22.

Environmental regulation

SunWater's operations are subject to significant environmental regulation under both Commonwealth and State legislation. Details of SunWater's activities and processes applied in response to these regulatory requirements are provided under Environmental Management in the Compliance in Key Areas section on page 65 of the Annual Report 2014–2015.

Safety

SunWater's water infrastructure assets which are located throughout Queensland have an increasing age profile. During the year, SunWater's safety program continued to focus attention on the safety of SunWater's employees, contractors, customers and the public and included:

- the completion of Kinchant Dam improvements;
- the ongoing repairs to the assets damaged during the 2010–11, 2013 and 2015 floods including Boondooma and Paradise Dams;
- the continuation of a wide-ranging improvement 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;
- 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; and
- the conducting of an independent staff safety survey to measure and report on staff responses regarding safety management and performance.

Insurance of officers

During the financial year, SunWater paid a premium of \$139,903 (exclusive of GST) (2014: \$129,061) (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 Limited 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* (Cth) 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.

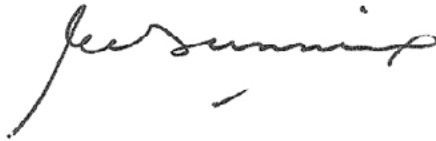
Rounding of amounts

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* (Qld). 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.



R Dunning
Chairman



G Moynihan
Director

Brisbane, Qld
28 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of SunWater Limited

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

Independence Declaration

As lead auditor for the audit of SunWater Limited for the year ended 30 June 2015, 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.



N George CPA
as Delegate of the
Auditor-General of Queensland
Queensland Audit Office

Brisbane, Qld
31 August 2015

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

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The financial statements include both SunWater Limited (ACN 131 034 985) 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 2015

| | NOTES | CONSOLIDATED | | PARENT | |
|---|-------|----------------|----------------|-----------------|----------------|
| | | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Revenue from continuing operations | 1 | 277,510 | 246,356 | 277,914 | 280,376 |
| Other income | 2 | 13,263 | 16,871 | 8,261 | 16,871 |
| Expenses from continuing operations: | | | | | |
| Employee benefits expense | | (32,442) | (38,513) | (32,439) | (38,510) |
| Depreciation and amortisation expense | 9,10 | (36,500) | (27,486) | (31,672) | (22,833) |
| Impairment expense/credit – property, plant and equipment/intangible assets | 9,10 | (80,279) | (8,999) | 1,690 | (8,999) |
| Impairment expense – investment in subsidiaries | 19 | - | - | (112,296) | - |
| Contracted services expense | 12 | (52,402) | (29,145) | (31,704) | (61,795) |
| Electricity expense | | (29,230) | (32,312) | (28,174) | (31,102) |
| Insurance expense | | (8,806) | (13,044) | (7,987) | (11,726) |
| Materials expense | | (4,514) | (3,206) | (4,512) | (3,911) |
| Plant hire expense | | (2,481) | (3,244) | (2,481) | (3,382) |
| Motor vehicle operating leases expense | | (2,073) | (1,982) | (2,073) | (1,982) |
| IT expense | | (1,409) | (1,381) | (1,409) | (1,381) |
| Travel expense | | (1,438) | (1,183) | (1,438) | (1,187) |
| Accommodation expense | | (3,223) | (2,697) | (3,223) | (2,697) |
| Legal expense | | (1,990) | (912) | (1,864) | (1,014) |
| Rates and land tax expense | | (1,999) | (1,870) | (1,825) | (1,700) |
| Telephone, facsimile and data lines expense | | (1,444) | (1,164) | (1,441) | (1,161) |
| Loss on disposal of assets | | (35) | (1,066) | (35) | (1,066) |
| Other expenses | | (5,656) | (6,296) | (5,589) | (5,876) |
| Finance costs | 3 | (17,849) | (21,147) | (16,328) | (20,105) |
| Profit before income tax equivalents | | 7,003 | 67,580 | 1,375 | 76,820 |
| Income tax equivalents expense | 4 | (430) | (14,954) | (27,031) | (11,838) |
| Profit for the year | | 6,573 | 52,626 | (25,656) | 64,982 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | 6,573 | 52,626 | (25,656) | 64,982 |

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

BALANCE SHEETS

AS AT 30 JUNE 2015

| | NOTES | CONSOLIDATED | | PARENT | |
|---------------------------------------|-------|------------------|------------------|------------------|------------------|
| | | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| ASSETS | | | | | |
| <i>Current assets</i> | | | | | |
| Cash | 5 | 178,812 | 149,227 | 156,445 | 139,528 |
| Receivables | 6 | 11,961 | 14,112 | 14,354 | 15,746 |
| Inventories | 7 | 2,480 | 2,419 | 2,480 | 2,419 |
| Other current assets | 8 | 23,268 | 31,086 | 23,309 | 32,356 |
| Total current assets | | 216,521 | 196,844 | 196,588 | 190,049 |
| <i>Non-current assets</i> | | | | | |
| Receivables | 6 | - | - | 4,388 | 5,541 |
| Property, plant and equipment | 9 | 958,851 | 996,896 | 887,237 | 886,500 |
| Intangible assets | 10 | 22,270 | 71,230 | 22,146 | 22,939 |
| Deferred tax assets | 4 | 21,229 | 11,957 | 8,431 | 9,067 |
| Investment in subsidiaries | 19 | - | - | * | 97,296 |
| Total non-current assets | | 1,002,350 | 1,080,083 | 922,202 | 1,021,343 |
| Total assets | | 1,218,871 | 1,276,927 | 1,118,790 | 1,211,392 |
| LIABILITIES | | | | | |
| <i>Current liabilities</i> | | | | | |
| Payables | 11 | 17,475 | 19,578 | 32,797 | 26,331 |
| Provisions | 12 | 48,661 | 66,677 | 22,580 | 60,920 |
| Borrowings (including bridging loans) | 17 | 4,548 | 211,428 | 10,008 | 221,210 |
| Other | 13 | 17,294 | 7,447 | 17,294 | 7,447 |
| Total current liabilities | | 87,978 | 305,130 | 82,679 | 315,908 |
| <i>Non-current liabilities</i> | | | | | |
| Provisions | 12 | 1,229 | 1,220 | 1,229 | 1,220 |
| Borrowings | 17 | 262,912 | 268,492 | 245,779 | 248,878 |
| Deferred tax liabilities | 4 | 20,969 | 23,350 | 19,749 | 10,851 |
| Other | 13 | 166,819 | 1,086 | 166,819 | 1,086 |
| Total non-current liabilities | | 451,929 | 294,148 | 433,576 | 262,035 |
| Total liabilities | | 539,907 | 599,278 | 516,255 | 577,943 |
| Net assets | | 678,964 | 677,649 | 602,535 | 633,449 |
| EQUITY | | | | | |
| Contributed equity | 16 | 380,269 | 380,269 | 380,269 | 380,269 |
| Retained earnings | | 298,695 | 297,380 | 222,266 | 253,180 |
| Total equity | | 678,964 | 677,649 | 602,535 | 633,449 |

*Amounts less than \$500

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

| | NOTES | CONTRIBUTED EQUITY \$'000 | RETAINED EARNINGS \$'000 | TOTAL EQUITY \$'000 |
|---|-------|---------------------------------|--------------------------------|---------------------------|
| <i>Consolidated</i> | | | | |
| Balance at 1 July 2013 | | 380,269 | 286,854 | 667,123 |
| Total comprehensive income for the year | | - | 52,626 | 52,626 |
| Transactions with owners as owners | | | | |
| Dividends | 15 | - | (42,100) | (42,100) |
| Balance at 30 June 2014 | | 380,269 | 297,380 | 677,649 |
| Total comprehensive income for the year | | - | 6,573 | 6,573 |
| Transactions with owners as owners | | | | |
| Dividends | 15 | - | (5,258) | (5,258) |
| Balance at 30 June 2015 | | 380,269 | 298,695 | 678,964 |
| <i>Parent</i> | | | | |
| Balance at 1 July 2013 | | 380,269 | 230,298 | 610,567 |
| Total comprehensive income for the year | | - | 64,982 | 64,982 |
| Transactions with owners as owners | | | | |
| Dividends | 15 | - | (42,100) | (42,100) |
| Balance at 30 June 2014 | | 380,269 | 253,180 | 633,449 |
| Total comprehensive income for the year | | - | (25,656) | (25,656) |
| Transactions with owners as owners | | | | |
| Dividends | 15 | - | (5,258) | (5,258) |
| Balance at 30 June 2015 | | 380,269 | 222,266 | 602,535 |

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 2015

| | NOTES | CONSOLIDATED | | PARENT | |
|---|----------|------------------|------------------|------------------|------------------|
| | | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| <i>Cash flows from operating activities</i> | | | | | |
| Receipts from customers (inclusive of GST and refunded GST) | | 487,350 | 335,631 | 465,838 | 339,321 |
| Government grant received | | 2,024 | 8,713 | 2,024 | 8,713 |
| Community service obligations received | | 11,292 | 12,948 | 5,989 | 7,806 |
| Interest received | | 431 | 1,644 | 426 | 1,343 |
| Intercompany taxes received/(paid) | | - | - | (2,256) | 4,860 |
| Payments to suppliers and employees (inclusive of GST) | | (164,982) | (227,758) | (152,511) | (225,567) |
| Income taxes paid | | (10,552) | (12,281) | (10,552) | (12,294) |
| Net cash inflow/(outflow) from operating activities | 5 | 325,563 | 118,897 | 308,958 | 124,182 |
| <i>Cash flows from investing activities</i> | | | | | |
| Proceeds from sale of property, plant and equipment | | 923 | 58 | 923 | 58 |
| Proceeds from term debtors | | - | 30 | - | 30 |
| Repayments of intercompany borrowings | | - | - | 1,353 | 5,467 |
| Interest received | | 5,108 | 6,860 | 5,027 | 6,734 |
| Dividends received | | - | - | 18,000 | 24,000 |
| Payments for property, plant and equipment | | (29,928) | (333,493) | (29,917) | (320,848) |
| Net cash inflow/(outflow) from investing activities | | (23,897) | (326,545) | (4,614) | (284,559) |
| <i>Cash flows from financing activities</i> | | | | | |
| Proceeds from external borrowings | | - | 110,000 | - | 110,000 |
| Proceeds from intercompany borrowings | | - | - | 8,300 | 21,000 |
| Interest paid | | (17,522) | (20,732) | (16,046) | (19,820) |
| Repayments of borrowings ⁽¹⁾ | | (212,459) | (58,341) | (222,581) | (110,033) |
| Intercompany equity injection | | - | - | (15,000) | (16,000) |
| Dividends paid | | (42,100) | (12,870) | (42,100) | (12,870) |
| Net cash inflow/(outflow) from financing activities | | (272,081) | 18,057 | (287,427) | (27,723) |
| Net increase (decrease) in cash and cash equivalents | | 29,585 | (189,591) | 16,917 | (188,100) |
| Cash and cash equivalents at the beginning of the financial year | | 149,227 | 338,818 | 139,528 | 327,628 |
| Cash and cash equivalents at the end of the financial year | 5 | 178,812 | 149,227 | 156,445 | 139,528 |

⁽¹⁾ During 2015, the interest-free bridging loan of \$208.1M was repaid upon completion of the Woleebee Pipeline construction. Following this repayment, the customer advanced \$180.25M in accordance with the contract for water transportation. This amount is recorded as a deferred liability and is amortised to revenue over the life of the contract.

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

The financial report includes separate financial statements for SunWater Limited, being the parent entity, and the consolidated entity consisting of SunWater Limited and its subsidiaries (the Group). The Group has elected to adopt Class Order 10/654 allowing the disclosure of parent entity financial statements and notes thereto. The Class Order provides relief from the requirement preventing disclosure of single entity financial statements and disclosures of specific parent entity financial information under regulation 2M.3.01 of the *Corporations Regulations 2001* (Cth).

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* (Cth) 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.

Rounding of amounts

The company 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 financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars or in certain cases, to the nearest dollar.

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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the parent entity as at 30 June 2015 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 19).

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.

Investments in subsidiaries are accounted for at cost less impairments in the financial statements of the parent entity.

Where separate financial statements of a subsidiary company have been prepared, they are prepared for the same accounting period as the parent entity, using consistent accounting policies. Accounting policies of all subsidiaries are consistent with the accounting policies of the parent entity.

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

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial operations and performance are provided throughout the notes to the financial statements (refer below) in accordance with the structure of the financial statements set out on page 21. These policies have been consistently applied to the years presented unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

Critical accounting estimates and judgements

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. 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are found in the following notes:

| | | |
|--|------------------------------|--|
| Estimated impairment of assets | Note 9 Note 10 Note 19 | Property, plant and equipment Intangible assets Investment in subsidiaries |
| Useful life of property, plant and equipment | Note 9 | Property, plant and equipment |
| Non-current intangible assets | Note 10 | Intangible assets |

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.

The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the group.

The notes are organised into the following sections:

| | |
|----------------------------|---|
| <i>Operations:</i> | provides a breakdown of individual line items in the financial statements that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items; |
| <i>Capital:</i> | provides information about the capital management practices of the group and shareholder returns for the year; |
| <i>Risk:</i> | discusses the group's exposure to various financial risks, and explains how these could affect the group's financial position and performance; |
| <i>Group structure:</i> | explains how the group structure impacts on the financial position and performance of the group as a whole; |
| <i>Unrecognised items:</i> | provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria, but could potentially have a significant impact on the group's financial position and performance; and |
| <i>Other:</i> | includes other information that must be disclosed to comply with Australian Accounting Standards and other regulatory pronouncements, but which is not immediately related to individual items in the financial statements and is not considered critical in understanding the financial position and performance of the group. |

Significant changes in the current accounting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

The Woleebee Creek to Glebe Weir Pipeline was commissioned during the year and, in line with contractual arrangements, revenue of \$29.280M has been earned. The project was capitalised at a cost of \$356.127M.

The carrying value of the Paradise Dam and Hydro cash generating units, owned by subsidiary Burnett Water Pty Ltd, exceeded their recoverable amount and an impairment of \$33.805M is recognised in "impairment expense" in the Consolidated Statements of Comprehensive Income. The decrease in recoverable amount is largely attributable to substantial damage to the infrastructure assets and low water demand in the region.

The carrying value of the water allocations, held for sale by subsidiary Burnett Water Pty Ltd, exceeded their recoverable amount and an impairment of \$48.165M is recognised in "impairment expense" in the Consolidated Statements of Comprehensive Income. The decrease in recoverable amount is largely attributable to low water demand in the region.

The carrying value of investments in subsidiaries in SunWater Limited exceeded their recoverable amount, and an impairment of \$112.296M is recognised in the Statements of Comprehensive Income. This decrease reflects the impairment of the underlying assets in Burnett Water Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 1 REVENUE

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| <i>Revenue from continuing operations</i> | | | | |
| Industrial water charges | 166,365 | 129,660 | 139,181 | 102,272 |
| Irrigation water charges | 54,601 | 55,738 | 53,606 | 54,789 |
| Urban water charges | 12,023 | 9,579 | 11,750 | 9,103 |
| Drainage charges | 1,529 | 1,478 | 1,529 | 1,478 |
| Water allocations revenue | 15,057 | 14,333 | 14,700 | 14,204 |
| Consulting and facilities services revenue | 9,215 | 12,398 | 25,816 | 56,917 |
| Electricity generation | 290 | 268 | 290 | 268 |
| Community service obligation – irrigation | 5,989 | 7,417 | 5,989 | 7,417 |
| Community service obligation – urban | 5,304 | 5,147 | - | - |
| Other fees and charges | 16 | 130 | 16 | 130 |
| Interest | 5,407 | 7,691 | 5,321 | 7,264 |
| Dividends received | - | - | 18,000 | 24,000 |
| Rent received | 361 | 340 | 361 | 340 |
| Other | 1,353 | 2,177 | 1,355 | 2,194 |
| Total revenue from continuing operations | 277,510 | 246,356 | 277,914 | 280,376 |

Recognition and measurement

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 is recognised if it meets the criteria outlined below.

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.

Water allocations sales revenue is recognised at the point of sale. 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* (Qld). Interim water allocations (replacing water licences granted under previous legislation) and water allocations are recognised at nominal cost less impairment or deemed cost (refer note 10). All other water allocations granted free of charge are recognised, when granted, at fair value which is nominal cost (\$1).

Lease income from operating leases (including leased water allocations) is recognised in revenue on a straight-line basis over the lease term.

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.

Community service obligation (CSO) payments are received by the consolidated entity 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.

Interest income is recognised as interest accrues to the related financial asset. Interest is determined using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 2 OTHER INCOME

| | CONSOLIDATED | | PARENT | |
|--|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Gain on disposal of non-current assets | 567 | 41 | 567 | 41 |
| Government grants | 2,030 | 16,854 | 2,030 | 16,854 |
| Proceeds from insurance settlement | 10,666 | (24) | 5,664 | (24) |
| Total other income | 13,263 | 16,871 | 8,261 | 16,871 |

Recognition and measurement

Government grants – 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 grant 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. (In the case of assets which generate no revenue, revenue is recognised when the asset is commissioned and impaired).

Proceeds of insurance claims are recognised upon receipt or upon reaching a formal settlement agreement with insurers.

NOTE 3 FINANCE COSTS

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Interest and finance charges paid/payable | 17,873 | 21,305 | 16,352 | 20,263 |
| Amount capitalised | (24) | (158) | (24) | (158) |
| Finance costs expensed | 17,849 | 21,147 | 16,328 | 20,105 |

Recognition and measurement

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.

NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Income tax equivalents expense | | | | |
| Current tax equivalents expense | 13,575 | 4,654 | 18,989 | 6,910 |
| Deferred tax equivalents expense/(credit) | (11,652) | 11,977 | 9,535 | 6,606 |
| Research and development tax credit | (1,482) | (1,037) | (1,482) | (1,037) |
| Prior year amendment refund | - | (659) | - | (659) |
| Prior year (over)/under provision | (11) | 19 | (11) | 18 |
| | 430 | 14,954 | 27,031 | 11,838 |
| Income tax equivalents expense is attributable to: | | | | |
| Profit from continuing operations | 430 | 14,954 | 27,031 | 11,838 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS (continued)

| | CONSOLIDATED | | PARENT | |
|---|----------------|-----------------|-----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Numerical reconciliation of income tax equivalents expense/(credit) to prima facie tax equivalents payable | | | | |
| Profit from continuing operations before income tax equivalents expense | 7,003 | 67,580 | 1,375 | 76,820 |
| Tax at 30% | 2,100 | 20,274 | 413 | 23,046 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | | | |
| Entertainment expenses | 15 | 16 | 15 | 16 |
| Non deductible payment | - | 33 | - | 33 |
| Non taxable dividends | - | - | (5,400) | (7,200) |
| Sundry items | (192) | (95) | (192) | (95) |
| Impairment – non deductible | - | - | 33,688 | - |
| Unbilled income adjustment | - | (3,597) | - | (2,285) |
| Research and development tax credit | (1,482) | (1,037) | (1,482) | (1,037) |
| Prior year amendment refund | - | (659) | - | (659) |
| Prior year (over)/under provision | (11) | 19 | (11) | 19 |
| Income tax equivalents expense | 430 | 14,954 | 27,031 | 11,838 |
| Deferred income tax in the balance sheets relates to the following: | | | | |
| Allowance for impairment of receivables | 495 | 450 | 495 | 450 |
| Property, plant and equipment | 4,966 | 1,156 | - | - |
| Accrued payables | 29 | 33 | 21 | 27 |
| Accrued employee benefits | 1,095 | 1,208 | 1,095 | 1,208 |
| Revenue received in advance | 303 | 378 | 303 | 378 |
| Provision for Rocklea land commitment | 369 | 366 | 369 | 366 |
| Unearned renewal annuity | 2,631 | 1,782 | 2,631 | 1,782 |
| Rent incentive | 326 | 419 | 326 | 419 |
| Provision for natural disaster repairs | 2,928 | 4,715 | 2,812 | 3,438 |
| Provision for legal fees | 148 | 45 | 103 | 37 |
| Provision for infrastructure investigations and repairs | 164 | 443 | 164 | - |
| Provision for restructuring | 112 | 962 | 112 | 962 |
| Provision for dam improvements | 7,500 | - | - | - |
| Deferred tax assets | 21,229 | 11,957 | 8,431 | 9,067 |
| Inventories | 624 | 618 | 624 | 618 |
| Water allocations | 1,354 | 7,122 | 1,354 | 1,354 |
| Property, plant and equipment | 18,991 | 15,610 | 17,771 | 8,879 |
| Deferred tax liabilities | 20,969 | 23,350 | 19,749 | 10,851 |
| Net deferred tax assets | 260 | (11,393) | (11,318) | (1,784) |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS (continued)

| | CONSOLIDATED | | PARENT | |
|--|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| <i>Movements:</i> | | | | |
| Deferred tax assets | | | | |
| Opening balance at 1 July | 11,957 | 20,912 | 9,067 | 11,688 |
| Credited/(charged) to the income statement | 9,272 | (8,955) | (636) | (2,621) |
| Closing balance at 30 June | 21,229 | 11,957 | 8,431 | 9,067 |
| Deferred tax assets to be recovered after 12 months | | | | |
| Deferred tax assets to be recovered within 12 months | 12,840 | 10,267 | 4,124 | 7,382 |
| Closing balance at 30 June | 8,389 | 1,690 | 4,307 | 1,685 |
| Closing balance at 30 June | 21,229 | 11,957 | 8,431 | 9,067 |
| Deferred tax liabilities | | | | |
| Opening balance at 1 July | 23,350 | 20,328 | 10,851 | 6,866 |
| Charged/(credited) to the income statement | (2,381) | 3,022 | 8,898 | 3,985 |
| Closing balance at 30 June | 20,969 | 23,350 | 19,749 | 10,851 |
| Deferred tax liabilities to be settled after more than 12 months | | | | |
| Deferred tax liabilities to be settled within 12 months | 20,344 | 22,732 | 19,125 | 10,233 |
| Closing balance at 30 June | 625 | 618 | 624 | 618 |
| Closing balance at 30 June | 20,969 | 23,350 | 19,749 | 10,851 |

Recognition and measurement

Income tax

SunWater is exempt from income tax under section 24AM of the *Income Tax Assessment Act 1997* (Cth) 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 current tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the current tax rates. 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 installments. The funding amounts are recognised as current intercompany receivables or payables (refer notes 6 and 11).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS (continued)

Investment allowances and similar tax incentives

Entities within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime or other investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces current tax expense.

NOTE 5 CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | | PARENT | |
|------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Cash on hand | 5 | 5 | 5 | 5 |
| Cash at bank | 868 | 791 | 596 | 495 |
| Deposits on call | 72,212 | 32,420 | 50,117 | 23,017 |
| Term deposits | 105,727 | 116,011 | 105,727 | 116,011 |
| | 178,812 | 149,227 | 156,445 | 139,528 |

Reconciliation of profit after income tax equivalents to net cash inflow from operating activities

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Profit/(loss) for the year | 6,573 | 52,626 | (25,656) | 64,982 |
| Depreciation and amortisation | 36,500 | 27,486 | 31,672 | 22,833 |
| Impairment | 80,279 | 8,999 | 110,606 | 8,999 |
| Bad and doubtful debts | 157 | 10 | 157 | 10 |
| Net (gain)/loss on sale or disposal of non-current assets | (532) | 1,026 | (532) | 1,026 |
| Interest received | (5,108) | (6,860) | (5,027) | (6,734) |
| Interest paid | 17,522 | 20,732 | 16,046 | 19,819 |
| Dividends received | - | - | (18,000) | (24,000) |
| Change in assets and liabilities: | | | | |
| (Increase)/decrease in inventories and intangibles | (59) | (155) | (61) | (155) |
| (Increase)/decrease in deferred tax assets | (9,271) | 8,955 | 637 | 2,621 |
| (Increase)/decrease in receivables | 2,144 | 12,415 | 1,641 | 12,888 |
| (Increase)/decrease in other assets | (9,991) | (1,403) | (1,705) | 2,155 |
| (Decrease)/increase in creditors | 21,850 | 6,211 | 2,406 | 30,085 |
| (Decrease)/increase in deferred revenue | 175,533 | (6,550) | 175,529 | (6,715) |
| (Decrease)/increase in income taxes payable | 12,347 | (7,617) | 12,347 | (7,617) |
| (Decrease)/increase in deferred tax liabilities | (2,381) | 3,022 | 8,898 | 3,985 |
| Net cash inflow from operating activities | 325,563 | 118,897 | 308,958 | 124,182 |

Recognition and measurement

Cash at bank and on deposit

Cash and cash equivalents in the balance sheet include 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.

Risk exposure

SunWater's risk exposure is set out in note 18.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 6 RECEIVABLES

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| <i>Current</i> | | | | |
| Trade debtors | 13,549 | 15,532 | 9,386 | 10,884 |
| Term trade debtors | 62 | 57 | 62 | 57 |
| Other debtors | - | 23 | - | 23 |
| Intercompany receivables | - | - | - | 200 |
| Intercompany taxation receivables | - | - | 6,556 | 6,082 |
| | 13,611 | 15,612 | 16,004 | 17,246 |
| Allowance for impairment of receivables | (1,650) | (1,500) | (1,650) | (1,500) |
| | 11,961 | 14,112 | 14,354 | 15,746 |
| <i>Non-current</i> | | | | |
| Intercompany receivables | - | - | 4,388 | 5,541 |
| | - | - | 4,388 | 5,541 |

Impaired receivables

The ageing of trade receivables is as follows:

| | GROSS RECEIVABLE | | GROSS RECEIVABLE | |
|-----------------------|------------------|------------------------------|------------------|------------------------------|
| | 2015 \$'000 | IMPAIRMENT 2015 \$'000 | 2014 \$'000 | IMPAIRMENT 2014 \$'000 |
| <i>Consolidated</i> | | | | |
| Not past due | 10,411 | 11 | 13,362 | 103 |
| Past due 0 – 30 days | 1,285 | 198 | 453 | 102 |
| Past due 31 – 60 days | 19 | 9 | 38 | 36 |
| More than 60 days | 1,834 | 1,432 | 1,679 | 1,259 |
| | 13,549 | 1,650 | 15,532 | 1,500 |

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

| | 2015 \$'000 | 2014 \$'000 |
|-----------------------------------|----------------|----------------|
| At 1 July | 1,500 | 2,285 |
| Allowances added/(written back) | 150 | (785) |
| Carrying amount at 30 June | 1,650 | 1,500 |

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 set out in note 18.

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 18.

Recognition and measurement

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the invoice date. Collectability 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 7 INVENTORIES

| | CONSOLIDATED | | PARENT | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Materials and stores | 2,480 | 2,419 | 2,480 | 2,419 |

Inventory expense

Inventories recognised as expense during the year ended 30 June 2015 amounted to \$2.115M (2014: \$1.872M). There were no write-downs of inventories to net realisable value charged as an expense during the year ended 30 June 2015 (2014: nil). Inventory to the value of \$0.052M was written off during the year (2014: \$0.017M). There were no reversals of previous write-downs (2014: nil).

Recognition and measurement

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.

NOTE 8 OTHER CURRENT ASSETS

| | CONSOLIDATED | | PARENT | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| GST receivable | 1,369 | 2,375 | 1,234 | 1,971 |
| Prepayments | 771 | 1,895 | 771 | 1,895 |
| Prepaid income tax | - | 9,323 | - | 9,323 |
| Accrued revenue ⁽¹⁾ | 21,128 | 17,493 | 21,304 | 19,167 |
| | 23,268 | 31,086 | 23,309 | 32,356 |

⁽¹⁾ Includes water delivered to 30 June but not invoiced and costs recoverable from customers in respect of projects which did not proceed to construction.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Land⁽¹⁾ | 7,851 | 7,987 | 7,851 | 7,987 |
| Buildings and land improvements ⁽¹⁾ | 18,543 | 20,525 | 18,509 | 20,491 |
| Accumulated depreciation | (4,883) | (4,560) | (4,870) | (4,549) |
| Total buildings and land improvements | 13,660 | 15,965 | 13,639 | 15,942 |
| Plant and equipment ⁽¹⁾ | 19,301 | 19,752 | 19,287 | 19,739 |
| Accumulated depreciation | (13,207) | (13,499) | (13,202) | (13,495) |
| Accumulated impairment | (522) | (522) | (522) | (522) |
| Total plant and equipment | 5,572 | 5,731 | 5,563 | 5,722 |
| Water infrastructure ⁽¹⁾ | 1,301,980 | 909,408 | 1,132,694 | 752,481 |
| Accumulated depreciation | (197,975) | (166,073) | (139,034) | (111,958) |
| Accumulated impairment | (224,098) | (175,133) | (183,935) | (168,775) |
| Total water infrastructure | 879,907 | 568,202 | 809,725 | 471,748 |
| Assets under construction⁽¹⁾⁽²⁾ | 51,861 | 415,862 | 50,459 | 401,952 |
| Accumulated impairment | - | (16,851) | - | (16,851) |
| Total assets under construction | 51,861 | 399,011 | 50,459 | 385,101 |
| Total property, plant and equipment | 958,851 | 996,896 | 887,237 | 886,500 |

⁽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, any underwritten costs are recovered from the customer and any unrecoverable value is written off at that time.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

Recognition and measurement

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.

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 3). 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 design 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 (including repairs) 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.

Depreciation

Depreciation 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. Many of SunWater's water infrastructure assets have very long design lives.

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

| ASSET CLASS | DEPRECIATION RATES |
|---------------------------------|-------------------------|
| Land | Land is not depreciated |
| Buildings and land improvements | 1.67% to 20% |
| Plant and equipment | 8% to 33.33% |
| Infrastructure | 0.5% to 10% |

Impairment of property, plant and equipment

Items of property, plant and equipment are assessed on an annual basis for indicators of impairment.

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.

Items of property, plant and equipment 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.

Critical accounting estimates and judgements

Estimated impairment of assets

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

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), appointed to conduct an independent review and make recommendations to Government on future irrigation water pricing, handed down its (last) final report *SunWater Irrigation Price Review: 2012–17* in May 2012. In June 2012, SunWater's shareholding Ministers directed SunWater to charge its irrigation customers the final recommended prices as defined in this Report for the period commencing 1 July 2012 and ending 30 June 2017.
- The cash flow projections used in SunWater's model are based on these approved irrigation pricing arrangements and likely future pricing trends.
- 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 factor, used in the calculation of WACC, is based on a 20 day average of the 10 year Commonwealth Government bond security.
- There is no open market for the sale of water infrastructure assets 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.

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 |
|--|----------------|--|--------------------------------|-----------------------------------|--|-----------------|
| <i>Consolidated</i> | | | | | | |
| <i>Year ended 30 June 2015</i> | | | | | | |
| Carrying amount at 1 July 2014 | 7,987 | 15,965 | 5,731 | 568,202 | 399,011 | 996,896 |
| Additions | - | 296 | 1,435 | 392,580 | 30,166 | 424,477 |
| Disposals | (136) | (210) | (41) | (1) | - | (388) |
| Transfer between classes | - | (1,931) | - | - | (394,167) | (396,098) |
| Depreciation expense | - | (460) | (1,553) | (31,908) | - | (33,921) |
| Impairment loss | - | - | - | (48,966) | 16,851 | (32,115) |
| Carrying amount at 30 June 2015 | 7,851 | 13,660 | 5,572 | 879,907 | 51,861 | 958,851 |
| <i>Year ended 30 June 2014</i> | | | | | | |
| Carrying amount at 1 July 2013 | 7,987 | 15,730 | 6,592 | 543,860 | 203,997 | 778,166 |
| Additions | - | 723 | 1,086 | 40,028 | 255,249 | 297,086 |
| Disposals | - | - | (14) | (1,069) | - | (1,083) |
| Transfer between classes | - | - | - | - | (43,384) | (43,384) |
| Depreciation expense | - | (488) | (1,776) | (22,626) | - | (24,890) |
| Impairment loss | - | - | (157) | 8,009 | (16,851) | (8,999) |
| Carrying amount at 30 June 2014 | 7,987 | 15,965 | 5,731 | 568,202 | 399,011 | 996,896 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

| | LAND \$'000 | BUILDINGS & LAND IMPROVEMENTS \$'000 | PLANT & EQUIPMENT \$'000 | WATER INFRASTRUCTURE \$'000 | ASSETS UNDER CONSTRUCTION \$'000 | TOTAL \$'000 |
|--|----------------|--|--------------------------------|-----------------------------------|--|-----------------|
| <i>Parent</i> | | | | | | |
| <i>Year ended 30 June 2015</i> | | | | | | |
| Carrying amount at 1 July 2014 | 7,987 | 15,942 | 5,722 | 471,748 | 385,101 | 886,500 |
| Additions | - | 296 | 1,435 | 380,220 | 30,315 | 412,266 |
| Disposals | (136) | (209) | (41) | (1) | - | (387) |
| Transfer between classes | - | (1,931) | - | - | (381,808) | (383,739) |
| Depreciation expense | - | (459) | (1,553) | (27,081) | - | (29,093) |
| Impairment loss | - | - | - | (15,161) | 16,851 | 1,690 |
| Carrying amount at 30 June 2015 | 7,851 | 13,639 | 5,563 | 809,725 | 50,459 | 887,237 |
| <i>Year ended 30 June 2014</i> | | | | | | |
| Carrying amount at 1 July 2013 | 7,987 | 15,707 | 6,583 | 444,248 | 201,311 | 675,836 |
| Additions | - | 723 | 1,086 | 38,533 | 242,529 | 282,871 |
| Disposals | - | - | (14) | (1,069) | - | (1,083) |
| Transfer between classes | - | - | - | - | (41,888) | (41,888) |
| Depreciation expense | - | (488) | (1,776) | (17,973) | - | (20,237) |
| Impairment loss | - | - | (157) | 8,009 | (16,851) | (8,999) |
| Carrying amount at 30 June 2014 | 7,987 | 15,942 | 5,722 | 471,748 | 385,101 | 886,500 |

Impairment

Cash generating units

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

| | CONSOLIDATED LOSS/(REVERSED) \$'000 | PARENT LOSS/(REVERSED) \$'000 | RECOVERABLE AMOUNT \$'000 |
|--|---|-------------------------------------|------------------------------|
| <i>Nogoa Mackenzie Water Supply Scheme</i> | (6,276) | (6,276) | 40,883 |
| This CGU comprises all of the water infrastructure assets in the Nogoa Mackenzie Water Supply Scheme. The reversal of previously recognised impairment losses mainly arises because revised cash inflows are now expected to recover certain previously recognised future cash outflows. Recoverable amount is determined as value in use. The discount rate used was 8.9% (2014: 9.7%). | | | |
| <i>Paradise Dam</i> | 30,016 | - | - |
| This CGU comprises all of the water infrastructure assets associated with Paradise Dam, owned by Burnett Water Pty Ltd. The impairment loss mainly arises because additional future cash outflows are expected to fully absorb currently forecast cash inflows. Recoverable amount is determined as value in use. The discount rate used was 8.9% (2014: 9.7%). | | | |
| <i>Paradise Hydro</i> | 3,789 | - | - |
| This CGU comprises the infrastructure assets associated with Paradise Hydro, owned by Burnett Water Pty Ltd. The impairment loss mainly arises because additional future cash outflows are expected to fully absorb currently forecast cash inflows. Recoverable amount is determined as value in use. The discount rate used was 8.9% (2014: 9.7%). | | | |
| Other cash generating units – individually not significant. Recoverable amount is determined as value in use. The discount rate used was 8.9% (2014: 9.7%). | 4,585 | 4,585 | 32,280 |
| Total | 32,114 | (1,691) | 73,163 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 10 INTANGIBLE ASSETS

| | CONSOLIDATED | | PARENT | |
|--|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Software ⁽¹⁾ | 33,030 | 31,282 | 33,030 | 31,282 |
| Accumulated amortisation | (20,391) | (17,850) | (20,391) | (17,850) |
| Accumulated impairment | (359) | (359) | (359) | (359) |
| Total software | 12,280 | 13,073 | 12,280 | 13,073 |
| Trade names | 8 | 8 | 8 | 8 |
| Water allocations ⁽¹⁾ | 58,147 | 58,149 | 9,858 | 9,858 |
| Accumulated impairment | (48,165) | - | - | - |
| Total water allocations⁽¹⁾ | 9,982 | 58,149 | 9,858 | 9,858 |
| Total intangible assets | 22,270 | 71,230 | 22,146 | 22,939 |

⁽¹⁾ At cost or deemed cost.

Recognition and measurement

Software

Software has a finite life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method. Amortisation rates for software vary from 12.5% to 33%.

Water allocations

Water allocations 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.

After initial recognition, all water allocations are carried at cost less accumulated impairment. Water allocations have an indefinite life and are not amortised but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired, by comparing their carrying amounts with their recoverable amounts. No recognition threshold is applied.

Intangible Assets

Intangible assets 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 Consolidated Statements of Comprehensive Income.

Critical accounting estimates and judgements

In determining that water allocations have an indefinite life, SunWater has assumed that the current Resource Operating Plan conditions will continue in perpetuity.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 10 INTANGIBLE ASSETS (continued)

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 |
|--|--------------------|-----------------------|--------------------------------|
| <i>Consolidated</i> | | | |
| <i>Year ended 30 June 2015</i> | | | |
| Carrying amount at 1 July 2014 | 13,073 | 8 | 58,149 |
| Additions – at cost | 1,786 | - | - |
| Disposals/retirements | - | - | (2) |
| Amortisation expense | (2,579) | - | - |
| Impairment loss | - | - | (48,165) |
| Carrying amount at 30 June 2015 | 12,280 | 8 | 9,982 |
| <i>Year ended 30 June 2014</i> | | | |
| Carrying amount at 1 July 2013 | 14,088 | 8 | 58,141 |
| Additions – at cost | 1,581 | - | 8 |
| Amortisation expense | (2,596) | - | - |
| Carrying amount at 30 June 2014 | 13,073 | 8 | 58,149 |
| <i>Parent</i> | | | |
| <i>Year ended 30 June 2015</i> | | | |
| Carrying amount at 1 July 2014 | 13,073 | 8 | 9,858 |
| Additions – at cost | 1,786 | - | - |
| Amortisation expense | (2,579) | - | - |
| Carrying amount at 30 June 2015 | 12,280 | 8 | 9,858 |
| <i>Year ended 30 June 2014</i> | | | |
| Carrying amount at 1 July 2013 | 14,088 | 8 | 9,851 |
| Additions – at cost | 1,581 | - | 7 |
| Amortisation expense | (2,596) | - | - |
| Carrying amount at 30 June 2014 | 13,073 | 8 | 9,858 |

Water allocations

Water allocations against which significant impairment was recognised (or reversed) during the financial year are:

| | CONSOLIDATED LOSS/(REVERSED) \$'000 | PARENT LOSS/(REVERSED) \$'000 | RECOVERABLE AMOUNT \$'000 |
|--------------|---|-------------------------------------|------------------------------|
| Kirar Weir | 6,171 | - | 9 |
| Paradise Dam | 41,994 | - | 114 |
| Total | 48,165 | - | 123 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 11 PAYABLES

| | CONSOLIDATED | | PARENT | |
|------------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Trade creditors | 4,863 | 3,912 | 4,861 | 3,881 |
| Intercompany payables | - | - | 16,972 | 8,338 |
| Other creditors and accruals | 12,612 | 15,666 | 10,964 | 14,112 |
| | 17,475 | 19,578 | 32,797 | 26,331 |

Recognition and measurement

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.

NOTE 12 PROVISIONS

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| <i>Current</i> | | | | |
| Employee benefits | 3,659 | 4,028 | 3,659 | 4,028 |
| Natural disaster repairs | 9,761 | 15,713 | 9,374 | 11,459 |
| Legal costs | 494 | 150 | 344 | 125 |
| Infrastructure investigations and repairs | 1,090 | 1,478 | 546 | - |
| Dam improvements | 25,000 | - | - | - |
| Restructuring | 375 | 3,208 | 375 | 3,208 |
| Income tax | 3,024 | - | 3,024 | - |
| Dividends | 5,258 | 42,100 | 5,258 | 42,100 |
| | 48,661 | 66,677 | 22,580 | 60,920 |
| <i>Non-current</i> | | | | |
| Land commitment | 1,229 | 1,220 | 1,229 | 1,220 |
| | 1,229 | 1,220 | 1,229 | 1,220 |

Recognition and measurement

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 for certain types of repairs, legal costs and restructuring 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.

Employee benefits

Annual leave, banked time and TOIL

Liabilities for annual leave, banked time and TOIL 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. The entire amount of the liability is presented as current as SunWater does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 12 PROVISIONS (continued)

Sick Leave

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

Superannuation

Employer superannuation contributions are paid to Queensland Government superannuation schemes at statutory rates or 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.

Natural disaster repairs

SunWater's water infrastructure suffered damage in late 2010, early 2011, early 2013 and early 2015 due to the impact of widespread flooding and cyclones. The provision represents management's estimate of the present constructive obligation to repair damage incurred but not rectified as at 30 June 2015. Remedial works are expected to be carried out within the next financial year.

Legal costs

The provision represents management's estimate of the present obligation for costs associated with certain legal proceedings. (Refer also to note 21).

Infrastructure investigations and repairs

The provision represents management's estimate of the present constructive obligation for costs associated with remediation works to rectify accepted defects at Paradise Dam, and costs associated with investigation works at Fairbairn Dam, which are expected to be carried out in the next financial year.

Dam improvements

The provision represents management's estimate of the present constructive obligation for costs of external contractors who will be engaged to carry out improvement works associated with Paradise Dam.

Restructuring

The provision in 2014 represented the April 2013 Commission of Audit recommendations, accepted by the Queensland Government, that:

- SunWater would transfer its irrigation channels to local management and withdraw fully from this activity.
- SunWater's dedicated water delivery infrastructure servicing commercial and industrial clients would be offered for private ownership and/or private operation.

Since that time, SunWater has been advised by the Queensland Government that:

- the activities associated with the transfer of irrigation channels are to be put on hold pending further consideration of Government; and
- the activities associated with commercial delivery infrastructure will no longer proceed.

Consequently, the majority of the provision has been written back during 2015 in the Statements of Comprehensive Income, with a residual provision remaining as it is due to be paid out during 2015–16.

Land commitment

By way of an agreement between the former State Water Projects and the Department of Energy and Water Supply, SunWater is required to settle with the department, the disposition of certain surplus land.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 12 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.

| | NATURAL DISASTER REPAIRS \$'000 | LEGAL COSTS \$'000 | INFRASTRUCTURE INVESTIGATIONS & REPAIRS \$'000 | DAM IMPROVE- MENTS \$'000 | RE- STRUCTURING \$'000 | INCOME TAX \$'000 | LAND COMMMITMENT \$'000 |
|--|--|--------------------------|---|------------------------------------|------------------------------|-------------------------|-------------------------------|
| <i>Consolidated</i> | | | | | | | |
| Carrying amount at 1 July 2014 | 15,713 | 150 | 1,478 | - | 3,208 | - | 1,220 |
| Provisions added/(written back) | 5,316 | 344 | 546 | 25,000 | - | 13,575 | 9 |
| Payments made during the year | (11,268) | - | (934) | - | (2,833) | (10,551) | - |
| Carrying amount at 30 June 2015 | 9,761 | 494 | 1,090 | 25,000 | 375 | 3,024 | 1,229 |
| <i>Parent</i> | | | | | | | |
| Carrying amount at 1 July 2014 | 11,459 | 125 | - | - | 3,208 | - | 1,220 |
| Provisions added/(written back) | 5,158 | 219 | 546 | - | - | 13,575 | 9 |
| Payments made during the year | (7,243) | - | - | - | (2,833) | (10,551) | - |
| Carrying amount at 30 June 2015 | 9,374 | 344 | 546 | - | 375 | 3,024 | 1,229 |

NOTE 13 OTHER LIABILITIES

| | CONSOLIDATED | | PARENT | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| <i>Current</i> | | | | |
| Deposits payable | 990 | 873 | 990 | 873 |
| Unearned annuity ⁽¹⁾ | 8,769 | 5,938 | 8,769 | 5,938 |
| Deferred income | 7,210 | - | 7,210 | - |
| Rent incentive | 310 | 310 | 310 | 310 |
| Other | 15 | 326 | 15 | 326 |
| | 17,294 | 7,447 | 17,294 | 7,447 |
| <i>Non-current</i> | | | | |
| Deferred income | 166,043 | - | 166,043 | - |
| Rent incentive | 776 | 1,086 | 776 | 1,086 |
| | 166,819 | 1,086 | 166,819 | 1,086 |

⁽¹⁾ 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. The following table shows the movement during the financial year for all water supply and distribution schemes.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 13 OTHER LIABILITIES (continued)

| | OPENING BALANCE \$'000 | ANNUITY REVENUE \$'000 | REFURBISHMENT EXPENDITURE \$'000 | INTEREST \$'000 | MOVEMENT \$'000 | CLOSING BALANCE \$'000 |
|--------------------------------|------------------------------|------------------------------|--|--------------------|--------------------|------------------------------|
| <i>Consolidated</i> | | | | | | |
| <i>Year ended 30 June 2015</i> | | | | | | |
| <i>Water Supply Scheme</i> | | | | | | |
| Barker Barambah Supply | 1,122 | (315) | 137 | 77 | (101) | 1,021 |
| Bowen Broken Supply | 456 | (4) | 3 | 4 | 3 | 459 |
| Boyne Supply | (172) | (30) | 280 | 16 | 266 | 94 |
| Bundaberg Supply | 5,145 | (1,601) | 2,546 | 394 | 1,339 | 6,484 |
| Burdekin Supply | (1,395) | (317) | 381 | (144) | (80) | (1,475) * |
| Callide Supply | 523 | (48) | 155 | 20 | 127 | 650 |
| Chinchilla Weir Supply | (17) | - | - | - | - | (17) * |
| Cunnamulla Weir Supply | 4 | (6) | - | - | (6) | (2) * |
| Dawson Supply | (1,413) | (210) | 209 | (78) | (79) | (1,492) * |
| Eton Supply | 5 | (480) | 64 | - | (416) | (411) * |
| Lower Fitzroy Supply | 133 | (9) | 65 | 12 | 68 | 201 |
| Lower Mary Supply | (155) | (39) | 45 | (9) | (3) | (158) * |
| Macintyre Brook Supply | 1,930 | (237) | 189 | 131 | 83 | 2,013 |
| Maranoa Supply | (18) | - | 4 | (1) | 3 | (15) * |
| Mareeba Supply | (1,823) | (51) | 36 | (84) | (99) | (1,922) * |
| Nogoa-Mackenzie Supply | 870 | (358) | 661 | 55 | 358 | 1,228 |
| Pioneer Supply | 2,494 | (194) | 137 | 141 | 84 | 2,578 |
| Proserpine Supply | 71 | (62) | 16 | 1 | (45) | 26 |
| St George Supply | 800 | (604) | 484 | 68 | (52) | 748 |
| Three Moon Creek Supply | 316 | (105) | 426 | 21 | 342 | 658 |
| Upper Burnett Supply | 942 | (110) | 47 | 40 | (23) | 919 |
| Upper Condamine Supply | 703 | (69) | 24 | 3 | (42) | 661 |

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 13 OTHER LIABILITIES (continued)

| | OPENING BALANCE \$'000 | ANNUITY REVENUE \$'000 | REFURBISHMENT EXPENDITURE \$'000 | INTEREST \$'000 | MOVEMENT \$'000 | CLOSING BALANCE \$'000 |
|--------------------------------|------------------------------|------------------------------|--|--------------------|--------------------|------------------------------|
| <i>Consolidated</i> | | | | | | |
| <i>Year ended 30 June 2015</i> | | | | | | |
| <i>Distribution System</i> | | | | | | |
| Bundaberg Distribution | (945) | (2,109) | 947 | (71) | (1,233) | (2,178) * |
| Burdekin Distribution | 2,208 | (2,773) | 1,101 | 158 | (1,514) | 694 |
| Dawson Distribution | 1,678 | (473) | 215 | 126 | (132) | 1,546 |
| Emerald Distribution | 2,280 | (735) | 513 | 171 | (51) | 2,229 |
| Eton Distribution | 1,163 | (605) | 509 | 86 | (10) | 1,153 |
| Lower Mary Distribution | 166 | (468) | 33 | 12 | (423) | (257) * |
| Mareeba Distribution | 460 | (1,865) | 532 | 31 | (1,302) | (842) * |
| St George Distribution | 1,388 | (417) | 593 | 104 | 280 | 1,668 |
| Total | 18,919 | (14,294) | 10,352 | 1,284 | (2,658) | 16,261 |

* Only negative balances totalling \$8.769 million (where amounts received from irrigation customers are in excess of expenditure as at the end of the financial year) are recognised.

| | OPENING BALANCE \$'000 | ANNUITY REVENUE \$'000 | REFURBISHMENT EXPENDITURE \$'000 | INTEREST \$'000 | MOVEMENT \$'000 | CLOSING BALANCE \$'000 |
|--------------------------------|------------------------------|------------------------------|--|--------------------|--------------------|------------------------------|
| <i>Consolidated</i> | | | | | | |
| <i>Year ended 30 June 2014</i> | | | | | | |
| <i>Water Supply Scheme</i> | | | | | | |
| Barker Barambah Supply | 780 | (171) | 461 | 52 | 342 | 1,122 |
| Bowen Broken Supply | 453 | (3) | 2 | 4 | 3 | 456 |
| Boyne Supply | (314) | (1) | 137 | 6 | 142 | (172) * |
| Bundaberg Supply | 1,484 | (468) | 4,009 | 120 | 3,661 | 5,145 |
| Burdekin Supply | (1,179) | (305) | 217 | (128) | (216) | (1,395) * |
| Callide Supply | 323 | (34) | 229 | 5 | 200 | 523 |
| Chinchilla Weir Supply | (17) | - | - | - | - | (17) * |
| Cunnamulla Weir Supply | (5) | (6) | 15 | - | 9 | 4 |
| Dawson Supply | (1,572) | 31 | 218 | (90) | 159 | (1,413) * |
| Eton Supply | 379 | (448) | 46 | 28 | (374) | 5 |
| Lower Fitzroy Supply | 108 | (1) | 16 | 10 | 25 | 133 |
| Lower Mary Supply | (121) | (36) | 8 | (6) | (34) | (155) * |
| Macintyre Brook Supply | 1,730 | (214) | 298 | 116 | 200 | 1,930 |
| Maranoa Supply | (12) | (5) | - | (1) | (6) | (18) * |
| Mareeba Supply | (1,787) | (50) | 96 | (82) | (36) | (1,823) * |
| Nogoa-Mackenzie Supply | 952 | (217) | 73 | 62 | (82) | 870 |
| Pioneer Supply | 2,444 | (190) | 102 | 138 | 50 | 2,494 |
| Proserpine Supply | 102 | (58) | 24 | 3 | (31) | 71 |
| St George Supply | 884 | (617) | 458 | 75 | (84) | 800 |
| Three Moon Creek Supply | 173 | (63) | 196 | 10 | 143 | 316 |
| Upper Burnett Supply | 547 | (29) | 414 | 10 | 395 | 942 |
| Upper Condamine Supply | 734 | (60) | 23 | 6 | (31) | 703 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 13 OTHER LIABILITIES (continued)

| | OPENING BALANCE \$'000 | ANNUITY REVENUE \$'000 | REFURBISHMENT EXPENDITURE \$'000 | INTEREST \$'000 | MOVEMENT \$'000 | CLOSING BALANCE \$'000 |
|--------------------------------|------------------------------|------------------------------|--|--------------------|--------------------|------------------------------|
| <i>Consolidated</i> | | | | | | |
| <i>Year ended 30 June 2014</i> | | | | | | |
| <i>Distribution System</i> | | | | | | |
| Bundaberg Distribution | (143) | (1,592) | 801 | (11) | (802) | (945) * |
| Burdekin Distribution | 3,468 | (2,644) | 1,132 | 252 | (1,260) | 2,208 |
| Dawson Distribution | 1,575 | (82) | 67 | 118 | 103 | 1,678 |
| Emerald Distribution | 2,570 | (647) | 165 | 192 | (290) | 2,280 |
| Eton Distribution | 1,340 | (532) | 256 | 99 | (177) | 1,163 |
| Lower Mary Distribution | 559 | (452) | 17 | 42 | (393) | 166 |
| Mareeba Distribution | 1,159 | (1,850) | 1,068 | 83 | (699) | 460 |
| St George Distribution | 1,327 | (405) | 367 | 99 | 61 | 1,388 |
| Total | 17,941 | (11,149) | 10,915 | 1,212 | 978 | 18,919 |

*Only negative balances totalling \$5.938 million (where amounts received from irrigation customers are in excess of expenditure as at the end of the financial year) are recognised.

Recognition and measurement

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 recognised as a current liability on the balance sheet.

NOTE 14 CAPITAL MANAGEMENT

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 2015, SunWater's strategy was to maintain a market gearing ratio with a 50% upper limit (2014: 50%). The market gearing ratios at 30 June 2015 and 30 June 2014 were as follows:

| | CONSOLIDATED | | PARENT | |
|---------------------------------|----------------|------------------|----------------|------------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Total borrowings ⁽¹⁾ | 267,460 | 479,920 | 255,787 | 470,088 |
| Total equity | 678,964 | 677,649 | 602,535 | 633,449 |
| Total capital | 946,424 | 1,157,569 | 858,322 | 1,103,537 |
| Market gearing ratio | 28% | 41% | 30% | 43% |

⁽¹⁾ Includes interest free customer bridging loan during 2014 (Refer note 17).

SunWater's strategy in the future is to retain an investment grade credit rating or higher.

Loan covenant

Under the terms of the major borrowing facilities, the group is required to comply with the following financial covenant:

An EBITDA Interest Coverage of greater than or equal to 2.0 times, except where the Total Debt to Total Capital is greater than 70% in which case the EBITDA Interest Coverage must be equal to or greater than 2.35 times.

The group has complied with this covenant throughout the reporting period. As at 30 June 2015, the EBITDA Interest Coverage was 8.15 times (2014: 5.95 times).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 15 DIVIDENDS

| | PARENT | |
|--|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 |
| <i>Ordinary shares</i> | | |
| 2014 first and final dividend of \$21.050M per share declared and provided for but not paid as at 30 June 2014 ⁽¹⁾⁽²⁾ | - | 42,100 |
| 2015 first and final dividend of \$2.269M per share declared and provided for but not paid as at 30 June 2015 ⁽¹⁾⁽²⁾ | 5,258 | - |
| | 5,258 | 42,100 |

⁽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 and provided for as disclosed below.

Recognition and measurement

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.

NOTE 16 CONTRIBUTED EQUITY

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Share capital | | | | |
| Issued and paid up capital: | | | | |
| 2 ordinary shares of \$190.1345M each ⁽¹⁾ | 380,269 | 380,269 | 380,269 | 380,269 |

⁽¹⁾ Shares have no par value.

| | NUMBER OF SHARES \$'000 | CONTRIBUTION PER SHARE \$'000 | TOTAL \$'000 |
|--|-------------------------------|-------------------------------------|-----------------|
| Movements in ordinary share capital | | | |
| Closing balance 30 June 2014 | 2 | 190,134 | 380,269 |
| Closing balance 30 June 2015 | 2 | 190,134 | 380,269 |

NOTE 17 BORROWINGS

| | CONSOLIDATED | | PARENT | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| <i>Unsecured ⁽¹⁾</i> | | | | |
| QTC loan | 267,460 | 271,820 | 248,218 | 250,649 |
| Bridging loan | - | 208,100 | - | 208,100 |
| Intercompany loans | - | - | 7,569 | 11,339 |
| | 267,460 | 479,920 | 255,787 | 470,088 |
| Represented by: | | | | |
| Current | 4,548 | 211,428 | 10,008 | 221,210 |
| Non-current | 262,912 | 268,492 | 245,779 | 248,878 |
| | 267,460 | 479,920 | 255,787 | 470,088 |

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

Recognition and measurement

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 17 BORROWINGS (continued)

Borrowings are derecognised 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.

Financing arrangements

The loans from QTC are interest bearing. Parent entity non-current borrowings 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. No approved borrowing program was in place for 2015 (2014: \$130.86 million). \$80.00 million of this facility was drawn at 30 June 2014.

SunWater has maintained the financial covenant as required under its borrowing facilities during the 2015 and 2014 reporting period – refer to note 14.

SunWater has a rolling \$50.00 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 2015 (2014: undrawn).

Interest free bridging loans of \$188.10 million in 2013 and \$30.00 million in 2014 were received from a customer to part fund the construction of the Woleebee Pipeline. (Of this, \$10.00 million was repaid in 2014 under contractual obligations.) Now that construction is finalised and the pipeline is commissioned, the loan has been repaid, and replaced with an (unearned) revenue advance, of equivalent amount, which will be progressively amortised to revenue over the period of the water supply and transportation contracts with the customer.

Fair value

| | CONSOLIDATED | | | |
|--|-----------------|------------|-----------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| | \$'000 | \$'000 | \$'000 | \$'000 |

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

| | | | | |
|-------------------|----------------|----------------|----------------|----------------|
| Borrowings | 267,460 | 296,014 | 271,820 | 298,249 |
|-------------------|----------------|----------------|----------------|----------------|

| | PARENT | | | |
|--|-----------------|------------|-----------------|------------|
| | 2015 | 2014 | 2015 | 2014 |
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| | \$'000 | \$'000 | \$'000 | \$'000 |

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

| | | | | |
|-------------------|----------------|----------------|----------------|----------------|
| Borrowings | 248,218 | 273,041 | 250,649 | 273,221 |
|-------------------|----------------|----------------|----------------|----------------|

Note: The difference between carrying amount and fair value represents the market realisation adjustment on borrowings from QTC. Generally, the SunWater group repays borrowings in accordance with the requirements of the relevant agreement, hence no adjustment to fair value is appropriate. Where a market realisation charge has been incurred, it has been included in finance costs in the Consolidated Statements of Comprehensive Income.

NOTE 18 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 risk 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 liquid assets.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

Market risk

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 2014–15, SunWater had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

Price risk

During 2014–15, SunWater had no significant exposure to price risk.

Cash flow and fair value interest rate risk

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

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

| CONSOLIDATED FINANCIAL INSTRUMENTS | CARRYING AMOUNT \$'000 | 2015 INTEREST RATE RISK | | | |
|--|------------------------------|-------------------------|-------------------------|------------------|-------------------------|
| | | PROFIT \$'000 | -1% EQUITY \$'000 | PROFIT \$'000 | +1% EQUITY \$'000 |
| Cash | 178,812 | (1,490) | (1,490) | 1,490 | 1,490 |
| QTC borrowings | 267,460 | 3,106 | 3,106 | (3,106) | (3,106) |
| Overall effect on profit and equity | | 1,616 | 1,616 | (1,616) | (1,616) |

| CONSOLIDATED FINANCIAL INSTRUMENTS | CARRYING AMOUNT \$'000 | 2014 INTEREST RATE RISK | | | |
|--|------------------------------|-------------------------|-------------------------|------------------|-------------------------|
| | | PROFIT \$'000 | -1% EQUITY \$'000 | PROFIT \$'000 | +1% EQUITY \$'000 |
| Cash | 149,227 | (1,729) | (1,729) | 1,729 | 1,729 |
| QTC borrowings | 271,820 | 2,943 | 2,943 | (2,943) | (2,943) |
| Overall effect on profit and equity | | 1,214 | 1,214 | (1,214) | (1,214) |

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 \$75M 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 up to \$50M may be invested with Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation.
4. Deposits of any amount may be invested with QTC.

During 2015–15, 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:

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

| MAXIMUM EXPOSURE TO CREDIT RISK CATEGORY | NOTE | 2015 \$'000 | 2014 \$'000 |
|---|------|----------------|----------------|
| <i>Consolidated</i> | | | |
| Cash at bank and at call invested in Australian institutions rated AA- or higher* | 5 | 73,080 | 33,211 |
| Held-to-maturity investments in Australian institutions rated A- to A+* | 5 | 50,305 | 55,340 |
| Held-to-maturity investments in Australian institutions rated AA- or higher* | 5 | 55,422 | 60,671 |
| Other cash and cash equivalents | 5 | 5 | 5 |
| Receivables – current | 6 | 11,961 | 14,112 |
| | | 190,773 | 163,339 |
| <i>Parent</i> | | | |
| Cash at bank and at call invested in Australian institutions rated AA- or higher* | 5 | 50,713 | 23,512 |
| Held-to-maturity investments in Australian institutions rated A- to A+* | 5 | 50,305 | 55,340 |
| Held-to-maturity investments in Australian institutions rated AA- or higher* | 5 | 55,422 | 60,671 |
| Other cash and cash equivalents | 5 | 5 | 5 |
| Receivables – current | 6 | 14,354 | 15,746 |
| Receivables – non-current | 6 | 4,388 | 5,541 |
| | | 175,187 | 160,815 |

* Inclusive of accrued interest.

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

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.

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 no approved borrowing program during 2014–15. This facility is reviewed and renewed annually. SunWater has a rolling \$50M working capital facility with QTC. This facility (undrawn during 2014–15) 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.

| 2015 | CARRYING AMOUNT \$'000 | LESS THAN 1 YEAR \$'000 | 1 – 5 YEARS \$'000 | OVER 5 YEARS \$'000 | TOTAL CASH FLOWS (CONTRACTUAL) \$'000 |
|---------------------|------------------------------|-------------------------------|--------------------------|---------------------------|--|
| <i>Consolidated</i> | | | | | |
| Payables/dividends | 22,733 | 22,733 | - | - | 22,733 |
| Borrowings – QTC | 267,460 | 21,729 | 86,825 | 265,590* | 374,144 |
| Deposits payable | 990 | 39 | 32 | 919 | 990 |
| | 291,183 | 44,501 | 86,857 | 266,509 | 397,867 |
| <i>Parent</i> | | | | | |
| Payables/dividends | 38,055 | 38,055 | - | - | 38,055 |
| Borrowings – QTC | 248,218 | 18,267 | 72,976 | 257,432* | 348,675 |
| Intercompany loan | 7,569 | 7,569 | - | - | 7,569 |
| Deposits payable | 990 | 39 | 32 | 919 | 990 |
| | 294,832 | 63,930 | 73,008 | 258,351 | 395,289 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

| 2014 | CARRYING AMOUNT \$'000 | LESS THAN 1 YEAR \$'000 | 1 – 5 YEARS \$'000 | OVER 5 YEARS \$'000 | TOTAL CASH FLOWS [CONTRACTUAL] \$'000 |
|----------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|--|
| <i>Consolidated</i> | | | | | |
| Payables/dividends | 61,678 | 61,678 | - | - | 61,678 |
| Borrowings – QTC | 271,820 | 21,425 | 86,884 | 284,757* | 393,066 |
| Borrowings – bridging loan | 208,100 | 208,100 | - | - | 208,100 |
| Deposits payable | 873 | 39 | 32 | 802 | 873 |
| | 542,471 | 291,242 | 86,916 | 285,559 | 663,717 |
| <i>Parent</i> | | | | | |
| Payables/dividends | 68,431 | 68,431 | - | - | 68,431 |
| Borrowings – QTC | 250,649 | 18,251 | 73,036 | 272,892* | 364,179 |
| Borrowings – bridging loan | 208,100 | 208,100 | - | - | 208,100 |
| Intercompany loan | 11,339 | 11,339 | - | - | 11,339 |
| Deposits payable | 873 | 39 | 32 | 802 | 873 |
| | 539,392 | 306,160 | 73,068 | 273,694 | 652,922 |

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

NOTE 19 INVESTMENT IN SUBSIDIARIES

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Shares in controlled entities – at cost | - | - | * - | 97,296 |

*Represents \$6. Amount of \$112.296M impaired during the financial year (including further \$15.000M equity investment in Burnett Water Pty Ltd in June 2015).

Information relating to the controlled entities is set out below.

| NAME OF ENTITY | COUNTRY OF INCORPORATION | CLASS OF SHARES | EQUITY HOLDING | |
|--|-----------------------------|--------------------|----------------|-----------|
| | | | 2015 % | 2014 % |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 20 COMMITMENTS FOR EXPENDITURE

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|----------------|----------------|
| | 2015 \$'000 | 2014 \$'000 | 2015 \$'000 | 2014 \$'000 |
| Capital expenditure commitments | | | | |
| Capital expenditure commitments (including GST) contracted for but not brought to account are as follows: | | | | |
| ICT projects | 1,021 | 542 | 1,021 | 542 |
| Water infrastructure projects | 10,771 | 29,341 | 10,771 | 29,341 |
| | 11,792 | 29,883 | 11,792 | 29,883 |
| Payable: | | | | |
| Not later than one year | 11,792 | 29,883 | 11,792 | 29,883 |
| Non-cancellable operating lease expense commitments | | | | |
| Future operating lease commitments (including GST) not brought to account and payable: | | | | |
| Within one year | 3,579 | 3,205 | 3,579 | 3,205 |
| Later than one year but not later than five years | 10,396 | 12,948 | 10,396 | 12,948 |
| Later than five years | - | - | - | - |
| | 13,975 | 16,153 | 13,975 | 16,153 |

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.

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 made in-principle commitments to investigate certain capital projects. However, these projects are at varying stages of completion and final costs cannot be accurately quantified at this time.

Details of SunWater's dam improvement program are disclosed in note 22.

NOTE 21 CONTINGENCIES

SunWater had contingent liabilities at 30 June 2015 in respect of:

- 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 was the subject of a Workplace Health and Safety Queensland prosecution and is now subject to a later inquiry by the Coroner. As a precaution, all other inflatable dams owned by SunWater were operationally decommissioned immediately after the original failure. In September 2009, the relatives of the deceased person also instituted legal action for personal injuries. A mediation process is underway and is being managed by SunWater's insurers.
- Since the finalisation of the Commission of Inquiry into the 2010–11 flood event and the release of the final report, landowners whose properties were inundated during the floods are seeking compensation through a class action which has been commenced against another Government entity, SunWater and the State Government. SunWater, which provided assistance to the dam operator under a contract to provide flood operations support, is named as second defendant. SunWater is working closely with its insurers, and is defending the claim.
- 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.
- During the 2010–11 and 2013 Queensland floods, Boondooma Dam located near Proston in southern Queensland suffered damage to the spillway channel from the large volumes of water being discharged through the spillway.

NOTE 21 CONTINGENCIES (continued)

The dam has been assessed as safe under normal loading, however SunWater's engineers believe that there is a likelihood of further damage to the spillway in the event of a similar or larger flood in the future. A number of detailed and complex studies have been carried out and a preferred long term solution to the damage is currently being formulated. SunWater remains in discussions with its insurers regarding the coverage provided by SunWater's industrial and special risks insurance policy over the associated costs. The policy has a number of exclusions and it is expected that these together with the event deductible, will be relevant to the policy response once the preferred long term solution has been determined.

At this stage, the preferred solution and the associated costs will not be known with any certainty until the next financial year. In the event that SunWater's insurance policy does respond, but is scaled back due to exclusions and deductibles, it is likely that there will be an under-recovery against the final costs.

If an under-recovery does occur, SunWater will seek to protect its interests by pursuing other commercial remedies available to it. At this stage, any ultimate under-recovery cannot be reliably estimated.

- (e) During the flood event in the Burnett River System in early 2013, Paradise Dam located near Childers in South East Queensland suffered significant damage to the spillway dissipator and the river bed downstream of the dissipator.

The dam has been assessed as safe under normal loading, however, there was a potential risk to the dam if it was subjected to a further major flood event. To mitigate this risk, Emergency Works (Phase 1) and Interim Works (Phase 2) were carried out to enable the dam to withstand a late season flood.

A full Dam Safety Review and Comprehensive Risk Assessment (CRA) (Phase 3) have now been completed. An early outcome was capital works which have further reinforced the dissipator apron.

The CRA identified additional activities and works which need to be undertaken, the first 2 stages of which, being to improve existing emergency response procedures, and to strengthen the toe of Monoliths "D" and "K" in the dam wall structure, are underway. The estimated costs of these 2 stages have been provisioned in the financial statements. Stages 3 and 4 of the CRA recommendations are undergoing additional investigation, and at this stage, any further works and costs associated with those stages are not known with any certainty.

In the event that SunWater's insurance policy does respond, but is scaled back due to exclusions and deductibles, it is likely that there will be an under-recovery against the final costs. If an under-recovery does occur, SunWater will seek to protect its interests by pursuing other commercial remedies available to it, and will if necessary approach the State Government to provide funding on the basis of a required dam improvement. At this stage, any ultimate under-recovery cannot be reliably estimated.

- (f) During the flood event in the Callide and Burnett River catchments caused by Cyclone Marcia in early 2015, damage occurred to SunWater assets across a wide area. At this stage, damage estimates including contingency indicate that the policy deductible will be exceeded; however, this is not certain. SunWater is working with its insurers and will submit a claim if the policy is triggered.

The originating rain event caused by Cyclone Marcia extended over several catchments, and collectively caused significant flooding which resulted in widespread damage in downstream communities.

In the Callide Creek system, the flood event caused the automatic flood gates of Callide Dam to operate as designed in order to safely pass the flood and protect the dam. Subsequently, a number of Right to Information requests were received from law firms and news services, and a writ was lodged in the Supreme Court of Victoria seeking compensation from SunWater through a class action for losses caused by the operations of the dam during the flood. Since lodgement of the writ, the Inspector General Emergency Management (IGEM) has released a report which confirmed that SunWater's management and operation of Callide Dam during the flood was in accordance with the operational rules, and that regardless of how the dam was operated, the Callide Valley would have experienced major flooding.

To date, the writ has not been served. However, SunWater has consulted with its advisors and insurers and will defend any claim that eventuates.

In addition, the IGEM made a number of recommendations arising out of the Callide flood. These recommendations are being worked through with the Department of Energy and Water Supply and Banana Shire Council. SunWater, in considering these recommendations, will examine whether they may require changes to SunWater's operating arrangements across its portfolio of dams in the future.

- (g) At 30 June 2015, SunWater was engaged in commercial and legal disputes under various contracts.

At the date of this Report, it is not possible to reliably estimate the eventual outcome of these disputes or the financial consequences thereof.

SunWater had contingent assets at 30 June 2015 in respect of:

- (a) SunWater has made a claim, or signalled its intention to make a claim under its insurance policies for losses attributable to the flood event in 2013. Revenue of \$10m from insurance proceeds has been taken up in the Statements of Comprehensive Income for the year ended 30 June 2015. Included in this amount was the final settlement payment in respect of the 2010–11 floods, excluding Boondooma Dam spillway. Refer Contingent liability (d).
- (b) SunWater has made a claim under its insurance policies for legal costs associated with the Bedford Weir and Marian Weir incidents.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 21 CONTINGENCIES (continued)

Insurance proceeds of \$655k has been taken up in the Consolidated Statements of Comprehensive Income for the year ended 30 June 2015.

(c) SunWater has made a claim under its insurance policies for legal costs associated with the Commission of Inquiry into the recent flood events. No revenue from insurance proceeds has been taken up in the Statements of Comprehensive Income for the year ended 30 June 2015.

NOTE 22 DAM IMPROVEMENT PROGRAM

SunWater has in place a comprehensive Dam Improvement Program to ensure the continuing integrity of its referable dams. This program incorporates an ongoing series of inspections, engineering assessments, and CRAs 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 improvement program has previously identified the need to improve a number of dam spillways in response to spillway adequacy reviews. Spillway improvements have been completed for Fred Haigh Dam (2006), Bjelke Petersen Dam (2008), Borumba Dam (2009) and Tinaroo Falls Dam (2011). In addition, improvements to the dam wall and foundation drainage have been completed at Kinchant Dam.

Whilst the initial program of improvements were prioritised based on spillway adequacy, SunWater is progressively completing a 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 improvement requirements for each dam.

As each CRA is completed, the priority of improvements within the portfolio is assessed, and if necessary revised. This prioritised schedule of improvements includes works out to 2034 and includes an estimate of cost for each improvement. Whilst at this stage, the total of these estimates is in excess of \$700M, it is not possible to quantify the complete scope of works or the likely cost or timing of the improvement program. Discussions with Government over funding support are continuing.

NOTE 23 SUBSEQUENT EVENTS

To date, except as detailed elsewhere in the financial statements, no events have occurred subsequent to balance date that materially impact on these financial statements.

NOTE 24 REMUNERATION OF AUDITORS

During the year, fees of \$0.165M (2014: \$0.156M) 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.

No other services were provided.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 25 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 | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| <i>Consolidated</i> | | |
| Short-term employee benefits – cash salary | 1,518 | 1,468 |
| Short-term employee benefits – cash bonus | 168 | 166 |
| Post-employment benefits - superannuation | 141 | 134 |
| Termination benefits | - | 152 |
| Total | 1,827 | 1,920 |
| <i>Parent</i> | | |
| Short-term employee benefits – cash salary | 1,488 | 1,445 |
| Short-term employee benefits – cash bonus | 168 | 166 |
| Post-employment benefits – superannuation | 139 | 131 |
| Termination benefits | - | 152 |
| Total | 1,795 | 1,894 |

Compensation – directors

| NAME OF DIRECTOR | SHORT-TERM EMPLOYEE BENEFITS | | POST-EMPLOYMENT BENEFITS | TOTAL \$'000 |
|--|---------------------------------|----------------------|-----------------------------|-----------------|
| | CASH SALARY \$'000 | CASH BONUS \$'000 | SUPERANNUATION \$'000 | |
| <i>Consolidated 2015</i> | | | | |
| Ross Dunning, Chair | 75 | - | 7 | 82 |
| Greg Moynihan | 39 | - | 4 | 43 |
| Kirstin Ferguson (resigned 6 August 2015) | 32 | - | 3 | 35 |
| William Wild | 35 | - | 3 | 38 |
| Larry Anthony | 35 | - | 3 | 38 |
| Rachel Fennell | 34 | - | 3 | 37 |
| <i>Consolidated 2014</i> | | | | |
| Ross Dunning, Chair (appointed 12 December 2013) | 39 | - | 4 | 43 |
| Greg Moynihan | 50 | - | 5 | 55 |
| Tom Connor (retired 31 December 2013) | 17 | - | 1 | 18 |
| Kirstin Ferguson | 37 | - | 3 | 40 |
| Alan Millhouse (retired 30 September 2013) | 11 | - | 1 | 12 |
| William Wild | 36 | - | 3 | 39 |
| Larry Anthony (appointed 12 December 2013) | 18 | - | 2 | 20 |
| Rachel Fennell (appointed 12 December 2013) | 17 | - | 2 | 19 |

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 25 RELATED PARTIES DISCLOSURES (continued)

| NAME OF DIRECTOR | SHORT-TERM EMPLOYEE BENEFITS | | POST-EMPLOYMENT BENEFITS | TOTAL \$'000 |
|--|------------------------------|-------------------|--------------------------|--------------|
| | CASH SALARY \$'000 | CASH BONUS \$'000 | SUPERANNUATION \$'000 | |
| <i>Parent 2015</i> | | | | |
| Ross Dunning, Chair | 64 | - | 6 | 70 |
| Greg Moynihan | 35 | - | 3 | 38 |
| Kirstin Ferguson (resigned 6 August 2015) | 32 | - | 3 | 35 |
| William Wild | 29 | - | 3 | 32 |
| Larry Anthony | 31 | - | 3 | 34 |
| Rachel Fennell | 29 | - | 3 | 32 |
| <i>Parent 2014</i> | | | | |
| Ross Dunning, Chair (appointed 12 December 2013) | 35 | - | 3 | 38 |
| Greg Moynihan | 46 | - | 4 | 50 |
| Tom Connor (retired 31 December 2013) | 15 | - | 1 | 16 |
| Kirstin Ferguson | 37 | - | 4 | 41 |
| Alan Millhouse (retired 30 September 2013) | 7 | - | 1 | 8 |
| William Wild | 29 | - | 3 | 32 |
| Larry Anthony (appointed 12 December 2013) | 17 | - | 1 | 18 |
| Rachel Fennell (appointed 12 December 2013) | 16 | - | 1 | 17 |

Directors' contracts

Directors do not receive any termination benefits or performance-related remuneration.

Terms of appointment are as follows:

| DIRECTORS AS AT 30 JUNE 2015 | TERM OF APPOINTMENT | APPOINTMENT EXPIRY DATE |
|---|---------------------|-------------------------|
| Ross Dunning | 2 years 9 months | 30 September 2016 |
| Greg Moynihan | 2 years 9 months | 30 September 2016 |
| Kirstin Ferguson (resigned 6 August 2015) | 2 years | 30 September 2016 |
| William Wild | 2 years 9 months | 30 September 2015 |
| Larry Anthony | 2 years 9 months | 30 September 2016 |
| Rachel Fennell | 2 years 9 months | 30 September 2016 |

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$139,903 (2014 - \$129,061) 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 25 RELATED PARTIES DISCLOSURES (continued)

Compensation – executives

| TITLE OF EXECUTIVE | SHORT-TERM EMPLOYEE BENEFITS | | POST-EMPLOYMENT BENEFITS | TERMINATION | TOTAL |
|---|------------------------------|-------------------------------------|--------------------------|--------------------|-------|
| | CASH SALARY \$'000 | CASH BONUS ^[1] \$'000 | SUPERANNUATION \$'000 | BENEFITS \$'000 | |
| <i>Parent 2015</i> | | | | | |
| Chief Executive, Peter Boettcher | 481 | 73 | 19 | - | 573 |
| General Manager, Corporate, Geoff White | 287 | 38 | 37 | - | 362 |
| General Manager, Bulk Water and Irrigation Systems, Tom Vanderbyl | 254 | 29 | 31 | - | 314 |
| General Manager, Industrial Pipelines, Tim Donaghy | 246 | 28 | 31 | - | 305 |

^[1] Cash bonuses paid are in respect of the previous year's assessed performance.

| TITLE OF EXECUTIVE | SHORT-TERM EMPLOYEE BENEFITS | | POST-EMPLOYMENT BENEFITS | TERMINATION | TOTAL |
|--|------------------------------|-------------------------------------|--------------------------|--------------------|-------|
| | CASH SALARY \$'000 | CASH BONUS ^[1] \$'000 | SUPERANNUATION \$'000 | BENEFITS \$'000 | |
| <i>Parent 2014</i> | | | | | |
| Chief Executive, Peter Boettcher | 470 | 54 | 18 | - | 542 |
| General Manager, Corporate, Geoff White | 279 | 35 | 36 | - | 350 |
| General Manager, Bulk Water and Irrigation Systems, Tom Vanderbyl ^[2] | 232 | 25 | 27 | - | 284 |
| General Manager, Infrastructure Management, Tim Donaghy ^[3] | 236 | 27 | 30 | - | 293 |
| General Manager, Infrastructure Development, Mark Browne (completed service 8 August 2013) | 26 | 25 | 2 | 152 | 205 |

^[1] Cash bonuses paid are in respect of the previous year's assessed performance.

^[2] Mr Vanderbyl was appointed as General Manager, Bulk Water and Irrigation Systems on 1 August 2013. Before this appointment, he was the entity's General Manager, People, Performance and Safety. Amounts shown above represent his remuneration in both positions.

^[3] Mr Donaghy was appointed as General Manager, Industrial Pipelines on 1 August 2013. Before this appointment, he was the entity's Acting General Manager, Infrastructure Management. Amounts shown above represent his remuneration in both positions.

Executive employment contracts

The Board Remuneration Committee reviews Senior Executive performance 6 monthly, and recommends remuneration levels to the SunWater Board annually, in accordance with the Queensland Government's Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements 2013.

With the exception of the Chief Executive, SunWater Senior Executives are engaged on tenured employment contracts that provide for three months' notice or equivalent payment upon termination. Where a redundancy applies, the payment is made in accordance with the *Fair Work Act 2009* (Cth). The Chief Executive is engaged on a fixed term employment contract.

Remuneration and other terms of employment are formalised in each executive's employment contract. SunWater executives receive a Total Fixed Remuneration (TFR) inclusive of all rewards including base salary and superannuation. Input is sought annually from an independent remuneration expert on market and industry movements for each role. Based upon the market median, the performance of SunWater and the executive, a new TFR is determined annually for effect from 1 July.

Each executive has the opportunity to receive an annual performance payment of up to 15% of the TFR in the relevant year. Stretch targets aligned with the Statement of Corporate Intent (which is approved by the shareholding Ministers) are set. A scorecard, with weightings for each target, is agreed with the Board at the beginning of the year. At the end of the year a total score, based on the achievement against each target, is proposed which translates into the amount of the performance payment paid to the executive. For the 12 month period concluding on 31 December 2014, the Chief Executive is eligible to receive a performance payment of up to 20% of the contract TFR.

The shareholding Ministers are advised in writing of the results of the annual review of TFR and the actual amount of the performance payment made within one month of the Board's approval.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2015

NOTE 25 RELATED PARTIES DISCLOSURES (continued)

Transactions with subsidiaries

The parent entity of the group is SunWater Limited. Interests in subsidiaries are set out in note 19. All transactions with subsidiaries are carried out under normal commercial terms and conditions or at cost. No transactions occurred between subsidiaries.

During the year ended 30 June 2015, the following significant transactions occurred between the parent entity and its subsidiaries:

| | 2015 \$'000 | 2014 \$'000 |
|--|----------------|----------------|
| Sales of water to subsidiaries | 4,602 | 4,677 |
| Sales of services to subsidiaries | 16,733 | 44,519 |
| Interest received from subsidiaries | 250 | 345 |
| Interest paid to subsidiaries | 219 | 939 |
| Current tax payable assumed from tax consolidated subsidiaries | 5,414 | 2,256 |
| Dividends received from subsidiaries | 18,000 | 24,000 |
| Loan received from subsidiaries | 8,300 | 21,000 |
| Loan repaid to subsidiaries | 12,050 | 53,181 |
| Equity contributed to subsidiaries | 15,000 | 16,000 |

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.

During the year ended 30 June 2015, the following significant transactions occurred between SunWater Limited and other State of Queensland controlled entities:

| | 2015 \$'000 | 2014 \$'000 |
|---|----------------|----------------|
| Dividends declared | 5,258 | 42,100 |
| Interest received from QTC | 1,393 | 752 |
| Water sales, CSO, grants received | 36,592 | 34,984 |
| Consultancies paid | 6,692 | 14,127 |
| Interest/market realisation fee paid to QTC | 17,405 | 20,874 |

NOTE 26 OTHER ACCOUNTING POLICIES

New and amended accounting standards and interpretations adopted from 1 July 2014

SunWater has adopted one amended accounting standard for the 30 June 2015 reporting period. In May 2013, the Australian Accounting Standards Board (AASB) made amendments to the disclosures required by AASB 136 *Impairment of Assets*, effective for accounting periods beginning on or after 1 January 2014. The amendments require disclosure of the recoverable amount of an asset or cash generating unit when an impairment has been recognised or reversed.

New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* (effective from first full reporting period after 1 January 2018).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption.

NOTE 26 OTHER ACCOUNTING POLICIES (continued)

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) AASB 15 *Revenue from Contracts with Customers* (effective from first full reporting period after 1 January 2017).

AASB 15 *Revenue from Contracts with Customers* is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

SunWater is yet to assess its full impact and has not yet decided when to adopt AASB 15. However, a preliminary view is that when adopted, the standard is not likely to significantly affect the group's accounting for revenue.

(iii) AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective from first full reporting period after 1 January 2016).

The AASB has amended AASB 116 *Property, Plant and Equipment* to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

SunWater is yet to assess its full impact and has not yet decided when to adopt AASB 2014-4. However, a preliminary view is that when adopted, the standard is not likely to significantly affect the group's accounting for depreciation.

NOTE 27 COMMISSION OF AUDIT RECOMMENDATIONS

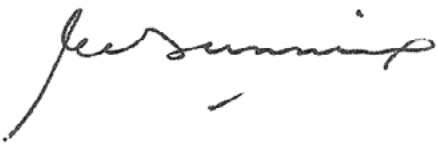
The recommendations of the final Commission of Audit report, released on 30 April 2013 and accepted by the previous Queensland Government have been put on hold pending further consideration by Government, or will no longer be implemented. Accordingly, the provision for restructuring costs established in the 2014 financial statements has been written back in the Statements of Comprehensive Income. Details of the write-back are disclosed in note 12.

DIRECTORS DECLARATION

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

- (a) in their opinion, there are reasonable grounds to believe that SunWater Limited will be able to pay its debts as and when they become due and payable;
- (b) the notes to the financial statements of SunWater Limited for 2014–2015 as set out on pages 25 to 57 of the Financial Report comply with:
 - (i) Accounting Standards; and
 - (ii) International Financial Reporting Standards; and
 - (iii) this statement has been included in the notes to the financial statements of SunWater Limited for 2014–2015.
- (c) in their opinion, the financial statements and notes of SunWater Limited for 2014–2015 as set out on pages 20 to 57 of the Financial Report of SunWater Limited for 2014–2015 are in accordance with the *Corporations Act 2001* (Cth) including:
 - (i) that the financial statements and notes of SunWater Limited for 2014–2015 comply with Accounting Standards; and
 - (ii) give a true and fair view of:
 - a. the financial position and performance of SunWater Limited; and
 - b. the financial position and performance of the consolidated entity.

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



R Dunning
Chairman



G Moynihan
Director

Brisbane, Qld
28 August 2015

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 ("the Company"), which comprises the balance sheets as at 30 June 2015, 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 company'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 company'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 be removed only 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 2015 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



Nick George CPA
as Delegate of the Auditor-General of Queensland

Queensland Audit Office

Brisbane, Qld
31 August 2015



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

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 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 limited by shares 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 2001* (Cth):

- The Board Charter defines the roles and responsibilities of the Board and matters which are delegated to management. The Board Charter is published on SunWater's website: www.sunwater.com.au 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.
- There is a formal induction process in place for new Board members in relation to their Board and committee functions and responsibilities.
- The Board Handbook is regularly reviewed and is available to facilitate Board induction, operations and self-evaluation processes.
- Management's responsibilities are defined and documented in formal position descriptions and performance plans.
- A performance evaluation for the CEO and Senior Executives takes 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 to 24 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. As such, the Board does not have a formal role in setting the composition or size of the Board.
- The Board is comprised of non-executive Directors, all of whom are considered to be independent and have declared any business or other relationships that could compromise their ability to exercise unfettered and independent judgement. The skills, experience, expertise and appointment periods of each Director are set out on pages 14 to 15 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's materiality thresholds have been defined as: for a supplier of SunWater at 40% or more, and a customer of SunWater at 5% or more – of the total of the relevant expenditure or revenue category or categories in any rolling 12-month period.
- 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 to 24 months. The latest self-evaluation process was completed in November 2014. The evaluation process which is coordinated and managed by an independent consultant, considers 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. Where necessary, Directors may seek (with the consent of the Chair) 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 the practices necessary to maintain stakeholder, industry and community confidence in the behaviour of all individuals at SunWater. SunWater also maintains and regularly updates a Board Handbook which establishes Directors' ethical obligations. 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
- SunWater's CEO is obliged by law to notify the Crime and Corruption Commission if the CEO reasonably suspects that a complaint involves, or may involve, corrupt conduct under the *Crime and Corruption Act 2001* (Qld).
- SunWater's Fraud and Corruption Policy and Guide incorporates a process to evaluate, report and investigate complaints of alleged impropriety and corrupt conduct. Furthermore, SunWater has partnered with EthicsPoint to provide an independent telephone and on-line disclosure reporting line for employees and third parties to report misconduct anonymously (SunWater Whistleblower Hotline). There is also a dedicated on-line portal on SunWater's website: the 'Reporting Unlawful or Unethical Behaviour Contact' under the Contact Us tab to facilitate reporting of allegations of unethical behaviour, misconduct and fraud.

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 assist the Board to fulfil its financial reporting and corporate governance responsibilities. The Committee reviews financial information presented by management, oversees the quality of audits conducted by internal and external auditors and assesses the adequacy of accounting policies and effectiveness of control systems. In addition, the Committee monitors significant business transactions and processes including capital structure and taxation.
- The Audit and Corporate Governance Committee comprises three to four independent non-executive Director members who, as far as possible, 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. Details of committee members, meetings held and attendances are set out on pages 14 to 15 of this Report.

The CEO, General Manager Corporate and Manager Finance have confirmed in writing that the 2014–15 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 the Queensland 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 SCI and comprehensive information on operations, financial performance and financial position is publicly released through annual and interim reports as required.
- SunWater provides timely advice to inform its shareholding Ministers of any significant 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).

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:

- SunWater engages with stakeholders through a range of communication strategies to ensure effective and active consultation.
- Shareholding Ministers are advised in a timely manner of all issues that have a significant financial, operational, employee, community or environmental impact.

- SunWater seeks to actively engage with shareholding Ministers and their department heads to meet legislative and regulatory requirements, promote integrity and confidence and promote awareness and understanding of emerging issues of significance to SunWater's commercial operations.
- Approval of the shareholding Ministers is sought for significant matters in accordance with the Investment Guidelines for GOCs.

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 a high-level commitment to the prevention of fraud both within SunWater and against SunWater. It 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.
 - Periodic assessments of the risk of fraud within its business operations.
- The CEO, General Manager Corporate and Manager Finance confirm to the Board that the statement given under the recommendations applying to Principle 4 is founded on a sound system of risk management and internal compliance and control which implements Board policies; and the risk management and control system is operating efficiently and effectively in all material respects.
- At the highest level of risk consideration, SunWater has established an enterprise risk register which is regularly reported to the relevant oversight Committee (in line with review schedules agreed for each identified risk entry). 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, business improvement and governance resources to oversee management of risk identification, planning, mitigation and review processes and additionally sources external advice as required.
- Management has reported to the Board as to the effectiveness of SunWater's management of its material business risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

SunWater has established a Remuneration Committee which meets at least four times each year and assists the Board in discharging its duties in regard to executive appointments, executive performance, staff remuneration and industrial relations matters. It considers and recommends to the Board the remuneration and terms of employment for the CEO and Senior Executives and is directly involved in the associated performance planning and review processes.

The Remuneration Committee 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. Details of committee members, meetings held and attendances are set out on pages 14 to 15 of this Report.

Remuneration of Directors

Remuneration of Directors is determined by the shareholding Ministers. Total remuneration levels for individual Directors are reported in the Notes to the Financial Statements on page 53 and 54 of this Report.

Senior Executive Remuneration

The Remuneration Committee of the

Board oversees all Senior Executive remuneration. Total remuneration levels for Senior Executives are reported in the Notes to the Financial Statements on page 55 of this Report.

Senior executive remuneration is set by the Board in accordance with Queensland Government guidelines. 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. Existing senior executive positions are based on a combination of tenured and fixed-term employment arrangements.

In accordance with Queensland Government guidelines, performance payments were made in 2014–15 based on agreed targets set by the Board.

Staff Remuneration

Remuneration for the majority of SunWater staff, excluding staff members on individual contract, is determined by the Enterprise Agreement in accordance with the Queensland Government-approved bargaining framework. Remuneration for staff on individual employment contracts is based on the median salary relative to each evaluated position and the employee's individual performance. SunWater does not have a performance payment scheme for non-senior executive employees.

Subsidiary Companies

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

COMPLIANCE IN KEY AREAS

Dam safety

SunWater has in place a comprehensive dam improvement program that meets or exceeds relevant guidelines set by the dam safety regulator DEWS, and monitors dam safety as required by the *Water Supply (Safety and Reliability) Act 2008* (Qld) 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 improvements. The improvement program has been developed using a decision criteria methodology that optimises the reduction of safety risks and ensures value for money investments.

SunWater keeps the portfolio risks and improvement program under regular review to ensure the program is based on the most up-to-date information. A review of the improvement program will be completed in the first quarter of 2015–16.

QCA pricing practices implementation plan

SunWater prepared an implementation plan detailing the scope of works, timetable and cost estimates addressing all the eight pricing practices recommendations provided in the QCA Irrigation Pricing Review 2012–17. The recommendations from the pricing review aimed at improving SunWater's ability to report on and apportion costs to irrigation, as well as improving transparency of its operating and renewals expenditure through the publication of annual Network Service Plans (NSPs). SunWater has implemented all of the actions planned to 30 June 2015. SunWater will continue to work with the QCA and customers over the next year to ensure successful implementation of the remaining recommendations.

Quality management

SunWater is certified to the AS/ANZ ISO 9001:2008 standard. A well designed quality management system uses risk management principles to ensure delivery of a consistent high quality product and/or service. Our quality assurance system provides the processes by which we manage, operate and maintain our water infrastructure. Our quality management framework incorporates a continuous improvement program to ensure procedures are effective and contemporary.

Project management

SunWater is a Project Managed Organisation, accredited by the Australian Institute of Project Management. Most of SunWater's infrastructure is developed using our own project and construction management services. To date we have designed and managed the construction of 30 dams, 82 weirs and barrages, 39 reservoirs and balancing storages and rural and bulk water infrastructure systems. The project management process is tailored to suit each project and is documented in the various implementation management plans. This ensures that all the requirements of the project including client and stakeholder requirements, time, cost and quality targets are met.

Environmental management

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. To achieve this goal, SunWater has implemented an Environmental Management System (EMS), consistent with the requirements of AS/NZS ISO14001:2004 and which is third party certified, across all levels and functions of the organisation.

In February 2015, SAI Global conducted the annual certification audit of SunWater's environmental management system. The current certification was maintained, with no non-conformances identified.

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.

Workplace health and safety management

The SunWater Workplace Health and Safety Management System is certified under AS/NZS 4801:2001. An external audit, conducted annually at the same time as the EMS audit, reviews SunWater's degree of compliance within its workplace health and safety practices. The audit report considers the effectiveness of the organisation's policies, objectives and continual improvement processes to ensure that best-practice management and legislative compliance are achieved.

Financial management

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

Local industry policy

In January 2015, SunWater received advice of the revocation of the application of Government's Local Industry Policy.

SunWater will continue to consider opportunities for capable local suppliers to tender for infrastructure and resource-based projects and other major procurements in Queensland.

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 is committed to delivering its strategic and operational objectives in accordance with laws and principles of good governance. SunWater has developed a Legal Legislative Compliance Framework. In accordance with this framework, changes to laws are monitored. The aim of this is to ensure that SunWater complies with its changing legislative obligations.

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.

Internal audit

Internal audit is a key component of SunWater's corporate governance framework. It operates under a charter approved and regularly reviewed by the Audit and Corporate Governance Committee. SunWater Internal Audit provides an independent assurance activity over the internal control systems across SunWater by delivering audit work against an annual 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 plan is risk based and focuses on areas of highest risk to the business with due consideration of industry trends and other external factors affecting the business.

The Audit and Corporate Governance Committee regularly monitors the status of internal audit projects under the approved annual audit plan and status of management-agreed actions from previous audit recommendations.

Corporate planning and reporting

SunWater's annual planning and reporting processes include the production of a five year Corporate Plan and a single year SCI. SunWater's annual SCI details the company's objectives and performance targets agreed between SunWater's Board and shareholding Ministers.

Quarterly scorecards provide shareholding Ministers and their departments with regular updates on SunWater's performance against the SCI's targets and budgets. Consolidated business and group performance reports are provided to the SunWater Board on a monthly basis.

Modifications to the SCI 2014–15: There were no modifications made to SunWater's SCI 2014–15.

Debt drawdown: There were no debt drawdowns during 2014–15. However, the QGC loan facility (\$208.1M) used to fund the construction of Woleebee Creek to Glebe Weir Pipeline was repaid by SunWater in August 2014. This transaction aligned with the approved Business Case and SunWater's contracted arrangements with QGC and Queensland Treasury Corporation.

Derivative transactions: No derivative transactions occurred during 2014–15.

Significant revenue/expenditure contracts: No significant expenditure contracts were entered into during 2014–15.

Water Trading Activity: The annual audit of SunWater's compliance with the Water Trading Code of Conduct was performed during the second quarter by external auditors BDO (Australia) Ltd. The audit found:

- no shortcomings in SunWater's internal procedures to ensure compliance;
- no indications of discriminatory water trades and no record of disputes; and
- no indications that SunWater has breached the Code.

Recycling Initiatives during 2014–15:

SunWater recycling efforts during the year included:

- approximately 0.9 tonne scrap steel, 2 kg of copper and 20 kg of aluminium;
- 27 tyres;
- 5 litres of Gramoxone, one drum of Starane (disposed by Transpacific Industries group NQ Resource Recovery) and 40 litres of oil-absorbent material/waste oil;
- 35 empty plastic drums;
- approximately 350 kg of lead acid batteries; and
- eight industrial size bins per month of campground waste (bin size is three cubic metres).

SUBSIDIARY REPORTING

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

GOVERNMENT DIRECTIVES

Claude Wharton Sub-scheme

SunWater received a directive from its shareholding Ministers in November 2010 in relation to the Claude Wharton sub-scheme of the Upper Burnett Water Supply Scheme; this directive was confirmed and extended in September 2011. The directive remains current and was continued by SunWater during 2014–15.

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.

Additionally, SunWater cannot transfer or lease allocations that it holds without approval by the Minister and the Treasurer.

Irrigation Pricing

The Queensland Government provided SunWater with an irrigation pricing directive that requires SunWater to apply the QCAs recommended irrigation prices across the five-year price path beginning 1 July 2012. SunWater has continued to apply this directive during 2014–15.

SCHEME STATISTICS

| Scheme | Customer Segment | No. of Customers | Water Entitlements (ML) | Available Water (ML) | Available Water (%) | Water Deliveries (ML) | Water Deliveries (%) | TT Purchase Volume (ML) |
|--------------------------|------------------|------------------|-------------------------|----------------------|---------------------|-----------------------|----------------------|-------------------------|
| Awoonga Callide Pipeline | Industrial | | 0 | 11,066 | | 11,066 | | 0 |
| | Other | | 0 | 33 | | 33 | | 0 |
| | Total | 29 | 0 | 11,099 | 0 | 11,099 | 0 | 0 |
| Barker Barambah | Industrial | | 60 | 60 | | 0 | | 0 |
| | Irrigation | | 31,361 | 33,461 | | 16,881 | | 3,888 |
| | Urban | | 2,100 | 2,000 | | 553 | | 0 |
| | SunWater | | 794 | 259 | | 0 | | 5 |
| Total | 175 | 34,315 | 35,780 | 104 | 17,435 | 51 | 3,893 | |
| Bowen Broken Rivers | Industrial | | 30,299 | 30,299 | | 14,183 | | 500 |
| | Irrigation | | 5,676 | 5,651 | | 1,366 | | 0 |
| | Urban | | 1,785 | 1,785 | | 869 | | 0 |
| | Other | | 290 | 400 | | 271 | | 39 |
| | SunWater | | 879 | 794 | | 204 | | 0 |
| Total | 51 | 38,929 | 38,929 | 100 | 16,894 | 43 | 539 | |
| Boyne River and Tarong | Industrial | | 30,453 | 30,453 | | 17,695 | | 0 |
| | Irrigation | | 9,142 | 9,142 | | 3,886 | | 83 |
| | Urban | | 1,825 | 2,755 | | 1,632 | | 0 |
| | Other | | 480 | 480 | | 147 | | 0 |
| | SunWater | | 1,625 | 1,625 | | 1,239 | | 0 |
| Total | 166 | 43,525 | 44,455 | 102 | 24,599 | 57 | 83 | |
| Bundaberg | Industrial | | 386 | 887 | | 113 | | 0 |
| | Irrigation | | 199,105 | 211,322 | | 93,475 | | 11,211 |
| | Urban | | 9,571 | 9,558 | | 3,373 | | 470 |
| | Other | | 46 | 46 | | 14 | | 0 |
| | SunWater | | 171,221 | 163,505 | | 18,829 | | 0 |
| Total | 1,139 | 380,329 | 385,318 | 101 | 115,804 | 30 | 11,681 | |
| Burdekin Haughton | Industrial | | 20,220 | 20,722 | | 954 | | 495 |
| | Irrigation | | 635,610 | 763,277 | | 665,359 | | 73,324 |
| | Urban | | 10,533 | 10,541 | | 1,088 | | 480 |
| | Other | | 8 | 67 | | 59 | | 0 |
| | SunWater | | 413,220 | 377,310 | | 134,449 | | 0 |
| Total | 425 | 1,079,592 | 1,171,917 | 109 | 801,910 | 74 | 74,299 | |
| Callide Valley | Industrial | | 3,777 | 3,708 | | 3,555 | | 0 |
| | Irrigation | | 13,334 | 16,940 | | 6,082 | | 1,065 |
| | Urban | | 2,207 | 2,108 | | 1,175 | | 0 |
| | SunWater | | 7 | 2 | | 0 | | 0 |
| Total | 143 | 19,325 | 22,759 | 118 | 10,812 | 56 | 1,065 | |

| Scheme | Customer Segment | No. of Customers | Water Entitlements (ML) | Available Water (ML) | Available Water (%) | Water Deliveries (ML) | Water Deliveries (%) | TT Purchase Volume (ML) |
|-----------------|------------------|------------------|-------------------------|----------------------|---------------------|-----------------------|----------------------|-------------------------|
| Chinchilla Weir | Industrial | | 290 | 165 | | 13 | | 0 |
| | Irrigation | | 2,594 | 2,645 | | 1,902 | | 552 |
| | Urban | | 1,160 | 1,160 | | 520 | | 0 |
| | SunWater | | 5 | 79 | | 5 | | 74 |
| | Total | 42 | 4,049 | 4,049 | 100 | 2,439 | 60 | 626 |
| Cunnamulla | Irrigation | | 2,412 | 2,412 | | 1,684 | | 885 |
| | Urban | | 80 | 80 | | 44 | | 0 |
| | SunWater | | 120 | 120 | | 0 | | 0 |
| | Total | 24 | 2,612 | 2,612 | 100 | 1,728 | 66 | 885 |
| Dawson Valley | Industrial | | 3,718 | 2,573 | | 1,690 | | 113 |
| | Irrigation | | 51,668 | 49,224 | | 37,851 | | 10,151 |
| | Urban | | 2,283 | 1,908 | | 1,223 | | 0 |
| | SunWater | | 4,068 | 4,910 | | 2,489 | | 511 |
| | Total | 160 | 61,737 | 58,614 | 95 | 43,253 | 70 | 10,775 |
| Eton | Industrial | | 100 | 100 | | 0 | | 0 |
| | Irrigation | | 52,772 | 52,392 | | 20,533 | | 518 |
| | Urban | | 176 | 176 | | 47 | | 0 |
| | Other | | 126 | 128 | | 14 | | 0 |
| | SunWater | | 9,389 | 9,389 | | 8,192 | | 0 |
| | Total | 332 | 62,563 | 62,185 | 99 | 28,785 | 46 | 518 |
| Julius Dam | Industrial | | 30,100 | 38,000 | | 10,846 | | 9,889 |
| | Urban | | 7,900 | 0 | | 0 | | 0 |
| | SunWater | | 10,850 | 10,850 | | 2 | | 0 |
| | Total | 5 | 48,850 | 48,850 | 100 | 10,848 | 22 | 9,889 |
| Lower Fitzroy | Industrial | | 24,008 | 24,010 | | 18,002 | | 2 |
| | Irrigation | | 3,101 | 3,213 | | 0 | | 0 |
| | Other | | 39 | 109 | | 100 | | 76 |
| | SunWater | | 1,473 | 1,289 | | 2 | | 0 |
| | Total | 25 | 28,621 | 28,621 | 100 | 18,104 | 63 | 78 |
| Macintyre Brook | Industrial | | 217 | 217 | | 0 | | 0 |
| | Irrigation | | 17,112 | 11,273 | | 7,804 | | 1,839 |
| | Urban | | 202 | 1,757 | | 229 | | 4 |
| | Other | | 6,400 | 6,400 | | 478 | | 0 |
| | SunWater | | 1,066 | 8,416 | | 2,647 | | 2,561 |
| | Total | 101 | 24,997 | 28,063 | 112 | 11,158 | 45 | 4,404 |
| Maranoa River | Irrigation | | 800 | 800 | | 1 | | 0 |
| | SunWater | | 5 | 5 | | 0 | | 0 |
| | Total | 4 | 805 | 805 | 0 | 1 | 0 | 0 |

| Scheme | Customer Segment | No. of Customers | Water Entitlements (ML) | Available Water (ML) | Available Water (%) | Water Deliveries (ML) | Water Deliveries (%) | TT Purchase Volume (ML) |
|------------------|------------------|------------------|-------------------------|----------------------|---------------------|-----------------------|----------------------|-------------------------|
| Mareeba Dimbulah | Industrial | | 1,351 | 1,503 | | 862 | | 303 |
| | Irrigation | | 151,412 | 162,598 | | 119,564 | | 34,089 |
| | Urban | | 6,655 | 6,658 | | 4,334 | | 411 |
| | SunWater | | 45,006 | 45,019 | | 31,113 | | 15 |
| | Total | 1,132 | 204,425 | 215,778 | 106 | 155,874 | 76 | 34,818 |
| Lower Mary River | Industrial | | 70 | 70 | | 0 | | 0 |
| | Irrigation | | 19,327 | 22,372 | | 6,540 | | 288 |
| | Urban | | 120 | 120 | | 65 | | 0 |
| | SunWater | | 10,892 | 8,252 | | 1,222 | | 360 |
| | Total | 169 | 30,409 | 30,814 | 101 | 7,827 | 26 | 648 |
| Nogoa Mackenzie | Industrial | | 27,821 | 26,804 | | 12,635 | | 200 |
| | Irrigation | | 160,132 | 186,935 | | 136,690 | | 59,633 |
| | Urban | | 7,384 | 7,786 | | 6,949 | | 370 |
| | Other | | 0 | 382 | | 221 | | 10 |
| | SunWater | | 35,183 | 32,056 | | 658 | | 4 |
| | Total | 393 | 230,520 | 253,963 | 110 | 157,152 | 68 | 60,216 |
| Pioneer River | Industrial | | 1,920 | 1,920 | | 1,388 | | 215 |
| | Irrigation | | 47,390 | 48,535 | | 15,847 | | 678 |
| | Urban | | 16,520 | 16,520 | | 13,157 | | 0 |
| | SunWater | | 12,280 | 11,284 | | 4 | | 4 |
| | Total | 24 | 78,110 | 78,259 | 100 | 30,396 | 48 | 897 |
| Proserpine River | Industrial | | 550 | 597 | | 337 | | 0 |
| | Irrigation | | 42,017 | 48,941 | | 29,792 | | 4,198 |
| | Urban | | 10,992 | 11,133 | | 6,296 | | 0 |
| | SunWater | | 9,317 | 6,765 | | 0 | | 0 |
| | Total | 94 | 62,876 | 67,435 | 107 | 36,424 | 58 | 4,198 |
| St George | Industrial | | 60 | 98 | | 6 | | 0 |
| | Irrigation | | 71,770 | 84,050 | | 78,334 | | 10,825 |
| | Urban | | 3,024 | 1,422 | | 1,217 | | 0 |
| | SunWater | | 9,721 | 13,601 | | 10,669 | | 200 |
| | Total | 166 | 84,575 | 99,171 | 117 | 90,226 | 107 | 11,024 |
| Three Moon Creek | Irrigation | | 14,124 | 14,124 | | 5,273 | | 1,525 |
| | Urban | | 610 | 610 | | 218 | | 0 |
| | Total | 92 | 14,734 | 14,734 | 100 | 5,491 | 37 | 1,525 |

| Scheme | Customer Segment | No. of Customers | Water Entitlements (ML) | Available Water (ML) | Available Water (%) | Water Deliveries (ML) | Water Deliveries (%) | TT Purchase Volume (ML) |
|-----------------|------------------|------------------|-------------------------|----------------------|---------------------|-----------------------|----------------------|-------------------------|
| Upper Burnett | Industrial | | 119 | 119 | | 36 | | 0 |
| | Irrigation | | 28,469 | 33,058 | | 14,436 | | 1,199 |
| | Urban | | 1,930 | 1,920 | | 780 | | 0 |
| | SunWater | | 18,032 | 13,766 | | 2 | | 67 |
| | Total | 161 | 48,550 | 48,863 | 101 | 15,253 | 31 | 1,266 |
| Upper Condamine | Irrigation | | 30,363 | 22,040 | | 40,759 | | 5,249 |
| | Urban | | 3,332 | 3,332 | | 1,708 | | 0 |
| | Other | | 4 | 4 | | 1 | | 0 |
| | SunWater | | 261 | 176 | | 0 | | 125 |
| | Total | 95 | 33,960 | 25,552 | 75 | 42,469 | 125 | 5,374 |
| Total | | 5,147 | 2,618,407 | 2,778,625 | 105 | 1,655,981 | 64 | 238,702 |

NOTES

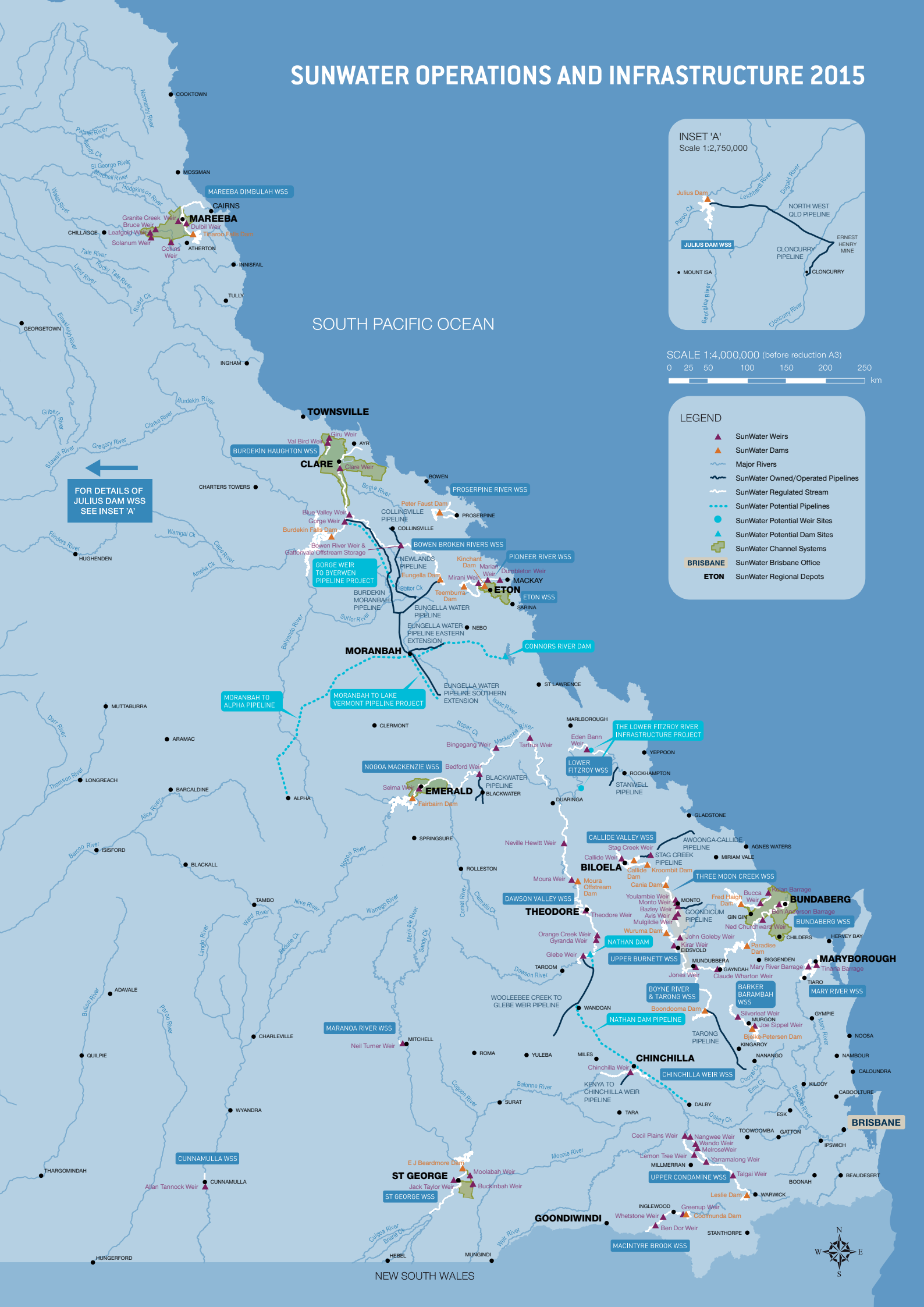
1. Water entitlements are as at 30 June 2015
2. All reporting is preliminary with final reporting being provided to DEWS
3. Available Water, Water Deliveries and Temporary Transfers are for the most recently completed water year. This is the year ending 30.9.2014 for Dawson Valley, 31.3.2015 for Eton and 30.6.2015 for all other schemes
4. Riparian allowance, channel harvesting, river harvesting etc are excluded from all figures
5. Water deliveries include Risk-A water in Upper Condamine
6. Available water % scheme totals are consolidated from all scheme sectors and may include products available for that scheme including carryover water
7. Water deliveries % scheme totals are consolidated from all scheme sectors
8. Water entitlements for Eton WSS include water entitlements with a priority type of "Risk"

SUNWATER DAM STATISTICS

| Dam name | Stream name | Lake 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 | Lake Kajarabie | St George | Earthfill embankment and mass concrete (vertical lift gates) | 12.1 | 81,700 | 2850 | 1972 |
| Bjelke-Petersen | Barker Creek | Lake Barambah | Murgon | Earth and rockfill embankment | 26.3 | 134,900 | 2250 | 1988 |
| Boondooma | Boyne River | Lake Boondooma | Proston | Concrete-faced rockfill | 47.8 | 204,200 | 1815 | 1982 |
| Burdekin Falls | Burdekin River | Lake Dalrymple | Ravenswood | Mass concrete gravity | 40.0 | 1,860,000 | 22,000 | 1987 |
| Callide | Callide Creek | Callide Reservoir | Biloela | Earthfill embankment and mass concrete (radial gates) | 34.8 | 136,300 | 1240 | 1965–88 |
| Cania | Three Moon Creek | Lake Cania | Monto | Earth and rockfill embankment | 40.1 | 88,500 | 760 | 1982 |
| Coolmunda | Macintyre Brook | Lake Coolmunda | Inglewood | Earthfill embankment and mass concrete spillway (radial gates) | 16.1 | 69,000 | 1645 | 1968 |
| Eungella | Broken River | Eungella Reservoir | Eungella | Earth and rockfill embankment | 39.6 | 112,400 | 848 | 1968 |
| Fairbairn | Nogoa River | Lake Maraboon | Emerald | Earthfill embankment | 31.7 | 1,301,000 | 15,000 | 1972 |
| Fred Haigh | Kolan River | Lake Monduran | Gin Gin | Earth and rockfill embankment | 43.0 | 562,000 | 5345 | 1975 |
| Julius | Leichhardt River | Lake Julius | Mount Isa | Multiple arch concrete buttress | 25.2 | 107,500 | 1255 | 1976 |
| Kinchant | Sandy Creek (North Branch) – water harvested from Pioneer River | Lake Kinchant | North Eton | Earthfill embankment | 18.1 | 62,800 | 920 | 1974–86 |
| Kroombit | Kroombit Creek | - | Biloela | Earth and rockfill embankment and roller compacted concrete spillway | 18.6 | 14,600 | 289 | 1992 |
| Leslie | Sandy Creek | Lake Leslie | Warwick | Mass concrete (radial gates) | 28.9 | 106,200 | 1288 | 1965–86 |
| Paradise* | Burnett River | Lake Paradise | Biggenden | Roller compacted concrete | 37.1 | 300,560 | 2950 | 2005 |
| Peter Faust | Proserpine River | Lake Proserpine | Proserpine | Earth and rockfill embankment | 39.6 | 491,400 | 4325 | 1990 |
| Teemburra | Teemburra Creek | - | Finch Hatton | Concrete-faced rockfill | 54.0 | 147,500 | 1107 | 1997 |
| Tinaroo Falls | Barron River | Lake Tinaroo | Atherton | Mass concrete | 41.8 | 438,900 | 3500 | 1958 |
| Wuruma | Nogo River | | Eidsvold | Mass concrete | 36.6 | 165,400 | 1639 | 1968 |

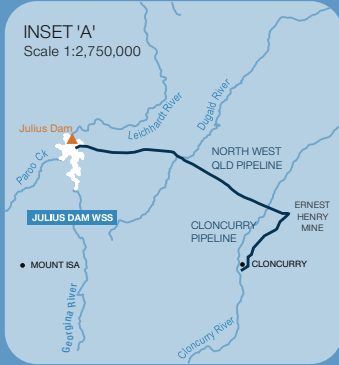
* Owned by Burnett Water Pty Ltd – a subsidiary of SunWater Limited

SUNWATER OPERATIONS AND INFRASTRUCTURE 2015



SOUTH PACIFIC OCEAN

FOR DETAILS OF JULIUS DAM WSS SEE INSET 'A'



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

LEGEND

- ▲ SunWater Weirs
- ▲ SunWater Dams
- Major Rivers
- SunWater Owned/Operated Pipelines
- SunWater Regulated Stream
- - - SunWater Potential Pipelines
- SunWater Potential Weir Sites
- ▲ SunWater Potential Dam Sites
- SunWater Channel Systems
- BRISBANE SunWater Brisbane Office
- ETON SunWater Regional Depots

NEW SOUTH WALES





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Customer Information Line 131589