

2016-17

ANNUAL REPORT





TABLE OF CONTENTS

1	About this report
2	About us
3	Chairman and CEO message
5	Performance highlights
7	Review of operations
25	SunWater governance structure
26	SunWater Board
28	SunWater executive management team
29	Corporate governance
33	Compliance in key areas
36	Summary of other SCI matters
38	Directors' report
40	Auditor's independence declaration
42	Financial report
83	Scheme statistics
86	SunWater dam statistics
87	Glossary
89	SunWater operations and infrastructure map

ABOUT THIS REPORT

This annual report provides a review of SunWater's financial and non-financial performance for the 12 months ended 30 June 2017. The report includes a summary of activities undertaken to meet key performance indicators set out in SunWater's Statement of Corporate Intent 2016-17 (SCI). The SCI represents our performance agreement with our shareholding Ministers and is summarised on pages 7 to 23, 36 and 37 of this report.

This annual report aims to provide information to meet the needs of SunWater stakeholders. An electronic version of this annual report is available on the SunWater website: www.sunwater.com.au

We invite your feedback on our report. Please contact our Stakeholder Relations team by calling 07 3120 0000 or email media@sunwater.com.au.

ABOUT US

SunWater is Queensland's largest bulk water service provider, currently owning and managing water infrastructure assets with a replacement value of around \$13 billion and supplying approximately 40 per cent of all water used commercially in Queensland.

SunWater owns and manages a regional network of bulk water supply infrastructure, supporting more than 5000 customers in the agriculture, local government, mining, power and industrial sectors.

The map at the rear of this report shows SunWater's extensive regional presence in Queensland and highlights our infrastructure network, which includes:

- 19 major dams
- 66 weirs and barrages
- 82 major pumping stations
- 3100 kilometres of pipelines and open channels
- 730 kilometres of drains.

PURPOSE AND VALUES

Purpose statement: Deliver value through water solutions for today and tomorrow.

Our focus is on delivering value to our customers, committing to a strong regional presence and striving to provide innovative water solutions for today and tomorrow.

Our approach is to be agile, accountable and to take action. We do this by:

- constantly reviewing the environment we operate in and being responsive to the changing needs of our customers and stakeholders
- taking ownership for delivering what we promise and being realistic about what we can deliver
- focusing on the structure, capability and capacity needed to deliver value through water solutions for today and tomorrow.

KEY BUSINESS

SunWater's core capabilities include:

- bulk water storage and distribution
- water infrastructure development
- water facilities management
- customer water account management
- flood hydrology and hydraulics
- specialist consulting services including design.

Within SunWater there are three additional operating companies:

- Eungella Water Pipeline Pty Ltd
- North West Queensland Water Pipeline Pty Ltd
- Burnett Water Pty Ltd.

SHAREHOLDERS

SunWater (SunWater Limited) was established under the *Government Owned Corporations Act 1993* (Qld) and is a registered water service provider under the *Water Act 2000*.

As at 30 June 2017, our shareholding Ministers are:

- The Hon Curtis Pitt MP, Treasurer, Minister for Trade and Investment
- The Hon Mark Bailey MP, Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply.

CHAIRMAN AND CEO MESSAGE



“Our focus is genuinely on customer service and regional prosperity, operational excellence and business sustainability”

The Chairman and CEO of SunWater are pleased to provide an overview of the results achieved through the efforts of our staff against the objectives agreed by the Board and Executive Leadership Team for 2016–17.

SunWater provides essential water services into mining, industrial, urban and agricultural communities across Queensland. These services are fundamental to the survival and prosperity of many of these communities. As a government owned service provider this places a very high level of responsibility on the Board and management to ensure that our focus is genuinely on customer service and regional prosperity, operational excellence and business sustainability and that everything we do is ethical and transparent.

In addition to the highlights that follow, the year has been one of challenging how we might do things better and what we need to change in order to be a relevant and valued water solutions business today and for the future.

DELIVERING OUR FY17 STRATEGY

Customer service

In 2016–17, we recognised that we needed to better understand the needs of our customers to deliver value in every aspect of our operations. We have acted on our commitment to step up and listen to our customers and lay the foundations to reshape the way we do business. We recognise that markets, climate and communities are changing around us and we need to make continual step changes in our structure, culture and systems to evolve with the changing needs of our customers.

Weather events

The extremes of our weather this year presented challenges for our business and the many regional communities we support. With much of the State drought declared, we were confronted with a high demand for water and record low water availability in some of our water supply schemes. Authentic partnerships and open dialogue were vital to working through practical response strategies with our customers, particularly irrigators, in a time of water shortage. Ex-Tropical Cyclone Debbie tested the resilience of our business to safely manage concurrent impacts of extreme rainfall on our dams and infrastructure network.

Our 24-hour operations centre was successfully established in late 2016 in readiness for the wet season and provided essential technical advice and support to our operations across the State and early warnings to downstream communities. As with any extreme weather event, it was a test of our systems and resources and our staff managed it with the upmost professionalism and dedication to ensure communications were made and operations were back up and running quickly to ensure continuity of service for our customers. We acknowledge the impacts that the cyclone had on communities, and we are committed to continuing our work with stakeholders to ensure timely and useful community messaging.

Infrastructure for the future

We also continued to make significant progress on our Dam Safety Improvement Program, with \$50.25m invested in priority upgrades at Burdekin Falls, Fairbairn and Paradise dams.

Environmental impact statements for the Nathan Dam and Pipelines Project and Lower Fitzroy Infrastructure Project were approved during the year.

Two business cases were progressed with Building Queensland for Nullinga Dam – led by the Department of Energy and Water Supply – and the Lower Fitzroy River Infrastructure Project, in partnership with Gladstone Area Water Board.

We are working closely with our Shareholders to ensure that any infrastructure investment delivers value for money for Queensland and the communities where it is invested.

The Board welcomed the Shareholders' announcement that SunWater will retain its full year 2016–17 profits in lieu of payment of a dividend of \$36m and that the Queensland Government will provide an equity injection of \$100m which is to be reinvested in the Burdekin Falls Dam Safety Improvement Project.

Local management arrangements

This year we continued to support the investigation and transition phases of local management arrangements for eight irrigation schemes. The opportunity to be transparent with all aspects of our business has opened up the door of our engine room to our customers and allowed them to assess our capability and efficiency in preparing their business cases. We remain committed to supporting all of the schemes as they work through the process.



Safety

It is a priority for SunWater that everyone goes home safe, every day. This philosophy permeates beyond our own people through to our contractors and communities that access our recreation facilities. This year we focused on safety leadership and culture with an improvement in safety reporting, process and analysis, specifically analysing high potential near misses that could lead to serious injuries or fatalities. Some of our focus areas have included on the job hazard identification and risk control, fostering strong safety leadership at line management level and building a culture of safety responsibility and safety accountability at all levels of the organisation. We are constantly focused on learning and continuous improvement to ensure we do not become complacent, given our current outstanding track record in safety.

Structure and governance

We have aligned the organisational structure with our purpose and strategy and improved governance arrangements across SunWater to better reflect the needs of a contemporary, transparent water business and to ensure that we operate as One SunWater.

OUR FOCUS FOR FY18

Our key focus areas in 2017–18 are:

- We are committed to strengthening relationships with our customers, through open and transparent communications to better address their needs and provide a better understanding of our business in providing our services.
- Striving for efficiency by optimising our cost structure and ensuring our business systems and processes are efficient, sustainable and improve productivity, leveraging our existing assets and capabilities to grow our revenue base and support the regional communities in which we operate. Water is the most precious natural resource and its vulnerability needs to be managed with care. Drought resilience and increasing climate variability will be at the forefront of our forward planning and customer strategy.
- Building strong capable leaders to support a culture of high performance, where people are valued and work together and where everyone takes responsibility.

We will continue on our journey of transformation to keep up with our customers and the external environment and leverage off the foundations we are building from. We are excited by what we are positioned to achieve for our customers, community and Shareholders. It's important that we make the most of the opportunities available to us.

Our commitment for the future is threefold: to be agile in our response to changing needs and our business environment, accountable to our customers and Shareholders, and to take action to deliver water solutions for today and tomorrow.

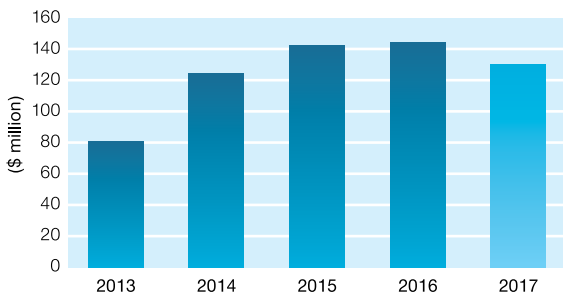
LEITH BOULLY
Chairman

NICOLE HOLLOWES
Chief Executive

PERFORMANCE HIGHLIGHTS

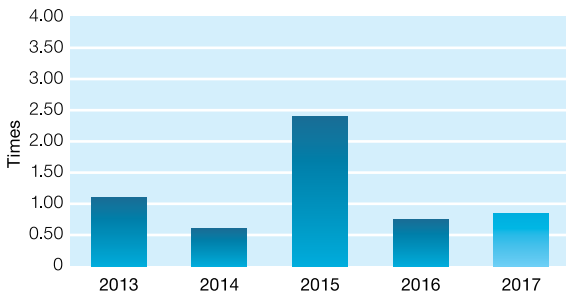
Group revenue showed a steady increase of 2 per cent over the prior year. Savings in financing costs and a reduction in the impairment of assets helped drive a strong increase in NPAT of 24 per cent. The cash position and current ratio highlights the robust performance of the Group whilst contributing \$289m to shareholding Ministers in November 2016 through a special dividend and return of contributed equity.

EBITDA



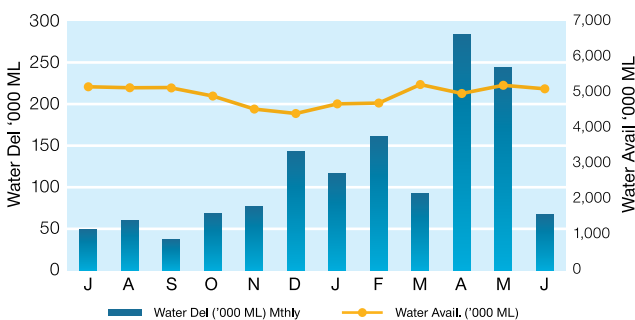
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) has fallen 10% over the year primarily due to the significant progress made on Fairbairn Dam Safety Improvement Project (\$23m as an operating expenditure).

CURRENT RATIO



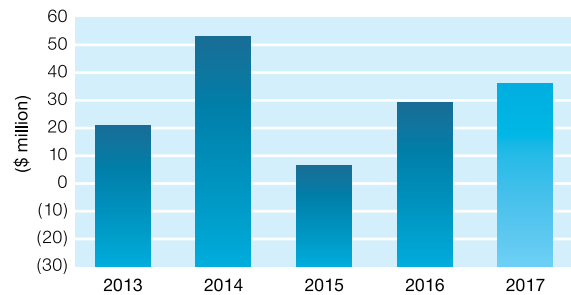
The current ratio has steadily improved in 2016–17. The drop in 2015–16 reflected the \$289m in current liabilities for the special dividend and return of contributed equity which was paid in November 2016.

WATER – AVAILABLE AND DELIVERED



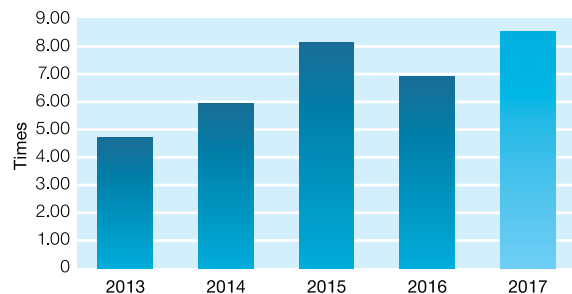
A number of SunWater storages were replenished following significant rainfall during March 2017 from Tropical Cycle Debbie, resulting in some dams reaching full supply capacity.

NET PROFIT AFTER TAX



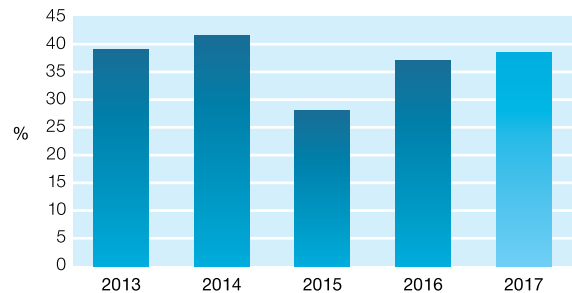
The Group's Net Profit After Tax (NPAT) has increased by 24% to \$36m and was in line with the budget expectation.

EBITDA INTEREST COVER



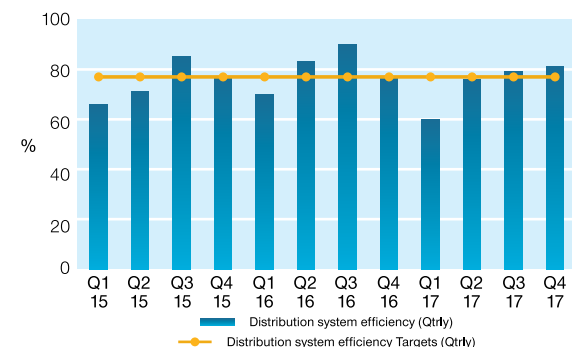
The EBITDA Interest Cover ratio improved by 24% during 2016–17 due to a rationalisation of Queensland Treasury Corporation loan facilities resulting in lower borrowing costs.

MARKET GEARING



Market Gearing (Debt/(Debt + Equity)) has marginally increased during the year following a \$40m debt drawdown.

DISTRIBUTION SYSTEM EFFICIENCY



SunWater managed channel shutdowns in 2016–17 in order to achieve an average channel distribution efficiency of 74% which was below the target of 77%.

KEY HIGHLIGHTS

Work with Shareholders on future-focused planning



- Developed corporate strategy and roadmap and workshopped with Shareholders
- Established business development strategy and developed an action plan
- Developed a transition plan for potential local management arrangements

Prudent and efficient management



- Restructured the business to improve service delivery
- Expanded stakeholder engagement to better understand their requirements to underpin our investment prioritisation criteria for developing Network Services Plans
- Worked closely with Banana Shire Council and other agencies to implement Inspector-General Emergency Management recommendations for the Callide Creek Flood Review and the review of warnings communications
- Worked with the Department of Energy and Water Supply to investigate feasibility of operating Callide Dam as a flood mitigation dam
- Progressed the Emergency Management Improvement Project, including establishing the Operations Centre to monitor and manage dam safety events

Operations and infrastructure management



- Burdekin Falls Dam Foundation Drainage Improvement Project contract awarded and works commenced
- Fairbairn Dam Spillway Improvement Project business case completed, first stage improvement works completed and second stage improvement works commenced
- Boondooma Dam Flood Repair Project business case completed, contract awarded and works commenced
- Dam Safety Improvement Program and flood repair works progressing across Burdekin, Paradise, Fairbairn and Boondooma dams

Meet the bulk water supply needs of regional Queensland



- Completed environmental impact statements for Nathan Dam and Pipelines Project and the Lower Fitzroy River Infrastructure Project
- Engaged customers in focus groups from a cross-section of water supply schemes
- Submitted applications for four National Water Infrastructure Development Fund projects
- Worked with Gladstone Area Water Board to develop an environmental impact statement and business case framework for the Lower Fitzroy River Infrastructure Project including progressing business case with Building Queensland

Organisational capacity and workplace capability



- Implemented culture and leadership capability programs across the business
- Offered staff opportunities to enhance leadership and wellbeing

Health, safety, environment and quality



- Continuously improved health, safety, quality and environmental systems
- Maintained international standards for safety, environment and quality standards



REVIEW OF OPERATIONS

Working closely with stakeholders



Gin Gin channel in the Bundaberg Water Supply Scheme

LOCAL MANAGEMENT ARRANGEMENTS

In October 2015, the Queensland Government announced its decision to transition up to eight SunWater channel irrigation schemes to local management arrangements (LMA). Local management will place the channel irrigation schemes under the ownership and operation of newly established boards comprising local irrigators and business representatives who benefit from the schemes.

The current path to transition consists of two concurrent phases:

- **Transition schemes:** Special purpose companies have been established for the Eton, Emerald, St George and Theodore schemes. They are undertaking due diligence reviews and discussing with Government the terms and conditions of an ownership transfer. It is likely these discussions will be completed by 31 October 2017. Subject to due diligence and sufficient customer support, ownership of the schemes is likely to transfer 1 July 2018.
- **Investigation schemes:** Interim Boards have been established for the Bundaberg, Burdekin Haughton, Lower Mary and Mareeba Dimbulah schemes to determine the suitability of similar LMA terms and conditions. The Interim Boards are preparing business proposals for Government consideration by 31 October 2017.

BUSINESS DEVELOPMENT STRATEGY

SunWater has developed a corporate strategy and a revised business development strategy to grow operations, revenue base and profit. Whilst core business activities such as new bulk water storage infrastructure and supply pipelines form the basis of SunWater's platform for growth, the strategy is seeking to extend service offerings to our customers that leverage our core competencies.

Electricity and water supply are inextricably linked given pumping costs attached to water distribution across the majority of SunWater's water supply schemes. The revised business development strategy recognises this relationship and will consider ways SunWater can apply renewable energy to supplement power consumption across

our operations, particularly through solar and to a lesser extent mini hydro. SunWater continues to work with other Queensland Government entities such as Stanwell to progress large-scale hydro projects across the State, with Burdekin Falls Dam Hydro Power Station currently under investigation.

The strategy also seeks to capitalise on funding programs for water and energy, with several applications made under the National Water Infrastructure Development Fund in 2017 for channel efficiency upgrades in Mareeba and Emerald and new off-stream storage infrastructure in the Lower Mary River Water Supply Scheme.

ROSS RIVER DAM CONTRACT RENEWAL

On 30 April 2017, SunWater entered into a renewed facility management contract with Townsville City Council for the operation of Ross River Dam. The contract includes the provision of operations management, maintenance, and refurbishment services.

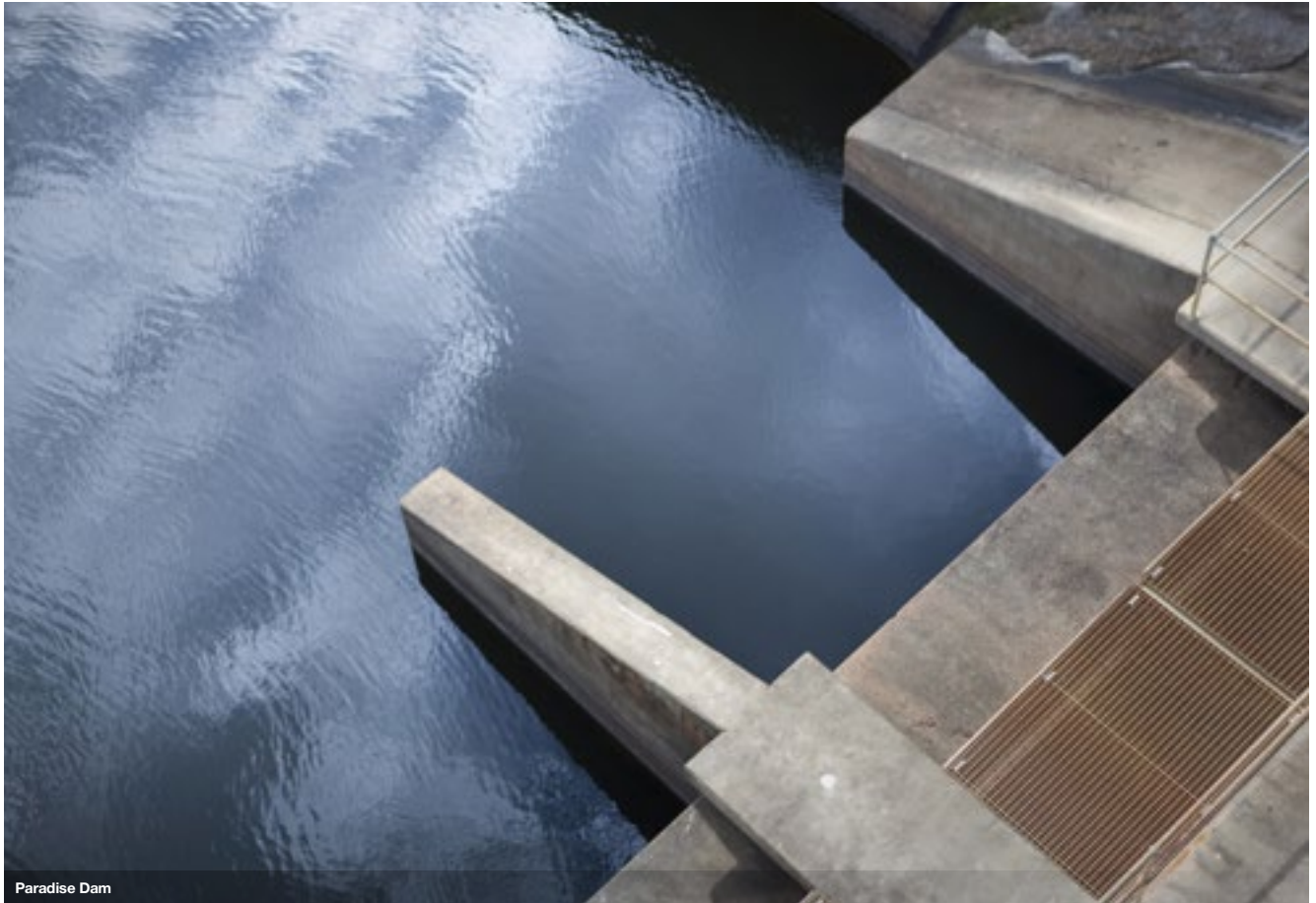


Fred Haigh Dam, near Gin Gin



REVIEW OF OPERATIONS CONTINUED

Prudent and efficient management



Paradise Dam

INFRASTRUCTURE MAINTAINED TO REFLECT CUSTOMER AND QUEENSLAND COMPETITION AUTHORITY REQUIREMENTS

SunWater has in place asset management strategies and plans that ensure all infrastructure is maintained, repaired and refurbished in accordance with regulatory and legislative requirements. We regularly engage with customers and seek feedback on operations and infrastructure through Irrigator Advisory Committees and Network Service Plans. SunWater's accreditation in Quality AS/NZS 9001, Environment AS/NZS 14001, and Safety AS/NZS 4801 provides the necessary framework for our infrastructure management and maintenance processes.

INSURANCE RENEWAL PROGRAM

SunWater renews its extensive insurance portfolio each year as part of our business risk mitigation strategy. Having sufficient insurance coverage supports SunWater's key strategy of a sustainable business by embedding risk and opportunity management in the business.

As a prudent owner of commercial infrastructure assets, SunWater has appropriate insurance policies to provide protection against residual business risks. Our insurance portfolio enables us to manage financial risk through risk identification and placing required insurances at the appropriate level with reputable insurers.

SunWater reviews its insurance requirements annually in accordance with its enterprise risk management policy. The review assesses the adequacy of the policies in force, their coverage in the context of the current business environment, any terms and conditions and policy limits, claims performance, as well as the performance of the current providers. Recommendations to renew or seek a more competitive offer are made to the Audit, Finance and Risk Committee who in turn recommend any changes to the Board.

CALLIDE CREEK FLOOD REVIEW

In response to the Inspector-General Emergency Management (IGEM) 2015 Callide Creek Flood Review that followed Tropical Cyclone Marcia in February 2015, SunWater has worked closely with related agencies and the Banana Shire Council (BSC) to improve the following in 2016:

- forecasting and flood impact modelling capability, including additional gauging stations and data network and information
- early communication and timely flood warnings downstream from Callide and Kroombit dams, and liaison and coordination with disaster management agencies
- joint warning strategies with BSC and disaster management agencies, including clearer and consistent message content, alignment of warning triggers and levels, and pre-formatted alert messaging tested with the State Disaster Coordination Centre
- a multi-channel warning system for residents downstream of Callide and Kroombit dams (improved communication tools using SMS messaging, the SunWater mobile app, social media, website updates, and emergency alert messaging through the State Disaster Coordination Centre)
- public education and information, including dam operations and potential impacts for various dam outflows (SunWater), and catchment-wide flood impacts and risks and disaster management arrangements (BSC).

The remaining recommendation was for the Department of Energy and Water Supply (DEWS) and SunWater to determine whether it was feasible or not to operate Callide Dam as a flood mitigation dam. Significant studies have been completed, with short-listed options reviewed further. These include lowering the maximum operating level, allowing for early releases from the dam through manual gate operations, and a combination of these options. At the time of writing, the Callide Valley Flood Mitigation Study is being finalised, with submission to Government expected in the second half of calendar year 2017.

This work has included extensive community consultation to present short-listed options and allow discussion and feedback. Community consultation activities have included: the establishment of a Community Reference Group facilitated by an independent chair, issue of regular newsletters, an information stall present at the Biloela Show Day in May 2017, household meetings with key flood-affected residents, and community open days held at Jambin and Biloela in June 2017.

EMERGENCY MANAGEMENT RESPONSE FOR FLOOD OPERATIONS

In response to the 2015 IGEM Review of Seqwater and SunWater Warnings Communications, SunWater established the Emergency Management Improvement Project in March 2016, to implement recommendations for improved messaging, education and information for downstream communities, and improved disaster operations.

The program is designed to significantly advance SunWater's capabilities in flood modelling, improve cross-agency coordination and implement world-class approaches to provide information to downstream residents and increase community preparedness.

This Emergency Management Response Program consists of four parts:

- increased information and data availability (internal and external), and flood impact mapping
- additional catchment monitoring and gauging station infrastructure
- improved hydrologic (forecasting) modelling capability
- improved warnings and communication tools.

The Emergency Management Improvement Project will complete the original priority scope by the end of 2017, with some additional lower risk scope proposed by mid-2018.

As part of the program, SunWater has established a dedicated centre to monitor weather and dam levels and respond to any dam safety events. The Operations Centre was launched in November 2016 and operates 365 days a year to continuously monitor weather and dam levels, respond to any dam safety events, provide early and improved warning communications, and provide a point of contact for disaster management groups. The Operations Centre successfully managed the Ex-Tropical Cyclone Debbie weather event during March 2017 and was the focal point for SunWater's emergency response.

To ensure the benefits of the Emergency Management Response Program initiatives are maximised, SunWater has planned a program of community engagement and education to be rolled out in 2017–18 and is working closely with local authorities to ensure a coordinated approach to community messaging.

EMERGENCY ACTION PLAN REVIEWS

In 2016–17, SunWater reviewed, updated and implemented 17 of 24 Emergency Action Plans (22 SunWater dam EAPs and two non-SunWater-owned dam EAPs) and emergency event staff were provided with relevant training.



REVIEW OF OPERATIONS CONTINUED

Operations and infrastructure management

DAM SAFETY IMPROVEMENT PROGRAM

SunWater remains focused on dam safety, and in 2016–17 we continued to formalise and refine dam management practices that encompass safe and reliable water supply for customers as well as the welfare of the downstream communities.

SunWater’s dams are managed in accordance with the requirements of Queensland’s Dam Safety Regulator and relevant national and international guidelines. Our Dam Safety Management Program is comprehensive and includes annual and five-yearly inspections and risk assessments of 22 dams.

As part of our commitment to dam safety, SunWater has in place a Dam Safety Improvement Program to ensure our dams meet modern standards and are able to safely hold and release water during periods of extreme rainfall.

Since 2006, SunWater has completed six dam safety improvement projects at Fred Haigh Dam, Bjelke-Petersen Dam, Tinaroo Falls Dam, Kinchant Dam, Eungella Dam, and the first stage of Fairbairn Dam.

In 2016–17, SunWater continued dam safety improvement works at Paradise Dam and Fairbairn Dam and commenced works at Burdekin Falls Dam. More detail about each of these projects is available on pages 11 and 12.

An update to SunWater’s Portfolio Risk Assessment and Dam Safety Improvement Program, including project priorities, time frames and estimated costs, was completed in July 2017.

SunWater invested \$81m in the Dam Safety Improvement Program in 2016–17, with a further investment of \$809m planned over the next 10 years. Investment in the program continues to benefit regional communities through job creation and supply contracts.

PARADISE DAM SAFETY IMPROVEMENT

Improvement works at Paradise Dam, located south-west of Bundaberg, continued in 2016–17. The works are part of an ongoing program of improvement works to ensure that the Paradise Dam spillway continues to function efficiently and to help minimise the impact of extreme weather events in the future.

The first phase of improvement works at Paradise Dam was completed in February 2017. Works were completed later than scheduled and over budget due to necessary scope changes that were identified during construction.

The first phase of works included:

- initial strengthening of the toes of two of the dam’s monoliths (D and K) by installing anchors and overlaying with reinforced concrete
- construction of a permanent access culvert.

In March 2017, SunWater commenced the direct management phase of works, which involve further strengthening of Paradise Dam’s monoliths D and K. These works are expected to be completed by October 2017.

Planning is currently underway for the next phase of work due to commence in early 2019.



Paradise Dam, near Biggenden



Fairbairn Dam, near Emerald in Central Queensland

FAIRBAIRN DAM SPILLWAY SAFETY IMPROVEMENT

The first stage of the Fairbairn Dam Spillway Improvement Project was completed in December 2016. The second stage commenced in April 2017 and is scheduled for completion in late 2018. Both stages of the improvement project involve work on the spillway chute that will ensure the dam continues to function as designed and meets modern design standards.

The improvement works involve:

- modification of spillway chute drain outlets
- repair and replacement of blocked drains
- replacement of the steel anchors holding down spillway chute slabs
- filling of any voids under the concrete slabs of the spillway
- construction of a reinforced concrete overlay to accommodate the steel anchors.

BURDEKIN FALLS DAM SADDLE DAM AND MONOLITH IMPROVEMENT

The Burdekin Falls Dam Saddle Dam and Monolith Improvement Project is being undertaken to increase the strength and design capacity of the spillway and reduce the risk of the saddle dams overtopping during an extreme flood event.

The project involves:

- increasing the stability of the main dam monoliths
- raising the left bank saddle dam and Mount Graham North and South saddle dams to reduce the risk of overtopping.

A high-level business case was completed in early 2017, and a more detailed business case is being developed by Building Queensland and is scheduled for completion in October 2017. Construction is expected to commence in late 2018, with completion due by late 2020.

BURDEKIN FALLS DAM FOUNDATION DRAINAGE IMPROVEMENT

The Burdekin Falls Dam Foundation Drainage Improvement Project involves an upgrade of the dam's foundation drainage system. The works will improve the efficiency of the dam's drainage to ensure it continues to safely pass large volumes of water during flood events. These works are currently underway and scheduled for completion in October 2017.

Construction involves:

- upgrading the existing lower gallery foundation drainage system to increase efficiency
- the installation of additional drainage in the lower gallery
- the installation of new drainage within the downstream section of the spillway.



REVIEW OF OPERATIONS CONTINUED

BOONDOOMA DAM FLOOD REPAIRS

In 2011, floods caused extensive damage to the Boondooma Dam spillway chute as well as significant downstream scouring. The damage was further exacerbated by the 2013 floods. SunWater commenced flood repair work at Boondooma Dam in January 2017.

The project will ensure the dam continues to meet dam safety guidelines and other regulatory requirements whilst ensuring the security of water supply for Tarong Power Station and irrigation customers.

Works will focus on controlling the rate of future scouring by stabilising the right bank of the spillway, constructing a secondary erosion control structure and strengthening the existing spillway crest.

The project is currently under construction and scheduled for completion by October 2017.

CUSTOMER SUPPORT

In 2016–17, SunWater focused on improving the transparency of information for customers. SunWater operates a 24/7 customer support centre, taking 15,192 telephone calls from customers in 2016–17, up slightly from the previous two years of 14,468 and 15,143 calls respectively.

On average, 60 per cent of calls are customer enquiries about water accounts and billing, 30 per cent are from solicitors or customers regarding permanent water/property transfers and the remaining 10 per cent are community enquiries regarding flood events, recreation and public safety.

RESPONSIVE CUSTOMER COMMUNICATION

In 2016–17, SunWater worked to improve communications to meet customer expectations and needs. In consultation with the irrigation advisory committees, it was identified what type of information is of most value to customers' businesses and how we could make it more relevant and more readily available to them.

A paper-based newsletter was replaced with more targeted, scheme-specific information sent via email, allowing the sharing of more relevant and timely information. We received a positive response from customers about the simplicity and immediacy of receiving information by SMS and in response we started to better leverage our existing SMS capabilities to provide quick and easy notifications. We have seen a significant reduction in overuse of water allocations by introducing a new quarterly SMS notification for customers who have used 80 per cent of their water allocation. This initiative makes it easier for customers to track their water use.

Communication to irrigation customers during drought was also significantly improved this year. The pressures of extreme drought conditions and reduced water availability prompted us to significantly improve the timing, frequency and quality of information provided to customers during periods of low water availability.

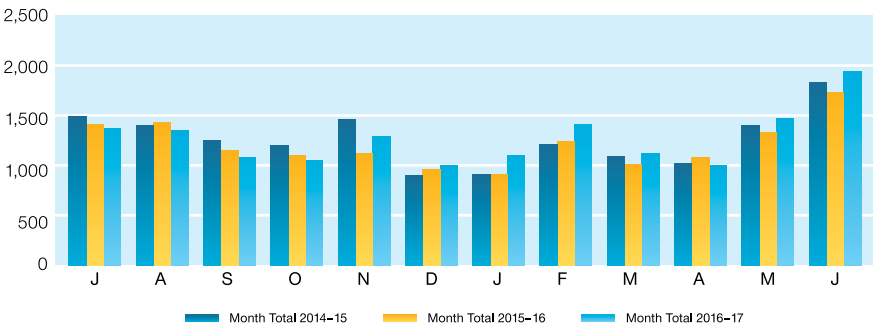
IRRIGATOR ADVISORY COMMITTEES

The majority of SunWater's customers are irrigators and an important way for us to engage with customers is through Irrigator Advisory Committees (IACs). IACs are elected by the water allocation holders in each scheme. IACs represent the interests of the broader irrigation customer base for each scheme and provide SunWater with a mechanism to engage and discuss scheme operational issues with irrigators.

IAC meetings are held on a regular basis and minutes are published on SunWater's website for all customers to access. The key issues IACs dealt with in 2016–17 related to water supply restrictions resulting from dry conditions in several schemes and feedback on SunWater's Network Service Plans. Network Service Plans provide transparency across SunWater's works programs and offer an opportunity for customers to influence operations and asset renewal projects within their schemes.

Consultation with the IACs regarding water availability and water products, including refining scheme rules and targets in line with customers' expectations and needs, will continue during the coming year.

CUSTOMER SUPPORT TELEPHONE STATISTICS





Callide Dam reservoir, near Biloela

BEDFORD WEIR CORONIAL INQUEST RECOMMENDATIONS

In November 2008, an inflatable rubber fabridam located at Bedford Weir in Central Queensland unexpectedly deflated. The deflation caused a large volume of water to rapidly spill over the weir resulting in the death of a child swimming downstream.

SunWater acknowledges the tragedy of this incident and our thoughts remain with the family of the deceased. We remain committed to the safety of our staff, customers and the community as our first priority.

In 2016–17 SunWater continued to implement the recommendations made by the 2015 coronial inquest to ensure there is not a recurrence of this type of event.

In accordance with the coroner's recommendations, SunWater has undertaken the following actions.

- SunWater has consulted with customers on options for replacing the rubber fabridams with alternative structures. Based on customer feedback SunWater does not currently plan to replace fabridams but will review the option in 2018–19 prior to the Queensland Competition Authority recommending SunWater's new pricing structure.
- SunWater implemented a program to permanently remove all fabridams. To date:
 - Fabridams at the Claude Wharton Weir were successfully removed in December 2016.
 - One fabridam at Bedford Weir has been removed and a second has been deflated and is expected to be removed by September 2017. Safe removal is dependent on river conditions and may be subject to delays.
 - Fabridams at Mirani Weir and Dumbleton Weir have been deflated and are expected to be removed in late 2017. Both weirs have been overtopping consistently and there has not been an opportunity to-date to conduct the works.
- Signage has been installed downstream of SunWater dams and weirs to warn the public of dangers.



REVIEW OF OPERATIONS CONTINUED

Meet the bulk water supply needs of regional Queensland

MAXIMUM WATER AVAILABILITY

The total volume of water held in SunWater storages at the beginning of 2016–17 was approximately 4,866,000 ML, which is 73 per cent of the total full supply volume of all SunWater dams of 6,715,281 ML.

The State experienced below average rainfall especially in northern Queensland, with very dry conditions during December 2016 and above average mean maximum temperatures.

Ex-Tropical Cyclone Debbie produced heavy rainfall and riverine flooding to central and south-eastern Queensland during March 2017. This resulted in minor to moderate flows into some SunWater storages with a number reaching full supply capacity or spilling.

The volume of water held in all SunWater storages at 30 June 2017 totalled approximately 5,074,000 ML, which is 76 per cent of the full supply of all SunWater storages.

Throughout 2016–17, high priority announced water allocations were 100 per cent for all water supply schemes and medium priority allocations were above 80 per cent for most schemes.

NETWORK SERVICE PLAN ANNUAL PERFORMANCE REPORTS

SunWater met commitments to improve transparency around the cost of providing water services by publishing 30 network service plans. Published before the beginning of each financial year and tabled with customers, the plans outline the routine and non-routine activities to take place within each water supply scheme in the coming year. Projected costs are compared to the targets set by the Queensland Competition Authority in 2012 and feedback is sought from customers and incorporated into the plans before final versions are published.

In November each year, SunWater also publishes a performance report that compares the original projections with the actual results for the financial year.

COMMERCIAL BUSINESS OPPORTUNITIES

SunWater's commercial customers represent around 11 per cent of the total customer base and range from coal and gas companies, regional councils, power stations, water boards and industrial businesses.

SunWater has over 850 contracts with approximately 90 urban and industrial customers across 23 schemes and 14 pipelines. Authentic engagement and customer advocacy has continued to be a priority for SunWater and our efforts to be more flexible in our approach has benefited our commercial customers. We have increased the use of monitoring and data to explore potential cost and service efficiencies for our commercial customers and we have been proactive in identifying these opportunities.

SunWater understands the increasing cost of living faced by regional communities and we have continued to provide councils and other urban customers with reliable water supply, prioritised continual cost reviews and, where we can, driven efficiencies to minimise price increases.

Dam safety and emergency management is critical to running a sustainable bulk water business and this year we have taken steps towards better empowering our commercial customers with knowledge to understand our responsibilities and support our efforts to maintain community safety.

NATHAN DAM AND PIPELINES PROJECT

The proposed Nathan Dam and Pipelines Project is aimed at providing long-term, reliable water supplies to mining, power, urban and existing agricultural customers in the Surat Coal Basin and the Dawson sub-region of Central Queensland.

The proposed Nathan Dam site is located upstream of Nathan Gorge on the Dawson River, approximately 70 km downstream of Taroom and 315 km upstream of where the Dawson and Fitzroy rivers meet. The potential capacity of the dam will be 888,312 ML at full supply. The

Nathan Pipeline will be approximately 220 km in length, extending from Nathan Dam through the Dawson-Callide and Surat Coal Basin area to Warra.

Water will be released from the dam downstream to towns and irrigation customers along the Dawson River in order to maintain existing supply arrangements, as well as to supply new mining customers in the Southern Bowen Basin.

On 31 May 2017, the Queensland Coordinator-General released the evaluation report on the environmental impact statement (EIS) and the additional environmental impact study to the Commonwealth under the bilateral agreement, recommending that the project proceed subject to conditions and in accordance with recommendations made in the report.

The Commonwealth Minister for the Environment and Energy has reviewed the Coordinator-General's evaluation report and other materials under the *Environment Protection and Biodiversity Conservation Act 1999* and the project was approved on 13 July 2017, with conditions including a restriction on new water for agriculture.

The EIS documents will provide the basis for statutory approvals required for the project to proceed to construction.

SunWater is liaising with all potential project customers as part of its investigations to ensure their potential water demands are identified and planned for and SunWater has actively involved all stakeholders throughout the project investigations and will continue to do so as they progress.

Project timing will be dependent on the demand expectations of key customers in the mining sector and the completion of a detailed business case to be led by Building Queensland. At this time, there is not sufficient demand to support further development or construction of the project; however, SunWater is confident that demand will increase over the coming years. With environmental approval already granted, the project will still require shareholding Minister approval for it to proceed.

LOWER FITZROY RIVER INFRASTRUCTURE PROJECT

The Lower Fitzroy River Infrastructure Project was established to investigate water storage infrastructure options to secure water for industry, urban, and potentially agricultural customers in the Rockhampton and Gladstone regions.

SunWater and the Gladstone Area Water Board (GAWB) are currently joint proponents while the project is at the business case stage. If the business case is approved, the Government will make a decision on the proponents for the continuation of the project.

SunWater and GAWB have undertaken technical, environmental, social, cultural and economic investigations to secure the approvals to allow development of the infrastructure at a future time.

Investigations have included evaluating the merits of raising the existing Eden Bann Weir and/or building Rookwood Weir to meet the short, medium, and long-term water supply requirements in the Lower Mackenzie-Fitzroy sub-region.

The Fitzroy Basin Water Plan identifies that a nominal volume of 76,000 ML of high priority water is available for water infrastructure on the Fitzroy River.

The project EIS was approved subject to conditions by the Coordinator-General on 8 December 2016 and was subsequently approved by the Commonwealth Minister for the Environment and Energy on 28 February 2017.

Building Queensland is leading the development of the detailed business case for the Lower Fitzroy River Infrastructure Project with support from GAWB and SunWater, with the preferred development option being Rookwood Weir.

The business case for Rookwood Weir will be completed and considered by Government prior to the end of 2017.



The Rookwood Weir site on the Fitzroy River



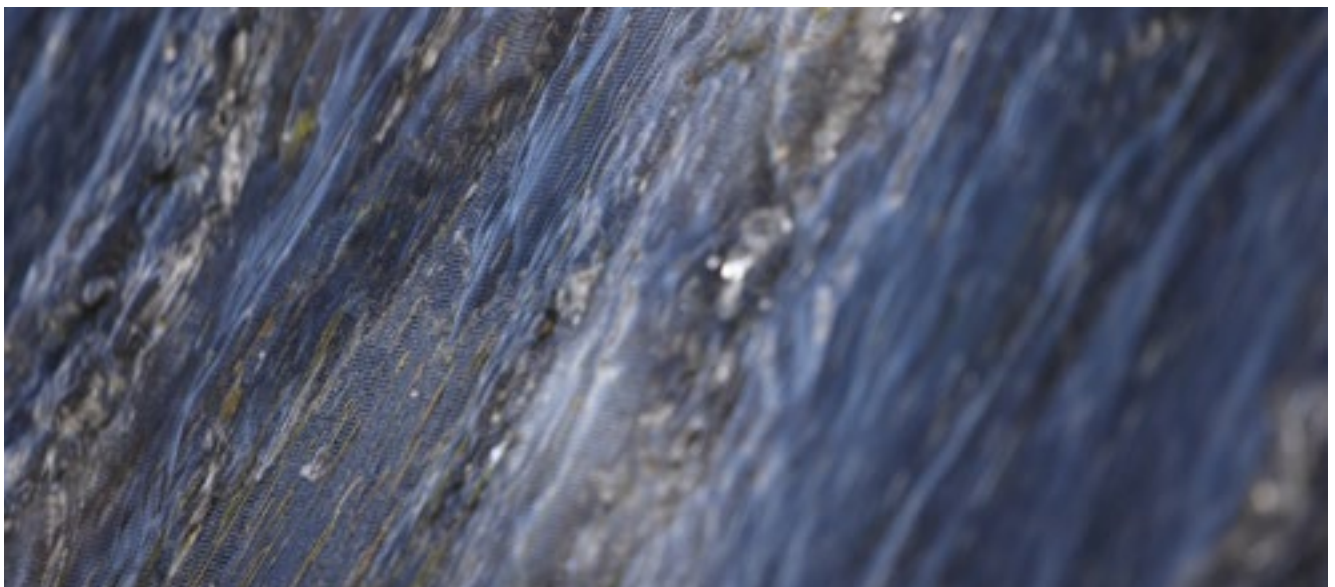
REVIEW OF OPERATIONS CONTINUED

APPLICATION FOR NATIONAL WATER INFRASTRUCTURE DEVELOPMENT FUND PROJECTS

The National Water Infrastructure Development Fund (NWIDF) is an initiative of the Commonwealth Government that aims to facilitate detailed planning to inform water infrastructure investment decisions and accelerate the development of water infrastructure projects which stimulate regional economic activity.

SunWater has the following projects in the NWIDF pipeline:

Project name	Funding SW/DEWS/Other	Project value	Finish date	Status
1. Bundaberg Channels Upgrade Feasibility	NWIDF – feasibility component	\$0.75m	March 2018	Funding awarded & work underway
2. Burdekin Falls Dam Raising Feasibility Study	Department of State Development	\$0.4m	December 2017	Funding awarded & work underway
3. Burdekin Haughton Channel Capacity Upgrade Study	NWIDF – feasibility component	\$1.9m	March 2018	Funding awarded & work underway
4. Lower Fitzroy Infrastructure Project and Rookwood Weir	\$130m NWIDF capital \$2m NWIDF feasibility component	\$260m	Development time frame will be based on Business Case outcomes	Funding awarded & business case underway
5. Mareeba Dimbulah Water Supply Scheme – Efficiency Improvement Project	50% NWIDF capital 50% SunWater	\$28.1m	July 2019	Pending assessment of application
6. Nogoa Mackenzie Water Supply Scheme – Efficiency Improvement Project	50% NWIDF capital 50% SunWater	\$17m	June 2020	Pending assessment of application
7. Nullinga Dam Feasibility Study	NWIDF – feasibility component	\$5m	August 2017	Funding awarded & work underway



BURDEKIN FALLS DAM RAISING FEASIBILITY STUDY

The Department of State Development (DSD) is working closely with SunWater and the Department of Energy and Water Supply (DEWS) to investigate potential demand for new water entitlements in the Burdekin region, to estimate economic benefits and to assess the potential environmental impacts of the works.

The Burdekin Falls Dam Raising Feasibility Study is supported by \$400,000 in funding from the NWIDF and is anticipated to be completed in late 2017.

Following on from DSD studies, SunWater in conjunction with Building Queensland is to complete a detailed business case for the dam raising, including the environmental impact statement, preliminary engineering, native title agreement and cultural heritage clearances, and associated feasibility studies. Subject to ongoing approvals, this work is scheduled for completion by June 2021.

BURDEKIN HAUGHTON CHANNEL CAPACITY UPGRADE STUDY

SunWater has been granted \$1.915m from the NWIDF to investigate channel capacity of the Burdekin Haughton water supply scheme.

There is currently 153,000 ML of medium priority water available within the Burdekin Haughton Water Supply Scheme, however the current infrastructure may be constraining volumes being distributed.

Other challenges to be considered as part of investigations include the impacts of rising groundwater and increased groundwater salinity in the Lower Burdekin region, as well as understanding how irrigation impacts the Great Barrier Reef.

The Burdekin Haughton Channel Capacity Upgrade Study aims to provide a thorough understanding of the Burdekin Haughton Water Supply Scheme effectiveness by:

- engaging with users, understanding existing and future customer requirements
- understanding perceived and actual shortcomings of the existing channel delivery system

- identifying feasible opportunities to improve channel capacity where required in order to meet customer demands and improve channel operation and efficiencies insofar as they relate to groundwater conditions
- working with other government agencies to address groundwater issues in the Lower Burdekin.

SunWater has undertaken an initial pre-feasibility study as part of the project. The study was completed in March 2017 and detailed the following:

- evaluation of the capacity of the Burdekin Haughton channel system
- design of the existing channel system
- the level of service provided to channel customers
- current and future constraints
- options for capacity and system efficiency improvements
- options for improving the potential impact on groundwater conditions.



Burdekin Falls Dam outflows in May 2017



REVIEW OF OPERATIONS CONTINUED



West Barron Main Channel on the Mareeba Dimbulah Water Supply Scheme

MAREEBA DIMBULAH AND NOGOA MACKENZIE WATER EFFICIENCY IMPROVEMENTS

In March 2017, SunWater applied to DEWS for 50 per cent capital funding under the NWIDF capital program for distribution efficiency works in the Mareeba Dimbulah and Nogoia Mackenzie water supply schemes.

The Mareeba Dimbulah water efficiency improvement project has a budgeted cost of \$28.2m, and comprises various channel modernisation works that will capture overflow losses from the scheme. Capturing these losses will secure an extra 8300 ML of water that can then be sold on the water market.

The Nogoia Mackenzie water efficiency improvement project has a budgeted cost of \$17m and comprises channel lining works that will prevent seepage losses from the irrigation channel system. Capturing these losses will allow the conversion of a corresponding volume of loss allocation to any tradable entitlements which will be sold on the water market. The volume of water SunWater is seeking to capture and convert for sale is 6,460ML.

At the time of publication, the Australian Government had not announced which project would receive funding.

BUNDABERG CHANNELS UPGRADE FEASIBILITY STUDY

SunWater has been granted \$0.75m under the NWIDF to identify options for increasing the uptake of Paradise Dam water allocations. The project aims to identify the means for SunWater to distribute as much of the existing water allocations as possible.

A pre-feasibility report scheduled for completion in March 2018 will detail identified demand and suitable undeveloped cropping areas, means of water delivery to new demand nodes, and concept-level cost estimates.

This information will form the basis of planning for growth to better facilitate the use of existing allocations and cater for new water demands.

SunWater has approximately 100,000 ML of medium priority water available within the Bundaberg Water Supply Scheme as a result of the development of the Paradise Dam. This allocation has not been taken up by irrigators for various reasons, including restrictions on existing channel distribution capacity and disparity between existing water prices and Paradise Dam water prices.

The most likely customers would be larger primary producers seeking opportunities for significant expansion into new farm land areas.

The pre-feasibility study will examine the availability of potential irrigation expansion areas in the Wide Bay Burnett region, including identification of potential customers.

There may be a number of impediments to the use of the existing unallocated water which include:

- water pricing
- water delivery pricing
- water distribution system capacity
- water transportation/distribution system availability (i.e. areas not currently serviced by SunWater pipelines or channels).

NULLINGA DAM FEASIBILITY STUDY

The Australian Government's Our North, Our Future: White Paper on Developing Northern Australia identified the proposed Nullinga Dam as a project for immediate support under the NWIDF, and committed up to \$5m for a detailed examination of the economic feasibility of the dam.

Nullinga Dam is proposed to provide a water supply to service Cairns and irrigated agriculture in the Mareeba region.

The Queensland Government has assigned Building Queensland to investigate the feasibility of the proposed Nullinga Dam by assessing the costs, risks and benefits of the proposed dam as well as other potential options to service future urban and rural water demand.

Stage one of the study involves the development of a preliminary business case to investigate a variety of options (including Nullinga Dam) to address the identified future water supply shortfall in the region, with a focus on economic feasibility. The business case will be presented to the Queensland Government for consideration in September 2017.

SunWater is assisting Building Queensland with the preliminary business case.

BULK WATER PRICING ARRANGEMENTS FOR LOCAL GOVERNMENTS

SunWater has water supply contracts with 21 councils across regional Queensland with approximately 200,000 ML of water contracted or reserved for regional councils.

SunWater is mindful of the cost of living pressures, and based on government advice, we have not reviewed urban prices but levied consumer price index increases only.

SunWater is working to develop improved options for future charging of urban water and implementing a more transparent pricing structure, and we will work with urban customers to gain their input into any new proposed future pricing method.

REVIEW OF OPERATIONS CONTINUED

Developing SunWater’s organisational capacity and workforce capability

CULTURE AND VALUES

In 2016–17, SunWater continued to implement opportunities identified in an employee engagement survey conducted in 2015.

Opportunities included:

- improving the image and reputation of SunWater amongst key stakeholders (community, employees, clients, government), particularly with respect to the quality of client services
- reviewing staff resourcing and the availability of flexible working practices, particularly for SunWater employees in the regional centres
- addressing employees’ concerns that SunWater’s current strategy needs refining and that communication of the strategy could be improved.

Action plans for these opportunities were developed and embedded into the four corporate strategies:

- a sustainable business
- commercially focused operations
- supportive stakeholders
- a high performance culture.

Through the early part of 2016–17, consultation was undertaken to review SunWater’s purpose, strategy and values. The result of this work was consolidated into SunWater’s roadmap (see below).

In October, SunWater’s structure was aligned to the strategy and was underpinned by a number of objectives:

- a One SunWater focus
- regionally based operations
- alignment with customer needs.

In late May, SunWater staff were asked to participate in a survey to measure SunWater’s culture and to identify a desired culture. Results of the survey will identify any gap between the current and desired culture and assist with the development of action plans to move towards a high performance culture.





LEARNING AND DEVELOPMENT

Leadership development skills of SunWater's frontline staff remains a core learning strategy with the continuation of the course "Success Strategies for Supervisors". In its sixth year, this course brings together frontline leaders from around the State to share the challenges of leadership, to network with their peers and to learn new skills in how to enhance the leadership effectiveness of their teams.

The "Lunch and Learn" training series introduced in 2016 continued to be a popular forum in 2016-17. The sessions cover a range of topics from across the business and are delivered by internal subject matter experts. The series enable employees to learn more about the company, key projects and emerging issues in the water industry and how they impact SunWater.

SunWater successfully rolled out a new online contractor general induction using the e-learning platform. The new online contractor general induction is accessed on the SunWater website and is completed before the contractor attends a site. This interactive course sets the

standard requirements for contractors conducting work at SunWater sites and covers a range of topics including: our values, personal protective equipment, housekeeping, risk assessments, and environmental requirements.

Ongoing individual learning and development activities at SunWater are established through our annual achievement and development plan process. In 2017-18, learning and development will continue with the implementation of separate individual career and development plans which is one of the key capability success factors of SunWater's core strategy of a high performance culture.

SunWater continued to focus on mandatory compliance training in 2016-17, with a comprehensive review in progress of the different requirements for individual roles to ensure appropriate skills and knowledge are identified and maintained.

The focus for 2017-18 will be on clarifying leadership behaviours and developing and rolling out a holistic leadership development program aligned with our strategic direction.

ACHIEVEMENT AND INNOVATION AWARDS

In June 2017, SunWater held its 14th Annual Achievement and Innovation Awards in Townsville. The awards celebrate the hard work and innovative thinking of employees at all levels across the business. Awards were presented to five teams and six individuals, all of whom had demonstrated excellence in achievement and embraced the SunWater values.

The Honourable Coralee O'Rourke MP and SunWater CEO Nicole Hollows presented the pinnacle award, the SunWater Excellence Award, to Julie Stokes, Human Resources Information System and Payroll Advisor, from Brisbane. Julie was selected for her significant contribution to the business through her consistent high-quality work, excellent customer service and for exemplifying the SunWater values.



REVIEW OF OPERATIONS CONTINUED

Health, safety, quality and environmental performance

HEALTH AND SAFETY

At SunWater, safety comes first. Our ambition is clear: all employees and contractors go home safe – every day.

The safety of our people is SunWater’s highest priority and we work hard to create a safe environment through strong safety systems, processes and tools, the verification of critical controls and the application of best practice.

SunWater’s safety plan has two key safety focus areas of eliminating fatalities and eliminating personal injuries. We are committed to achieving a strong safety culture through the development of line accountability, strong and visual safety leadership and a culture of genuine care for our people.

All departments performed well in the area of safety in 2016–17, reflecting the priority of safety across the company. As a result, SunWater recorded a Lost Time Injury Frequency Rate (LTIFR) of 0.0 during the year and a Total Recordable Injury Frequency Rate (TRIFR) of 2.52.

From 2016–17, general contractors engaged by SunWater are included in TRIFR and LTIFR statistics and receive SunWater safety alerts and Toolbox Talks. This has the benefit of more holistic reporting and enables SunWater to work with general contractor organisations to share learnings and implement preventative measures.

SunWater can in-part attribute the continuous improvement of our safety statistics to a positive culture of hazard recording, with staff reporting on average 70 hazards per month.

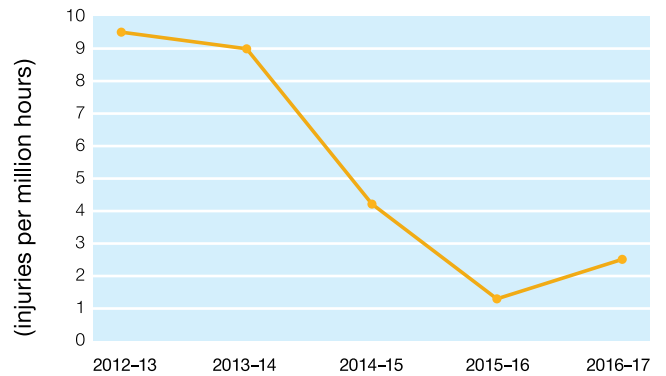
Although both leading and lagging indicators are positive, it is important that SunWater recognises the need to remain vigilant in its commitment to safety leadership and safety responsibilities at all levels in the organisation, particularly in relation to continuing to support and improve the safety performance of general contractors.

HEALTH, SAFETY, QUALITY AND ENVIRONMENTAL SYSTEMS

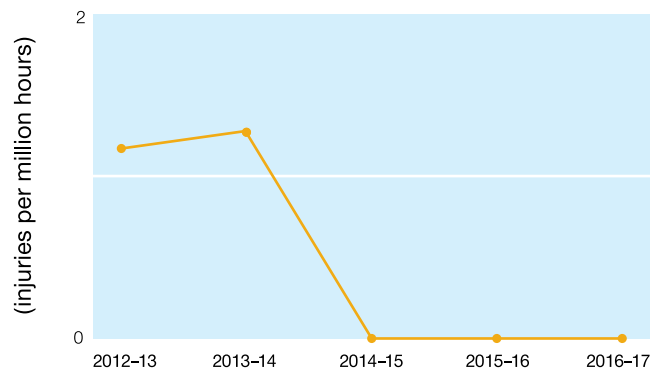
SunWater’s Executive Leadership Team (ELT) has established a Safety, Health and Environment (SHE) Committee to support the ELT in its role of managing health, safety and environment risks and compliance within the business. With membership drawn from across the SunWater business, the SHE Committee’s role includes the following areas as they relate to safety, health and environment matters:

- reviewing and ensuring fit for purpose systems and processes are in place and communicated throughout the business
- identifying and reporting strategic opportunities and risks
- leading SunWater’s culture
- monitoring changes in the external environment
- developing strategies to position SunWater to respond to changes in the external environment.

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)



LOST TIME INJURY FREQUENCY RATE (LTIFR)



Note: From 2016–17, general contractors engaged by SunWater are included in TRIFR and LTIFR statistics.

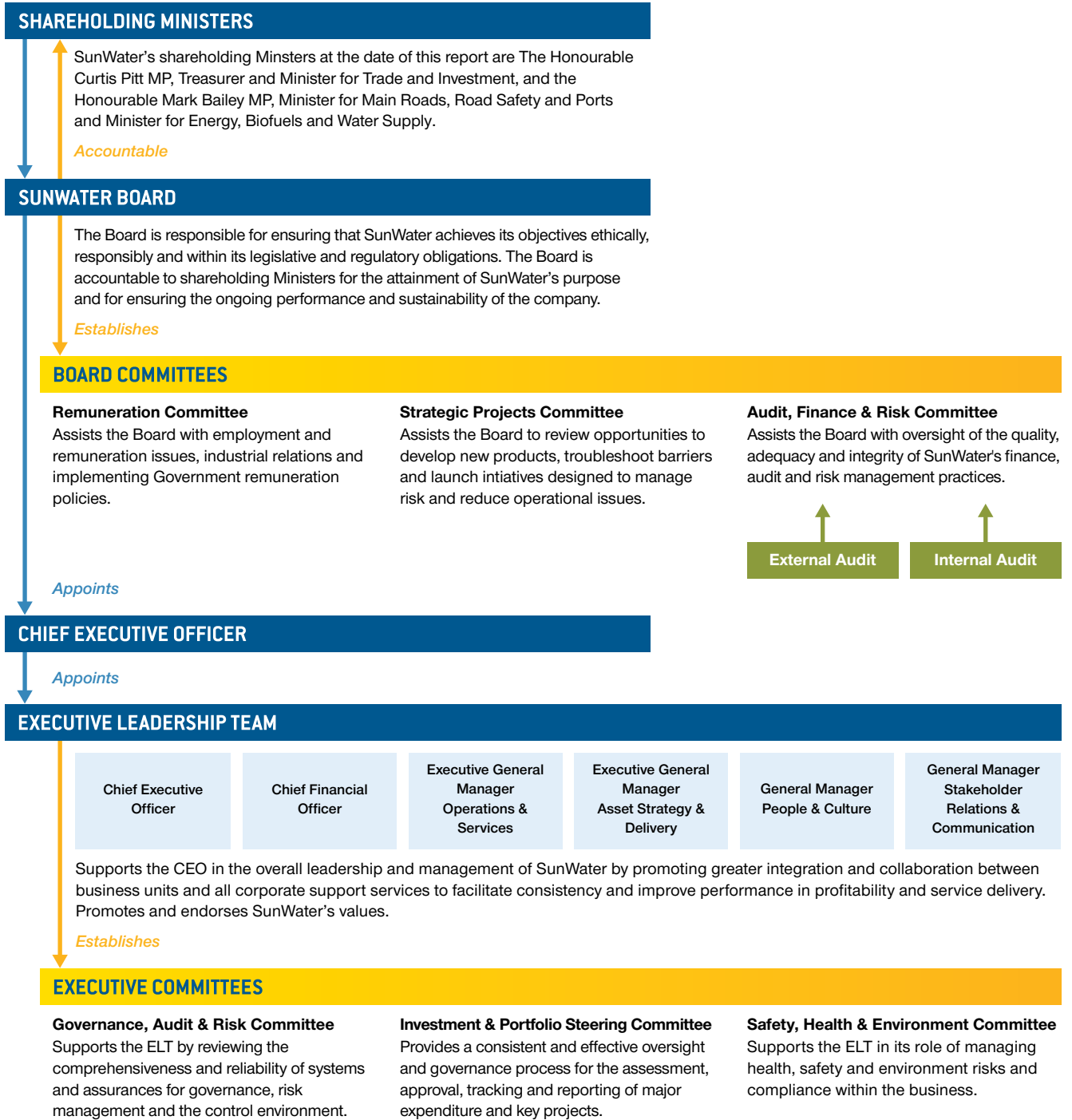
INTERNATIONAL STANDARDS FOR SAFETY, ENVIRONMENT, AND QUALITY

SunWater’s operations are subject to significant environmental regulation under both federal and State legislation. SunWater aims to achieve a high standard of care for the natural environment in all its activities. In order to achieve this goal, SunWater has implemented an environmental management system, consistent with the requirements of AS/NZS ISO 14001:2004 and which is third party certified, across all levels and functions of the organisation.

In March 2016, SunWater was externally accredited by SAI Global for recertification to the Safety Management System Standard AS4801. The auditors also conducted an annual surveillance audit against ISO 14001 (Environmental Management System) and ISO 9001 (Quality Management System), with no major non-conformances recorded.



SUNWATER GOVERNANCE STRUCTURE



SUNWATER BOARD

LEITH BOULLY

BRurSc, DipBusStud, FAICD, FAIM

Chairman

Appointed to the Board on 1 October 2015

Term of appointment to 30 September 2018

SunWater Board committee membership

Audit, Finance and Risk Committee to March 2017

Remuneration Committee

Strategic Projects Committee

Burnett Water Pty Ltd

Eungella Water Pipeline Pty Ltd

North West Queensland Water Pipeline Pty Ltd

Skills, experience and expertise

Leith has many years' experience in business and natural resource management, particularly water, at local, state and national levels.

Leith serves on the Boards of Murrumbidgee Irrigation Limited, Isis Central Sugar Mill, Queensland Rural and Industry Development Authority and the CRC for Water Sensitive Cities. She is also a member of the Australian Water Partnership Committee.

Leith was formerly Chairman of Healthy Waterways and Wide Bay Water Corporation, and a Director of Seqwater.

NEVILLE IDE

BBus, MComm, FCPA, FAICD

Director

Appointed to the Board on 1 October 2015

Term of appointment to 30 September 2018

SunWater Board committee membership

Audit, Finance and Risk Committee

Remuneration Committee

Burnett Water Pty Ltd

Skills, experience and expertise

Neville's industry knowledge and experience covers banking, insurance, infrastructure and corporate treasury including debt and equity capital markets, balance sheet structuring and financial risk management.

His most recent executive roles were as Group Treasurer, Suncorp Metway Limited, and Director Financial Markets, Queensland Treasury Corporation.

Neville is currently a non-executive director of RACQ Insurance Limited, QT Mutual Bank Ltd and Retech Ltd. He also undertakes selective work in the financial services industry.

PATRICE SHERRIE

FCA, GAICD

Director

Appointed to the Board on 1 October 2015

Term of appointment to 30 September 2018

SunWater Board committee membership

Audit, Finance and Risk Committee

Remuneration Committee

Strategic Projects Committee to March 2017

Burnett Water Pty Ltd

Skills, experience and expertise

Patrice is an experienced executive and director with over 30 years' experience in Queensland and PNG in chartered accounting and commerce and has diverse industry experience including finance, property, childcare and the arts.

Patrice is currently a consultant to Bentleys (Qld) Pty Ltd, Treasurer of The Women's College within The University of Queensland, Director of the Urban Development Institute of Australia (Queensland) and Director of Andersens Floor Coverings Pty Ltd.

MOYA STEELE

BA/LLB, MAICD

Director

Appointed to the Board on 3 December 2015

Term of appointment to 30 September 2018

SunWater Board committee membership

Strategic Projects Committee

Skills, experience and expertise

Moya is an experienced strategic development advisor to commercial organisations and government entities across Queensland.

She is an owner, Partner and Board member of one of Queensland's largest independent law firms and currently leads its state-wide Planning, Property and Procurement team. Moya specialises in planning and environmental law, providing development advisory services and strategic management of legislative process for development. She acts for both the private and public sector for major projects and infrastructure, tourism, water transport, residential, extractive industries and retail developments.

Moya currently holds the position of Discretionary Director on the Board of Townsville Enterprise, and is appointed to the Townsville CBD Task Force and the Property Council of Australia (Townsville).

SUNWATER BOARD CONTINUED

DAVID STEWART

BE(Hons), FIEAust, CPEng, NER, APEC Engineer, RPEQ, GAICD

Director

Appointed to the Board on 3 December 2015

Term of appointment to 30 September 2018

SunWater Board committee membership

Strategic Projects Committee

Eungella Water Pty Ltd

North West Queensland Water Pipeline Pty Ltd

Skills, experience and expertise

David is a civil engineer with 35 years' experience in Australia and internationally, specialising in large dams, water supply, irrigation and other infrastructure projects.

During that time, he has worked in the private sector with major engineering consulting firms and in the public sector with large water businesses, including as Executive Manager Technical Services, Executive Manager Strategy and Development and as Managing Director of Goulburn-Murray Water in Victoria.

David is currently Managing Director of the specialist engineering consultancy Australian Dams & Water Consultants Pty Ltd and is a former director and past chairman of the Australian National Committee on Large Dams (ANCOLD). He was recognised by Engineers Australia in 2009 as one of Australia's 100 most Influential Engineers and has been awarded the River Murray Water Medal by the Murray-Darling Basin Authority.

VANESSA SULLIVAN

BEc(Hons), GradDip(AppFin)

Director

Appointed to the Board on 15 December 2016

Term of appointment to 30 September 2019

SunWater Board committee membership

Audit, Finance and Risk Committee from March 2017

Skills, experience and expertise

Vanessa has more than 20 years' experience advising government and private sector organisations on regulatory, strategy, market trading transactions and sustainability responses in the energy sector.

She is a partner at Lyon Infrastructure Investments, a former climate change and sustainability services leader with Ernst & Young and until recently was a director at energy business Energex.

Vanessa has extensive commercial, regulatory and finance experience across the water, energy and carbon sectors. She completed a number of significant transactions in each of these sectors including contracting \$1 billion energy load for the Queensland Government, energy and water market acquisitions and developing carbon and energy strategies for global corporates.

SUNWATER EXECUTIVE MANAGEMENT TEAM

NICOLE HOLLOWES

Chief Executive

Nicole Hollowes was appointed SunWater Chief Executive Officer on 26 April 2016.

Nicole is an experienced senior executive, with a career spanning more than 20 years in the resources sector. Prior to joining SunWater, she was Managing Director of global resources firm AMCI Australia and South East Asia. She was Chief Executive Officer of Macarthur Coal Limited from 2007 to 2011 and, under her leadership, the company grew from A\$700m to A\$5 billion market capitalisation and was listed on the ASX Top 50 Companies Index.

Nicole believes in leading a high performance culture and streamlined systems to achieve operational excellence.

Outside her business activities, Nicole dedicates time to charity and community organisations. She is an advisory committee member of the Salvation Army SE Queensland Council and also a member of the CEO Advisory Committee for Dean of QUT Business School.

She is a member of the Institute of Chartered Accountants, a Fellow of the Australian Institute of Company Directors and is a graduate of Harvard Business School's Program for Management Development.

COLIN BENDALL

Executive General Manager Operations and Service Delivery

Colin Bendall was appointed Executive General Manager Operations and Services on 2 January 2017 after serving more than 30 years with SunWater and its predecessors in technical, operational and senior management roles.

He oversees the organisation's on-ground services and is responsible for driving customer-oriented, efficient and safe operations that support regional Queensland's water needs.

Colin is a highly skilled water industry specialist with expertise in the design, operation and maintenance of bulk water infrastructure with a strong customer focus.

Previously, Colin worked for SunWater in technical and senior advisory roles and was involved in the design of large-scale water harvesting schemes, on-farm dams, drainage and irrigation. He has also owned and directed a successful irrigation design company.

Colin is a graduate of the Australian Institute of Company Directors and has specialist industry qualifications including an Associate Diploma in Applied Science – Farm Water Supplies (Hons) and a Certificate in Tropical Agriculture.

ALEX FISHER

Executive General Manager Asset Strategy and Delivery

Alex Fisher commenced her role as SunWater General Manager Asset Delivery on 9 November 2015.

Alex's focus at SunWater is the delivery of engineering, project delivery, procurement and quality systems to enable the achievement of SunWater's operational and business objectives.

As a civil engineer with more than 20 years' project management and leadership experience, Alex has previously held General Manager roles at Seqwater and Brisbane City Council in both Operational and Asset Delivery areas.

Alex has a proven track record in steering multifaceted operations and cross-disciplinary teams to deliver customer service, organisational objectives and financial performance, underpinned by a genuine enthusiasm and a passion for water and the value it delivers to our communities.

She holds a Bachelor of Civil Engineering from The University of Queensland, a PhD from Queensland University of Technology and a Master's of Business Administration with the Australian Institute of Business.

JOHN STUBBS

Interim Chief Financial Officer

John Stubbs was appointed Interim Chief Financial Officer on 29 May 2017.

John is responsible for leading SunWater's corporate functions including finance, legal, and information and technology.

He has extensive senior financial and general management experience covering strategic and operational finance, human resources, information technology and communications, occupational health and safety, property management, insurance, legal and risk management, due diligence, enterprise resource planning and change management.

John has more than 30 years' experience across mining, water, infrastructure, construction, property and finance in both private and public sectors in Australia and internationally. Most recently he held the position of CFO of British listed entity Metals Exploration plc.

He is a member of the Australian Chartered Practising Accountants and holds a Master of Business in Accounting and Finance from the University of Technology, Sydney.

CORPORATE GOVERNANCE

SunWater's corporate governance framework is underpinned by our values, principles of ethical conduct and behavioural expectations.

SunWater is committed to best-practice corporate governance to ensure appropriate degrees of accountability and transparency to stakeholders. Our corporate governance practices and frameworks have been established in compliance with the governance requirements set out in relevant legislation, including the *Government Owned Corporations Act 1993* (Qld) (the GOC Act) and the *Financial Accountability Act 2009* (Qld), and having regard to the Queensland Government's Corporate Governance Guidelines for Government Owned Corporations (GOCs).

The SunWater Board undertook a comprehensive review of the governance framework in 2016–17 to ensure our 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.

Set out below is a summary of how SunWater has aligned its corporate governance practices to the eight principles outlined in the Corporate Governance Guidelines for Government Owned Corporations (v.2.0). Copies of SunWater's corporate governance documents are available on the SunWater website: www.sunwater.com.au.

PRINCIPLE 1: FOUNDATIONS OF MANAGEMENT AND OVERSIGHT

The Board operates under a Board Charter which defines the role and responsibilities of the Board and a Delegation of Authority Policy and Framework which further embeds those matters specifically reserved to the Board and those matters delegated to management.

The Board has established three Board Committees to assist it with its role and each committee operates under its own charter, namely:

- Audit, Finance and Risk Committee
- Remuneration Committee
- Strategic Projects Committee.

Regular Board meetings focus (inter alia) on achievement of strategic objectives, management of risk and monitoring of operational and financial performance.

A comprehensive and tailored board induction process for new directors is in place which includes provision of letters of appointment setting out expectations and providing information about the business. SunWater encourages continuing professional development and customer and employee interaction activities for directors. Directors are entitled to the provision of advice (as appropriate) at SunWater's cost.

CEO and senior executive responsibilities are well-defined and clearly delineated through documented delegations and formal position descriptions. Key performance indicators (KPIs) are set and approved annually by the Board for the CEO and senior executives and although regular feedback is provided throughout the year on performance, a 6-monthly and 12-monthly performance review is undertaken for the CEO.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Chairman and members of the Board are appointed by the Shareholders and all directors of SunWater are non-executive directors (including the Chairman).

The Board has documented procedures for managing and disclosing conflicts of interest and assessing the independence of judgment of directors. Directors are required to disclose at least annually and as they occur, the existence of any material relationships that could interfere with their independent status in any way. Declaration of conflicts of interest is a formal agenda item at all Board and Committee meetings.

The Board regularly evaluates its performance, the performance of individual directors, the Chair and the Board Committees. All directors and senior executives participate in the evaluation of the Board. The evaluation process 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 outcomes of the evaluation were documented in Board KPIs and associated measurements for tracking, aimed to address any areas for enhancement raised during the evaluation process. A report to Shareholders is provided on the outcomes of the Board evaluation.

The latest Board evaluation process was completed in February 2017.

The Board has undertaken a board skills assessment in March 2017 to ensure all directors have appropriate skills aligned to SunWater's business objectives and strategy. Training and development requirements are identified to ensure that directors have appropriate skills and knowledge of water industry and corporate governance issues.

All directors are required to maintain their skills and undertake appropriate professional development activities to assist them in meeting their responsibilities to the company.

The Board also receives feedback on its performance after each meeting when a director critiques the proceedings and suggestions for improvement are noted.

Details of directors' terms of office, experience, expertise and attendance at Board and committee meetings is outlined on pages 26, 27 and 38 of this report.

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, customers 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.

The Board has in place a Director's Code of Conduct.

SunWater has established a Trading in Securities Policy and Guide which applies to regulate any situation where employees or contractors 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.

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 Corrupt Conduct Policy and Guide incorporates a process to evaluate, report and investigate complaints of alleged impropriety and corrupt conduct. SunWater also has separate policies in respect of complaints of alleged CEO corrupt conduct and alleged chairperson and director corrupt conduct. Further, SunWater has partnered with EthicsPoint to provide an independent telephone and online disclosure reporting line for employees and third parties to report misconduct anonymously (SunWater Whistleblower Hotline). There is also a dedicated online portal on SunWater's website: "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

The CEO and CFO are asked to certify the accuracy of SunWater's financial statements to the Board and they have confirmed in writing that the 2016–17 financial statements present a true and fair view and are in accordance with accounting standards.

SunWater's Audit, Finance and Risk Committee assists the Board to fulfil its financial reporting and risk management responsibilities. The Committee reviews financial information presented by management, oversees the quality of audits conducted by internal and external auditors, 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 Finance and Risk Committee comprises three independent non-executive director members who, as far as possible, have appropriate financial experience and understand the water industry. The Committee ensures that strategic and operational risks of significance are subject to review, independent of 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 26, 27 and 38 of this Report.

The internal audit function is performed by Ernst & Young. An Internal Audit Charter is in place and the Board approves annually, the audit strategic plan. The internal auditor reports to the Audit, Finance and Risk Committee.

The external audit function is performed by the Queensland Audit Office. Additional audit work is conducted as required by independent professionals.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

SunWater has in place a Shareholder Disclosure Policy which captures the disclosure requirements under the GOC Act, *Financial Administration and Audit Act (1977)* and Government policy and guidelines and sets out clear accountabilities for making timely, accurate and balanced disclosure.

In practice, the Board and senior executives are party to an extensive reporting regime to shareholding Ministers and their representative which includes quarterly reports against key objectives, a Statement of Corporate Intent, the Corporate Plan and the Annual Report in addition to regular meetings with Shareholders and their representatives.

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 and 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

As required by the GOC Act, Shareholders are advised in a timely manner of all issues likely to have a significant financial, operating, social or environmental impact on the business. Shareholder approvals are sought as appropriate, pursuant to legislation and Shareholder policy guidelines.

SunWater's approach is based on the key principles of building trust through clear, responsive communication that manages expectations, engages early, and offers a range of different mediums to reach each stakeholder

In the case of shareholding Ministers, our communication strategy is aimed at providing Shareholders with accurate and timely information so they can make informed assessments of the Corporation's operations and performance. These shareholding Minister communications include:

- a five-year corporate plan, updated annually
- an annual Statement of Corporate Intent
- an Annual Report
- quarterly scorecards reporting on performance.

CORPORATE GOVERNANCE CONTINUED

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Board has ensured that through a system of oversight and management controls that SunWater has the ability to understand and subsequently manage its risks across all levels of the organisation.

Risk management

The Board, with the assistance of its committees, has put in place a rigorous governance model to ensure a sound system of oversight in the management of and monitoring of changes to the strategic and operational risk profile throughout the year. This approach has satisfied the Board and management that the risks facing the Corporation have been properly understood and are appropriately managed.

The Board and management team worked together to develop risk appetites and risk tolerances for SunWater and monitor enterprise risks through the monthly CEO's report.

On a quarterly basis, the Audit, Finance and Risk Committee receives a comprehensive enterprise risk register which includes mitigation plans and actions. The Committee also undertakes a deep dive into key business areas to assess risks and controls on a quarterly basis.

Fraud control and prevention

The Corporation does not tolerate or condone fraud or corruption and ensures that all instances of fraud and misappropriation are promptly reported and investigated.

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
- training of managers and staff in fraud awareness.

Internal audit

SunWater has internal and external audit functions which are separate and independent of each other.

Internal audit is a key component of SunWater's corporate governance framework. SunWater's internal audit provides an independent assurance activity over the internal control systems across SunWater by delivering audit work against an annual internal audit plan which is approved by the Audit, Finance and Risk Committee.

The function is performed independently using an external firm. 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.

Audit reports for specific audits undertaken are submitted to the Audit, Finance and Risk Committee for consideration and discussion. The Committee also monitors implementation of agreed management actions arising from an audit.

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 CEO succession, executive appointments, executive performance, staff remuneration and employee 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 26, 27 and 38 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 74 of this report.




Senior executive remuneration

The Remuneration Committee of the Board oversees remuneration of the CEO and senior executive remuneration. Total remuneration levels for the CEO and senior executives are reported in the Notes to the Financial Statements on page 75 of this report.

CEO and 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. CEO and senior executive positions are all based on tenured employment arrangements with the exception of the interim CFO, who currently holds a six-month contract whilst a recruitment process to appoint a permanent incumbent is in progress.

The Board reviews eligibility for performance payments on an annual basis and determined that there would be no entitlement to a performance-based payment in the 2016–17 performance period.

Staff remuneration

Remuneration for the majority of SunWater staff, excluding staff members on an individual employment 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.

COMPLIANCE IN KEY AREAS

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, to ensure we identify, assess and implement changing legislative obligations.

The framework is just one of a number of tools required to manage SunWater's compliance obligations. The framework primarily deals with Legal Legislative Compliance and, as a secondary function, addresses the circulation of general law updates throughout SunWater. The framework forms one part of SunWater's overall Compliance Policy.

DAM SAFETY

SunWater has in place a comprehensive Dam Safety 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. SunWater has established and is implementing a program of dam improvements in recognition of revised maximum probable flood estimates and relevant ANCOLD and Queensland Government regulatory Guidelines on acceptable flood capacity for dams. 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.

SunWater's full Dam Safety Improvement Program was submitted to the Queensland Dam Safety Regulator on 30 June 2016, in line with expectations. SunWater's submission included the full technical details, dam safety risk reduction and drivers of this program. A review of the program is in progress.

Any changes to the program will again be submitted to the Queensland Dam Safety Regulator in the near future. The program will continue to be reviewed and refined progressively as more studies are completed and as an ongoing process of refinement and continual improvement.

QCA PRICING PRACTICES IMPLEMENTATION PLAN

Cost targets recommended by the Queensland Competition Authority (QCA) in the current irrigation water price path are not reflecting a rise in costs beyond SunWater's control, such as electricity, insurance premiums, acrolein chemical (used to control weed growth in water channels) and flood-related repairs. SunWater is working with Government to develop policy that is more cost reflective after 1 July 2019. In the meantime, SunWater is absorbing these costs with irrigators benefiting from low and stable water charges.

QUALITY MANAGEMENT

SunWater's quality assurance system provides the framework by which we manage, operate and maintain our water infrastructure. Our quality management system incorporates a continuous improvement program to ensure procedures are effective and contemporary.

SunWater currently holds the following ISO certification:

- Quality Management ISO 9001:2008 (until 25 April 2018)
- Environmental Management ISO 14001:2004 (until 25 April 2018)
- Safety Management AS/NZ 4801 (until 29 March 2019)

In April 2018, SunWater will undertake a recertification audit by SAI Global to gain certification to the revised ISO 9001 and ISO 14001 standards. To prepare for recertification, an SAI Global gap assessment is scheduled for November 2017.

PROJECT MANAGEMENT

SunWater is a project-managed organisation (PMO), accredited by the Australian Institute of Project Management (AIPM). SunWater's PMO

accreditation was renewed by the AIPM in April 2016 for another two-year period.

Most of SunWater's infrastructure is developed using our own project and construction management services. 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, consistent with the requirements of AS/NZS ISO 14001:2004 and which is third party certified, across all levels and functions of the organisation.

In February 2017, 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
- refurbishment and construction of water distribution and supply infrastructure.

WORK HEALTH AND SAFETY MANAGEMENT

The SunWater work health and safety management system is certified under AS/NZS 4801:2001. An external audit, conducted annually at the same time as the environmental management system and quality management system audits, reviews SunWater's level of compliance within its work health and safety practices. The audit reviews the effectiveness of the organisation's policies, procedures and continual improvement processes to ensure that the application of best-practice safety management and legislative compliance are achieved.

FINANCIAL MANAGEMENT

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

LOCAL INDUSTRY POLICY

SunWater continues to consider opportunities for capable local suppliers to tender for the supply of goods, services and works which support local industry and Queensland communities.

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.

LEGAL PROCEEDINGS

SunWater's 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.

CORPORATE PLANNING AND REPORTING

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

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

Modifications to the SCI 2016–17:

There were no modifications made to SunWater's SCI 2016–17.

Debt drawdown: A debt drawdown of \$40m was undertaken on 25 November 2016.

Derivative transactions: No derivative transactions occurred during 2016–17.

Significant revenue/expenditure contracts: A \$13.8m construction contract was awarded on 4 November 2017 for the Boondooma Dam Spillway and Side Wall Repair Project, followed by the \$2m construction contract awarded on 13 February 2017 for the Burdekin Falls Dam Foundation Drainage Improvement Project. A number of supply and construction contracts were awarded for the commencement of the next stage works for the Fairbairn Dam Spillway Improvement and Rectification Project, which is being direct-managed by SunWater – including \$2.3m awarded in April 2017 for cutting and coring, and \$9.6m and \$5.8m in June 2017 for anchor installation and concrete works.

Water trading activity: In November 2016, SunWater submitted to the shareholding Ministers a request to cease the annual audit of its Water Trading Code of Conduct. Since the commencement of the water trading process in 2007, subsequent audits have not identified any deficiencies in the water trading procedures or detected any breaches of the Code.

On 15 March 2017, the shareholding Ministers advised SunWater that the following changes would replace the annual independent audit process:

- an independent external audit of SunWater's compliance with the Code every three years, commencing with an audit for the 2017–18 financial year
- spot audits of compliance with the Code as directed and deemed necessary by the SunWater Board (thus minimising potential risks)
- spot audits of compliance with the Code as directed on occasion by shareholding Ministers.

Recycling initiatives during 2016–17:

SunWater recycling efforts during the year included:

- more than 8500 litres of various oils
- 9 tonnes of scrap steel
- 50 chemical drums
- 70 kg of lead acid batteries
- 200 kg of stainless pipe
- more than 30 plastic chemical drums via Drum Muster
- continued recycling of depleted ink cartridges.

COMPLIANCE IN KEY AREAS CONTINUED

SUBSIDIARY REPORTING

SunWater's subsidiaries, Burnett Water Pty Ltd and North West Queensland Water Pipeline Pty Ltd, are small proprietary companies and are not required to prepare separate special purpose financial statements. Eungella Water Pipeline Pty Ltd is a large proprietary company and is required to prepare special purpose financial statements and lodge these with ASIC. For reporting purposes, the subsidiaries are consolidated into the SunWater Limited Financial Report.

GOVERNMENT DIRECTIVES

Irrigation pricing

The Queensland Government provided SunWater with an irrigation pricing directive that requires SunWater to apply the QCA's recommended irrigation prices across the five-year price path beginning 1 July 2012. SunWater has continued to apply this directive during 2016–17. The Queensland Government has set rural irrigation water prices until 30 June 2019 based on an extension of the price paths recommended by the QCA.

Payment of dividends

The Queensland Government provided SunWater and its Board with a direction to not pay a dividend in respect of the 2016–17 financial year but rather to retain the dividend and, with a further \$100m equity injection from Government, apply the funding towards the dam safety improvement program at Burdekin Falls Dam.

SUMMARY OF OTHER SCI MATTERS

The 2016–17 Statement of Corporate Intent (SCI) is SunWater's annual performance agreement with shareholding Ministers.

The agreement outlines a comprehensive range of corporate objectives, strategies and performance outcomes that SunWater intends to deliver during the year.

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

Staff turnover

SunWater's staff turnover rate during 2016–17 equalled 14.73 per cent (resignations, retirements, redundancies and terminations). During the period, 57 staff members departed and 68 joined the organisation.

MARKETING ACTIVITY	Budget 2016–17	Expenditure to 30 June 2017
Sponsorship		
Australian National Committee on Large Dams (ANCOLD) conference ⁽¹⁾	10,000	6,500
Other (total of sponsorships below \$5000 per event) ⁽²⁾	45,000	33,750
Total sponsorship	55,000	40,250
Advertising		
Water safety advertising campaign ⁽³⁾	250,000	227,400
School safety program	30,000	30,000
Total advertising	280,000	257,400
Corporate entertainment		
Staff awards ceremony ⁽⁴⁾	13,000	10,916
Brisbane office Christmas celebration	16,000	14,841
Other (total of corporate entertainment below \$5000 per event)	31,500	27,035
Total corporate entertainment	60,500	52,792
Donations	-	-
Strategic community and stakeholder engagement activities ⁽⁵⁾	15,000	3,393
Total all activities	410,500	353,835

(1) Sponsorship costs were reduced due to membership discount.

(2) Sponsorships below \$5,000 were reduced due to the realignment of sponsorship objectives against the organisation's strategic objectives.

(3) Campaign spend was below budget due to an advertising initiative being deferred until 2017–18.

(4) Staff awards ceremony spend was below budget due to reduced attendance.

(5) SunWater reduced its expenditure associated with school and community group promotional gifts due to efforts being directed to community safety education campaigns in the year.

SUMMARY OF OTHER SCI MATTERS

CONTINUED

KEY PERFORMANCE INDICATORS	Actual 2014–15	Actual 2015–16	Actual 2016–17	Budget 2016–17
Financial				
Operating revenue (\$m) ⁽¹⁾	284.3	288.8	283.4	297.8
Total assets (\$m) ⁽²⁾	1,218.9	1,237.6	1,008.9	1,054.5
EBITDA (\$m)	141.6	143.5	130.0	165.0
EBIT (\$m)	24.8	61.2	66.2	69.7
NPAT (\$m)	6.6	29.0	36.0	35.9
Return on operating assets (%) ⁽³⁾	0.3	2.8	4.1	3.9
Return on average contributed equity (%)	1.7	9.2	14.4	10.2
Current ratio	2.4	0.7	0.8	1.2
Market gearing (debt to debt + equity ratio) (%)	28.3	37.0	38.4	46.5
EBITDA interest cover ratio	7.9	6.9	8.6	8.9
EBIT interest cover ratio	1.4	3.0	4.4	3.8
Cost efficiency savings (including EB and QCA targets) (\$m) ⁽⁴⁾	1.3	0.8	1.3	1.3
Non-Financial				
Water deliveries (ML-m)	1.31	1.37	1.34	1.08
Customer service levels – exceptions	18	13	13	0
Environmental compliance breaches (No.)	0	0	0	0
Distribution system efficiency (%)	77	82	82	77
Pump performance – target range (kWhr/ML/m)	3.6	3.55	3.55	3.4 to 4.3
Total recordable injury frequency rate (TRIFR) ⁽⁵⁾	4.18	1.37	1.37	<5
Lost time injury frequency rate (LTIFR) ⁽⁵⁾	0	0	0	0
Lost time injuries	0	0	0	0
Medical treatment injuries	2	1	1	4
Total workforce (FTEs)	408	403	403	396

(1) Includes insurance proceeds, government grants and other income

(2) Excludes deferred tax liability

(3) NPAT (excluding interest income) divided by average property, plant and equipment (excluding work in progress)

(4) Established with Enterprise Agreement (2015–18) on specific quarterly saving targets and QCA Price Path (2012–17) on routine cost targets across 30 regulated service contracts

(5) Based on 12 month rolling calculation of incidents and exposure hours

DIRECTORS' REPORT

For the year ended 30 June 2017

The Directors present their report together with the financial report of SunWater Limited and its subsidiaries ("SunWater") for the financial year ended 30 June 2017 and the auditor's report thereon.

1. DIRECTORS

The following persons were Directors of SunWater Limited during the whole or part of the financial year and, except where noted otherwise, up to the date of this report:

- Leith Bouilly, appointed 1 October 2015
- Neville Ide, appointed 1 October 2015
- Patrice Sherrie, appointed 1 October 2015
- Moya Steele, appointed 3 December 2015
- David Stewart, appointed 3 December 2015
- Vanessa Sullivan, appointed 15 December 2016

Further information about Directors' qualifications, experience, term of appointment is detailed in the SunWater Board section of the Annual Report on pages 26 and 27. Details of meetings attended are in the table below.

2. SECRETARIES

The following persons were Secretaries of SunWater Limited during all or part of the financial year and up to the date of this report:

- Brad Watkins (LLB) was appointed as an alternate secretary of SunWater in 2013. 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.

- Lisa Dalton (BAppSc, MAppSc, LLB (Hons), FAICD, FCIS) was appointed Secretary in November 2016. Lisa is a governance professional with over 18 years of experience in senior executive positions with responsibility for governance, risk management, human resources, strategy and communications. Lisa is an experienced company secretary and non-executive director and is a member of several Audit and Risk Management Committees.

3. 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 of the Annual Report.

4. FINANCIAL PERFORMANCE

Financial results – consolidated	2017	2016	2015
	\$000	\$000	\$000
Profit before income tax	51,053	40,682	7,003
Profit after income tax	36,048	29,009	6,573

The financial statements are a general purpose financial report that have been prepared in accordance with the Australian Accounting Standards and interpretations, requirements of the *Corporations Act 2001* (Cth), provisions of the *Government Owned Corporations Act 1993* (Qld) (GOC Act) and other relevant legislation.

Meetings attended during 2016–17

Director	Board Meetings ⁽¹⁾		Audit, Finance and Risk Committee Meetings ⁽²⁾		Remuneration Committee Meetings		Strategic Projects Committee Meetings ⁽³⁾	
	Attended	Held ⁽⁴⁾	Attended	Held ⁽⁴⁾	Attended	Held ⁽⁴⁾	Attended	Held ⁽⁴⁾
Leith Bouilly	11	11	4	4	5	5	5	5
Patrice Sherrie	12	12	6	6	5	5	3	3
Neville Ide	9	9	5	5	5	5	–	–
Moya Steele	12	12	–	–	–	–	4	5
David Stewart	11	11	–	–	–	–	5	5
Vanessa Sullivan	5	6	2	2	–	–	–	–

(1) Vanessa Sullivan appointed as a Director on 15 December 2016. Neville Ide took a Board-approved leave of absence during the year

(2) Formerly the Audit and Governance Committee. Vanessa Sullivan appointed as a member of the Audit, Finance and Risk Committee on 20 March 2017. Leith Bouilly retired from the Audit, Finance and Risk Committee upon the appointment of Vanessa Sullivan

(3) Formerly the Industry, Regulatory, Safety and Environment Committee. Patrice Sherrie retired from the Strategic Projects Committee in February 2017.

(4) Held refers to meetings held where the Director was entitled or able to attend

DIRECTORS' REPORT CONTINUED

For the year ended 30 June 2017

5. DIVIDENDS AND RETURN OF CONTRIBUTED EQUITY

SunWater's Dividend Policy, as stated in the 2016–17 SCI, takes into account the return its Shareholders expect on their investment.

2015–16 dividend paid in 2016–17 financial year

Pursuant to a direction from shareholding Ministers in accordance with section 131(3)(b) of the GOC Act and a request from shareholding Ministers, SunWater paid to Shareholders on or around 30 November 2016, a special dividend of \$130m and a 2015–16 dividend of \$29m comprising 100 per cent of audited consolidated profit for the 2015–16 financial year after making provision for income tax or its equivalent. SunWater also returned contributed equity of \$130m to its Shareholders.

2016–17 dividend

In accordance with section 131(3) (b) of the GOC Act, the shareholding Ministers have directed that SunWater not pay a dividend for the 2016–17 financial year.

SunWater has been advised that the Government intends to commit SunWater's full 2016–17 dividend and an additional \$100m to the Burdekin Falls Dam Saddle Dam and Monolith Improvement Project once a business case is prepared and approved by shareholding Ministers. The business case is currently being prepared by Building Queensland and will be submitted for approval when finalised.

6. REVIEW OF OPERATIONS

For a detailed overview of operating and financial performance, please see pages 5 to 23 of SunWater's Annual Report.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs subsequent to the end of the 2016–17 financial year.

8. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- SunWater's operations in future financial years;
 - the results of those operations in future financial years; or
 - SunWater's state of affairs in future financial years
- except as set out elsewhere in this report and notes 21 and 22 in the financial statements.

9. ENVIRONMENTAL REGULATION

SunWater's operations are subject to significant environmental regulation under both Commonwealth and State legislation. In February 2017, SAI Global conducted the annual certification audit of SunWater's Environmental Management System. The current certification was maintained and there were no non-conformances identified.

10. INSURANCE OF OFFICERS

During the financial year, SunWater paid a premium of \$7.85m (excluding 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.

11. 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.

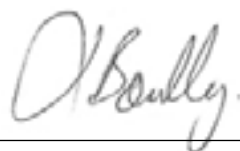
12. ROUNDING OF AMOUNTS

In accordance with the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2017/191 commencing 1 April 2017, amounts in the financial report and Directors' report have been rounded to the nearest dollar, unless otherwise stated.

13. 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.



Leith Bouilly

Chairman

Dated: 23 August 2017



Patrice Sherrie

Director

Dated: 23 August 2017

AUDITOR'S INDEPENDENCE DECLARATION

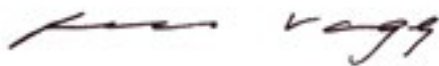
To the Directors of SunWater Ltd

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 Ltd for the financial year ended 30 June 2017, 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
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



R Vagg CPA
(as delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane



Fish exclusion screen on the West Barron Main Channel in Mareeba Dimbulah Water Supply Scheme

FINANCIAL REPORT

for the year ended 30 June 2017

General Information		42
Financial Statements		43
Consolidated Statement of Comprehensive Income		43
Consolidated Statement of Financial Position		44
Consolidated Statement of Changes in Equity		45
Consolidated Statement of Cash Flows		46
Notes to the Consolidated Financial Statements		47
OPERATIONS	1 Revenue	49
	2 Other income	50
	Expenses	
	3 A Operating Expenditure B Finance Costs	50
	4 Income tax	51
	5 Cash and cash equivalents	53
	6 Receivables	54
	7 Inventories	55
	8 Other current assets	55
	9 Property, plant and equipment	55
	10 Intangible assets	60
	11 Trade and other payables	62
	12 Provisions	62
CAPITAL	13 Other liabilities	64
	14 Capital management	65
	15 Contributed equity	66
RISK	16 Borrowings	66
	17 Financial risk management	67
GROUP STRUCTURE	18 Investment in subsidiaries	69
UNRECOGNISED ITEMS	19 Commitments	69
	20 Dam safety improvement program	70
	21 Contingencies	71
	22 Subsequent events	71
OTHER	23 Remuneration of auditors	71
	24 Related party transactions	72
	25 Parent entity Financial Information	77
	26 Summary of other accounting policies	78
Directors' Declaration		79
Independent Auditor's Report		80

GENERAL INFORMATION

These Financial Statements are consolidated Financial Statements for the Group consisting of SunWater Limited and its subsidiaries. A list of major subsidiaries is included in note 18.

The Financial Statements are presented in the Australian currency.

SunWater Limited (ACN 131 034 985) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principle place of business is:

Level 10
179 Turbot Street
Brisbane 4000
Queensland

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
Revenue from operations	1	280,834	274,587
Other income	2	7,093	21,718
		287,927	296,305
Expenses:			
Operating expenditure	3(A)	(116,991)	(111,248)
Employee benefits		(40,372)	(41,505)
Depreciation and amortisation	9,10	(37,954)	(38,534)
Impairment of assets	9,10	(25,763)	(43,713)
Loss on disposal of assets		(600)	(87)
Operating profit		66,247	61,218
Finance costs	3(B)	(15,194)	(20,536)
Profit before income tax		51,053	40,682
Income tax expense	4	(15,005)	(11,673)
Profit for the year		36,048	29,009
Other comprehensive income		-	-
Total comprehensive income for the year		36,048	29,009

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	5	54,855	265,768
Receivables	6	7,793	9,127
Inventories	7	2,404	2,166
Other current assets	8	21,106	17,704
Total current assets		86,158	294,765
<i>Non-current assets</i>			
Property, plant and equipment	9	882,339	897,568
Intangible assets	10	16,940	20,166
Deferred tax assets	4	11,114	12,303
Total non-current assets		910,393	930,037
Total assets		996,551	1,224,802
LIABILITIES			
<i>Current liabilities</i>			
Trade and other payables	11	22,350	21,643
Provisions	12	52,463	356,734
Borrowings	16	1,015	2,381
Other liabilities	13	28,339	20,015
Total current liabilities		104,167	400,773
<i>Non-current liabilities</i>			
Provisions	12	1,246	1,237
Borrowings	16	283,147	243,329
Other liabilities	13	152,979	160,499
Total non-current liabilities		437,372	405,065
Total liabilities		541,539	805,838
Net assets		455,012	418,964
EQUITY			
Contributed equity	15	250,269	250,269
Retained earnings		204,743	168,695
Total equity		455,012	418,964

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2015		380,269	298,695	678,964
Total comprehensive income for the year		-	29,009	29,009
Transactions with owners as owners				
Dividends provided for or paid	14 (a)	-	(159,009)	(159,009)
Return of contributed equity	14	(130,000)	-	(130,000)
Balance at 30 June 2016		250,269	168,695	418,964
Total comprehensive income for the year		-	36,048	36,048
Transactions with owners as owners				
Dividends provided for or paid	14 (b)	-	-	-
Return of contributed equity		-	-	-
Balance at 30 June 2017		250,269	204,743	455,012

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
<i>Cash flows from operating activities</i>			
Receipts from customers		298,225	318,666
Community service obligations received		9,586	10,145
Interest received		129	282
Payments to suppliers and employees		(181,330)	(177,634)
Income taxes paid		(31,918)	(8,360)
Net cash inflow from operating activities	5	94,692	143,099
<i>Cash flows from investing activities</i>			
Proceeds from sale of property, plant and equipment		258	99
Interest received		4,772	6,346
Payments for property, plant and equipment		(45,572)	(15,450)
Net cash (outflow) from investing activities		(40,542)	(9,005)
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		40,000	-
Interest paid		(14,506)	(20,129)
Repayments of borrowings		(1,548)	(21,751)
Return of shareholders equity		(130,000)	-
Dividends paid		(159,009)	(5,258)
Net cash (outflow) from financing activities		(265,063)	(47,138)
Net (decrease) increase in cash and cash equivalents		(210,913)	86,956
Cash and cash equivalents at the beginning of the financial year		265,768	178,812
Cash and cash equivalents at the end of the financial year	5	54,855	265,768

The above Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

The financial report covers SunWater Limited and its' subsidiaries as the consolidated entity and together are referred to as the Group or the consolidated entity in this financial report.

(A) BASIS OF PREPARATION

The financial report is a general purpose financial report which:

- Has been prepared in accordance with the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations, the *Corporations Act 2001* and the provisions of the *Government Owned Corporations Act 1993* (Qld).
- Complies with IFRS as issued by the International Accounting Standards Board (IASB) for the purposes of preparing the Consolidated Financial Statements, the Company is a for profit public sector entity.
- Adopts policies which are consistent with those of the previous financial year and prepared under the historical cost convention.
- Does not adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective (such as AASB 15 *Revenue from Contracts and Customers* and AASB 9 *Financial Instruments* (December 2010) as amended by 2013-9). Refer to note 26 for more information on this and other accounting policies.
- Is for a Company which is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investment 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 instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.
- Presents comparative information that has been reclassified where appropriate to enhance comparability.

GOING CONCERN

The financial statements are prepared on a going concern basis. Last year, SunWater's financial position was significantly impacted by the recognition of a special dividend and capital repayment in total of \$289.009m to be paid to shareholding Ministers by 30 November 2016 (refer notes 14, 15 and 16). During 2016-17 SunWater utilised \$40.0m from an approved borrowing and surplus operating cash flows ensured that all debts (including the special dividend and repayment of capital) were met as they fell due.

(B) BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SunWater Limited (company or parent entity) as at 30 June 2017 and the results of all subsidiaries for the year then ended.

Subsidiaries are all these entities over which the Group has control. The Group controls an entity when the Group is expected to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting Policies of subsidiaries have been changed where necessary to ensure consistency with the policies by the Group.

(C) 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 Consolidated Financial Statements in accordance with the structure of the financial statements. These policies have been consistently applied to the years presented unless otherwise stated.

(D) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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 Group and that are believed to be reasonable under the circumstances. Judgements and estimates that are material to the Financial Statements are provided throughout the notes to the Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

(E) 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:

- Operations:* 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;
- Capital:* provides information about the capital management practices of the Group and shareholder returns for the year;
- Risk:* discusses the Group's exposure to various financial risks, and explains how these could affect the Group's financial position and performance;
- Group structure:* explains how the Group structure impacts on the financial position and performance of the group as a whole;
- Unrecognised items:* 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
- Other:* 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 1 REVENUE

Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group. Amounts disclosed as revenue are net of returns, rebates, trade allowances and amounts collected on behalf of third parties.

Recognition occurs when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specified criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

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 rental 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.

	2017 \$'000	2016 \$'000
<i>Revenue from operations</i>		
Industrial water	171,270	168,576
Irrigation water	63,269	59,342
Urban water	12,756	11,789
Drainage	1,631	1,566
Water allocations revenue	15,438	16,544
Consulting and facilities services revenue	6,883	6,601
Electricity generation	1	25
Community service obligation – irrigation	3,716	4,738
Community service obligation – urban	5,870	5,406
Total revenue from operations	280,834	274,587

By Business Activity	Commercial		Regulated		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<i>Revenue from operations</i>						
Industrial water	161,231	159,474	10,039	9,102	171,270	168,576
Irrigation water	1,505	1,478	61,764	57,864	63,269	59,342
Urban water	2,809	3,092	9,947	8,697	12,756	11,789
Drainage	-	-	1,631	1,566	1,631	1,566
Water allocations revenue	15,435	16,537	3	7	15,438	16,544
Consulting and facilities services	6,584	6,325	299	276	6,883	6,601
Electricity generation	1	25	-	-	1	25
Community service obligation – irrigation	-	-	3,716	4,738	3,716	4,738
Community service obligation – urban	5,870	5,406	-	-	5,870	5,406
Total revenue from operations	193,435	192,337	87,399	82,250	280,834	274,587

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 2 OTHER INCOME

Accounting Policy

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the Consolidated Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

	2017 \$'000	2016 \$'000
Gain on disposal of non-current assets	68	71
Fees	30	100
Interest income	3,977	6,856
Rent received	422	394
Government grants	902	-
Other income	694	1,085
Proceeds of insurance claims	1,000	13,212
Total other income	7,093	21,718

Government grants include 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 deferred income and are credited to the statement of comprehensive income on a straight line basis over the useful lives of the related asset.

Interest income is recognised as it accrues using the effective interest method.

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

NOTE 3 EXPENSES

	2017 \$'000	2016 \$'000
<i>A. Operating Expenditure</i>		
Contracted services	53,435	45,421
Electricity	31,922	31,697
Insurance	8,741	7,984
Materials and plant hire	6,422	6,364
Fleet costs	2,256	2,138
Travel and accommodation	1,580	1,603
Rates and land tax	1,972	2,042
Corporate and administrative expenses	10,663	13,999
Total operating expenditure	116,991	111,248
<i>B. Finance Costs</i>		
Interest and finance charges paid/payable	15,194	20,536
Finance costs expensed	15,194	20,536

Interest and Finance Charges

Finance 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.

During the year, SunWater signed a new loan mandate with QTC which lengthened the loan portfolio duration resulting in a reduced borrowing rate. In addition, the Woleebee Client Specific Pool was merged into a single SunWater portfolio linked loan. The merge of the two loans did not give rise to a market realisation charge as the terms and product of the loan did not substantially change and give rise to a debt extinguishment event (refer note 16).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 4 INCOME TAX

Accounting Policy

(a) Current tax – income tax equivalents

The Group is exempt from income tax under section 24AM of the *Income Tax Assessment Act 1997* (Cth). However, pursuant to the *Government Corporations Act 1993* and the National Tax Equivalents Regime, the Group is required to make payments to the Queensland Government, equivalent to the amount of any Commonwealth income tax for which an exemption is received.

The income tax equivalent expense (referred to as income tax expense) for the period is the tax payable on the current period's taxable income based on the Australian corporate income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

AASB 112 *Income Taxes* uses a 'Balance Sheet approach' for calculating income tax balances. This approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. The differences are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted at the balance sheet date.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting date, and any adjustment to tax payable in respect of previous years.

(b) Offsetting deferred tax balances

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for taxable temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that have been enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(c) 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.

(d) Tax consolidation legislation

SunWater and its wholly owned Australian-controlled subsidiaries have implemented the tax consolidation legislation.

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 entities in the case of a default by the parent entity, SunWater Limited.

The Group has also entered into a tax funding agreement under which the wholly-owned entities fully compensate SunWater Limited for any current tax payable assumed and are compensated by SunWater Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SunWater Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities, and are subject to the parent entity providing to the wholly-owned entities satisfactory evidence of that payment, the wholly owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly-owned entities, amounts receivable by them under the funding arrangement.

Key estimates and judgements

Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available to utilise them. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profit.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
(i) Income tax expense		
<i>Income tax equivalents expense</i>		
Current tax equivalents expense	14,318	24,207
Deferred tax equivalents expense/(credit)	1,189	(12,042)
Research and development tax credit	(502)	(485)
Prior year (over)/under provision	-	(7)
	15,005	11,673
<i>Income tax equivalents expense is attributable to:</i>		
Profit from continuing operations	15,005	11,673
(ii) Reconciliation of income tax expense		
Profit before income tax	51,053	40,682
Tax expense at the Australian rate of 30% (2016: 30%)	15,316	12,205
Non-deductible entertainment	16	17
Sundry items	175	(57)
Research and development tax credit	(502)	(485)
Prior year (over)/under provision	-	(7)
Income tax expense	15,005	11,673
Current tax	13,816	23,715
Deferred tax	1,189	(12,042)
	15,005	11,673

(iii) Movement in deferred tax balances

	Net balance at 1 July \$'000	Charged to Income Statement \$'000	Net balance at 30 June \$'000	Deferred Tax Asset (DTA) \$'000	Deferred Tax Liability (DTL) \$'000
2017					
Employee benefits	1,118	(30)	1,088	1,088	-
Property, plant and equipment	(6,276)	(1,964)	(8,240)	-	(8,240)
Unearned renewal annuity	3,451	657	4,108	4,108	-
Provisions	15,402	208	15,610	15,610	-
Other	(1,392)	(60)	(1,452)	-	(1,452)
Tax assets/(liabilities) before set off	12,303	(1,189)	11,114	20,806	(9,692)
Set off DTL against DTA	-	-	-	(9,692)	9,692
Net Tax Assets	12,303	(1,189)	11,114	11,114	-
2016					
Employee benefits	1,095	23	1,118	1,118	-
Property, plant and equipment	(14,024)	7,748	(6,276)	-	(6,276)
Unearned renewal annuity	2,631	820	3,451	3,451	-
Provisions	11,879	3,523	15,402	15,402	-
Other	(1,320)	(72)	(1,392)	-	(1,392)
Tax assets/(liabilities) before set off	261	12,042	12,303	19,971	(7,668)
Set off DTL against DTA	-	-	-	(7,668)	7,668
Net Tax Assets	261	12,042	12,303	12,303	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 5 CASH AND CASH EQUIVALENTS

Accounting Policy

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 three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Risk exposure

Information about the Group's exposure to credit risk is detailed in note 17.

	2017 \$'000	2016 \$'000
Cash at bank and on hand	4,789	1,716
Cash held as security	4,635	-
Deposits on call	45,431	148,031
Term deposits	-	116,021
Cash at bank and on deposit	54,855	265,768

Cash held as term deposits include deposits for which there is a short term identified use in the operating cash flows of the Group and attracts interest at rates between 2.80% and 2.90% (2016: 2.69% to 3.10%). During 2017 all term deposits were called in to allow for the special dividend and return of equity payment to Queensland Treasury.

During the year, SunWater received cash as security against commercial customer contracts. The deposits are held in separate bank accounts and are subject to repayment on call by the customer subject to meeting the obligations under their respective agreements (refer note 13).

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

	2017 \$'000	2016 \$'000
Profit for the year	36,048	29,009
Depreciation and amortisation	37,954	38,534
Impairment	25,763	43,713
Bad and doubtful debts	4	302
Net (gain)/loss on sale or disposal of non-current assets	532	16
Interest received	(4,772)	(6,346)
Interest paid	14,506	20,129
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in inventories and intangibles	(239)	314
Decrease/(increase) in deferred tax assets	1,685	(3,906)
Decrease in receivables	1,330	2,832
(Increase)/decrease in other assets	(3,402)	19,722
Increase/(decrease) in creditors	9,457	(1,982)
(Decrease) in deferred revenue	(5,576)	(3,925)
(Decrease)/increase in income taxes payable	(18,101)	12,823
(Decrease) in deferred tax liabilities	(497)	(8,136)
Net cash inflow from operating activities	94,692	143,099

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 6 RECEIVABLES

Accounting Policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

	2017 \$'000	2016 \$'000
<i>Current</i>		
Trade receivables	9,743	11,077
	9,743	11,077
Allowance for impairment of receivables	(1,950)	(1,950)
	7,793	9,127

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

Impaired trade receivables

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 Statement 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 credited against other expenses.

The ageing of trade receivables is as follows:

	Gross Receivable 2017 \$'000	Gross Receivable 2016 \$'000
Not past due	5,640	5,419
Past due 0 – 30 days	646	1,949
Past due 31 – 60 days	220	429
More than 60 days	3,237	3,280
	9,743	11,077

The movement in the balance of more than 60 days included an amount subject to litigation which SunWater settled in 2017. Remaining balances over 60 days are largely considered recoverable either through insurance or future contract pricing. Balances over 180 days have been provided in the allowance for improvement.

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

	2017 \$'000	2016 \$'000
At 1 July	1,950	1,650
Allowances added/(written back)	-	300
Carrying amount at 30 June	1,950	1,950

Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is detailed in note 17.

Fair value and credit risk

Due to the short-term nature of current 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 the Group's risk management policies, refer to note 17.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 7 INVENTORIES

Accounting Policy

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.

	2017 \$'000	2016 \$'000
Materials and stores	2,404	2,166

Inventories used and recognised as an expense during the year ended 30 June 2017 amounted to \$2.124m (2016: \$2.698m).

NOTE 8 OTHER CURRENT ASSETS

	2017 \$'000	2016 \$'000
GST receivable	3,225	1,323
Prepayments	1,097	917
Prepaid income tax	2,254	-
Accrued revenue	14,530	15,464
	21,106	17,704

Accrued revenue includes water delivered to 30 June but not invoiced and costs recoverable from customers in respect of projects which did not proceed to construction.

Prepaid income tax represents a net income tax receivable position after accounting for monthly PAYG (Pay As You Go) instalments and the provision for income tax for 2016–17.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

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 finance 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.

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 assets' residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

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 the Group'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% [5 – 60 years]
Plant and equipment	8% to 33.33% [3 – 12.5 years]
Infrastructure	0.5% to 10% [10 – 200 years]

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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 of disposal 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.

Sensitivity analysis is undertaken regarding the impact of possible changes in the significant factors and key assumptions, including weighted average cost of capital (WACC) (refer key estimates and judgements below).

For the purposes of assessing impairment, assets are grouped at 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 (cash generating units). Each of the Group's water schemes is regarded as a cash generating unit. Each hydro-electricity generating station is regarded as a cash generating unit.

	2017 \$'000	2016 \$'000
At cost or deemed cost		
Land	7,770	7,848
Buildings and land improvements	19,157	19,167
Accumulated depreciation	(5,700)	(5,436)
Total buildings and land improvements	13,457	13,731
Plant and equipment	19,870	19,807
Accumulated depreciation	(14,524)	(13,727)
Accumulated impairment	(522)	(522)
Total plant and equipment	4,824	5,558
Water infrastructure	1,324,224	1,314,419
Accumulated depreciation	(264,544)	(231,669)
Accumulated impairment	(260,823)	(264,071)
Total water infrastructure	798,857	818,679
Assets under construction	89,395	55,492
Accumulated impairment	(31,964)	(3,740)
Total Assets under construction	57,431	51,752
Total property, plant and equipment	882,339	897,568

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Key estimates and judgements

Under the Government's regulated irrigation price path which governs the Group's irrigation water supply revenue, the Group 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 estimates and assumptions concerning the future are made.

The sources for the key estimates and assumptions include:

- 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 final report *SunWater Irrigation Price Review: 2012–17* in May 2012. In June 2012, SunWater's shareholding Ministers directed the Group 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. In June 2016 the Shareholder Minister's provided another direction extending the price path until 30 June 2019. Tariffs increased by CPI only, except for those schemes, or part of schemes, where a CSO was required to fund SunWater's cost. In these instances prices increased by CPI plus \$2 (real).
- The cash flow projections used in the Group's model are based on these approved irrigation pricing arrangements and likely future pricing trends.
- The discount rate used to discount the estimated future cash flows included in the value in use calculation is based on the Group's estimated weighted average cost of capital (WACC), provided by QTC. This is considered to include 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. The future cash flows have been discounted using a pre-tax discount rate of 8.1% (2016: 8.4%).
- The net present value of the discounted cash flows is reasonably sensitive to likely changes of the WACC rate applied.
- There is no open market for the sale of water infrastructure assets owned by the Group.
- 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.
- The regulated price path, which reduces the Group's ability for cost recovery, results in larger impairment. A significant increase or decrease in a CSO adjustment would result in a higher or lower value in use and a resulting impairment loss or reversal.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

Movements

Movements of the carrying amounts of each class of property, plant and equipment from the beginning to the end of each year are set out below.

	Land \$'000	Buildings & land improvements \$'000	Plant & equipment \$'000	Water infrastructure \$'000	Work in progress \$'000	Total PP&E \$'000
<i>At 1 July 2015</i>						
Cost	7,851	18,543	19,301	1,301,980	51,861	1,399,536
Accumulated depreciation	-	(4,883)	(13,207)	(197,975)	-	(216,065)
Accumulated impairment	-	-	(522)	(224,098)	-	(224,620)
Net book amount	7,851	13,660	5,572	879,907	51,861	958,851
<i>Year ended 30 June 2016</i>						
Additions	-	651	1,669	12,519	18,975	33,814
Disposals	(3)	(8)	(58)	(38)	-	(107)
Transfer between classes	-	-	-	-	(15,344)	(15,344)
Depreciation expense	-	(572)	(1,625)	(33,736)	-	(35,933)
Impairment loss	-	-	-	(39,973)	(3,740)	(43,713)
<i>At 30 June 2016</i>						
Cost	7,848	19,167	19,807	1,314,419	55,492	1,416,733
Accumulated depreciation	-	(5,436)	(13,727)	(231,669)	-	(250,832)
Accumulated impairment	-	-	(522)	(264,071)	(3,740)	(268,333)
Net book amount	7,848	13,731	5,558	818,679	51,752	897,568
<i>Year ended 30 June 2017</i>						
Additions	3	248	1,093	10,682	46,004	58,030
Disposals	(81)	(101)	(61)	(458)	-	(701)
Transfer between classes	-	-	-	-	(12,101)	(12,101)
Depreciation expense	-	(421)	(1,766)	(33,280)	-	(35,467)
Impairment (loss)/write back	-	-	-	3,234	(28,224)	(24,990)
<i>At 30 June 2017</i>						
Cost	7,770	19,157	19,870	1,324,238	89,395	1,460,430
Accumulated depreciation	-	(5,700)	(14,524)	(264,544)	-	(284,768)
Accumulated impairment	-	-	(522)	(260,837)	(31,964)	(293,323)
Net book amount	7,770	13,457	4,824	798,857	57,431	882,339

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment

Cash generating units

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

	2017 Loss/(Reversed) \$'000	2017 Recoverable amount \$'000
<i>Tinaroo Hydro</i>	2,792	-
This CGU comprises all of the water infrastructure assets in the Tinaroo Hydro Electric Power. The impairment loss mainly arises because of an increase in future operating costs. The discount rate used was 8.1% (2016: 8.4%).		
<i>Nogoa Mackenzie Water Supply Scheme</i>	(6,505)	7,899
This CGU comprises all of the water infrastructure assets in the Nogoa Mackenzie Water Supply Scheme. The impairment reversal mainly arises because of revised cash outflows required to carry out dam safety improvements on Fairbairn Dam. Recoverable amount is determined as value in use. The discount rate used was 8.1% (2016: 8.4%).		
Other cash generating units – individually were not significant. Recoverable amount is determined as value in use. The discount rate used was 8.1% (2016: 8.4%).	479	15,889
Total	(3,234)	23,788

	2016 Loss/(Reversed) \$'000	2016 Recoverable amount \$'000
<i>Nogoa Mackenzie Water Supply Scheme</i>	41,446	-
This CGU comprises all of the water infrastructure assets in the Nogoa Mackenzie Water Supply Scheme. The impairment losses mainly arise because of revised cash outflows required to carry out dam safety improvements on Fairbairn Dam. Recoverable amount is determined as value in use. The discount rate used was 8.4% (2015: 8.9%).		
<i>Mareeba Dimbulah Water Supply Scheme</i>	(8,660)	8,770
This CGU comprises all of the water infrastructure assets in the Mareeba Dimbulah Water Supply Scheme. The impairment reversal mainly arises because of a strategic review of the operations and maintenance program. The discount rate used was 8.4% (2015: 8.9%).		
Other cash generating units – individually were not significant. Recoverable amount is determined as value in use. The discount rate used was 8.4% (2015: 8.9%).	7,187	73,679
Total	39,973	82,449

The Group's cash generating units are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The SunWater Group contains 33 cash generating units based on the cash flows from water supply systems and pipelines that are independent of each other.

Work in progress

Work in progress against which significant impairment losses were recognised (or reversed) during the financial year are:

	Loss/(Reversed) \$'000	Recoverable amount \$'000
<i>At 30 June 2017</i>		
Paradise Dam safety improvements	24,264	-
Burdekin Dam safety improvements	3,960	-
Total	28,224	-
<i>At 30 June 2016</i>		
Paradise Dam safety improvements	3,740	-

In accordance with the Dam Safety Improvement Program (DSIP), SunWater is in the process of upgrading Paradise Dam and the foundation drainage system at Burdekin Falls Dam. The above costs for Paradise Dam represent the expenditure incurred to 30 June 2017 by Burnett Water Pty Ltd, a wholly owned subsidiary. As the dam safety upgrade will not generate any additional revenue, the DSIP costs are considered to be impaired at the time incurred. Other work in progress projects are not assessed for impairment until project completion or more certainty of cost recoverability is known. This is assessed on a project by project basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 10 INTANGIBLE ASSETS

Accounting Policy

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.

	2017 \$'000	2016 \$'000
<i>At cost or deemed cost</i>		
Software	30,344	30,411
Accumulated amortisation	(22,262)	(19,876)
Accumulated impairment	(359)	(359)
Total software	7,723	10,176
Trade names	8	8
Water allocations	58,147	58,147
Accumulated impairment	(48,938)	(48,165)
Total water allocations	9,209	9,982
Total intangible assets	16,940	20,166

Impairment

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 impairment is recognised in the Statement of Comprehensive Income.

Key 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

for the year ended 30 June 2017

NOTE 10 INTANGIBLE ASSETS (CONTINUED)

Movements

Movements of the carrying amounts of intangible assets from the beginning to the end of each year are set out below.

At 1 July 2015

Cost	33,030	8	58,147	91,185
Accumulated amortisation	(20,391)	-	-	(20,391)
Accumulated impairment	(359)	-	(48,165)	(48,524)
Net book amount	12,280	8	9,982	22,270

Year ended 30 June 2016

Additions – at cost	504	-	-	504
Disposals/retirements	(7)	-	-	(7)
Amortisation expense	(2,601)	-	-	(2,601)

At 30 June 2016

Cost	30,411	8	58,147	88,566
Accumulated amortisation	(19,876)	-	-	(19,876)
Accumulated impairment	(359)	-	(48,165)	(48,524)
Net book amount	10,176	8	9,982	20,166

Year ended 30 June 2017

Additions – at cost	139	-	-	139
Disposals/retirements	(106)	-	-	(106)
Amortisation expense	(2,486)	-	-	(2,486)
Impairment loss	-	-	(773)	(773)

At 30 June 2017

Cost	30,344	8	58,147	88,499
Accumulated amortisation	(22,262)	-	-	(22,262)
Accumulated impairment	(359)	-	(48,938)	(49,297)
Net book amount	7,723	8	9,209	16,940

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 11 TRADE AND OTHER PAYABLES

Accounting Policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting date.

	2017 \$'000	2016 \$'000
Trade creditors	6,749	5,127
Other creditors and accruals	15,601	16,516
	22,350	21,643

NOTE 12 PROVISIONS

Accounting Policy

Provisions for certain types of repairs, legal costs and restructuring are recognised when:

- the Group 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 can be reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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. Provisions for dam safety improvements are measured following Board Approval and the scope of works have progressed to contractual arrangements from which a reliable measure can be derived. Where there is still uncertainty around the timing or amount, it will be disclosed as a contingent liability.

	Notes	2017 \$'000	2016 \$'000
<i>Current</i>			
Employee benefits		3,628	3,729
Natural disaster repairs		-	14,507
Legal costs		-	1,550
Infrastructure investigations and repairs		-	136
Dam safety improvements		47,078	29,533
Restructuring costs		1,757	2,423
Income tax		-	15,847
Return of contributed equity		-	130,000
Dividends	14	-	159,009
		52,463	356,734
<i>Non-current</i>			
Land commitment		1,246	1,237
		1,246	1,237

Employee benefits

Annual leave, banked time and time off in lieu (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 provision is presented as current as the Group does not have an unconditional right to defer settlement for at least 12 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

for the year ended 30 June 2017

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 or an employee's choice 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. The Group'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.

Legal costs

The provision represents management's best 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 best estimate of the present constructive obligation for costs associated with remediation works to rectify accepted defects at Paradise Dam.

Dam safety improvements

The provision represents management's best estimate of the present constructive obligation for the costs to carry out dam safety improvement works.

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.

Key estimates and judgements

Natural disaster repairs

The Group's water infrastructure suffered damage in late 2010, early 2011, early 2013 and March 2017 due to the impact of widespread flooding and cyclones. If management are able to reliably estimate the damage, the provision represents the present constructive obligation to repair damage incurred but not rectified as at 30 June 2017. Remedial works are expected to be carried out within the next financial year.

Restructuring

The provision represents management's best estimate of the present constructive obligation for costs associated with local management arrangements for the Group's channel irrigation schemes, LMA stage 3.

Four of the channel irrigation schemes: St George, Eton, Emerald and Theodore are commencing the transition to local management with the establishment of special purpose vehicle companies. The final due diligence is being carried out and transition is subject to reaching final agreement on the terms and conditions of that transfer with the Government by 31 October 2017.

Interim Boards have been established for the Bundaberg, Burdekin-Haughton, Lower Mary and Mareeba-Dimbulah schemes to determine the suitability of transitioning to LMA and prepare revised business proposals by 31 October 2017 for Government consideration on whether the schemes are ready to commence transition to LMA.

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 safety improvements \$'000	Restructuring \$'000	Income tax \$'000	Land commitment \$'000
Carrying amount at 1 July 2016	14,507	1,550	136	29,533	2,423	15,847	1,237
Provisions added/(written back)	(10,534)	(1,550)	(136)	65,274	144	16,071	-
Payments made during the year	(3,973)	-	-	(47,729)	(810)	(31,918)	9
Carrying amount at 30 June 2017	-	-	-	47,078	1,757	-	1,246

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 13 OTHER LIABILITIES

	2017 \$'000	2016 \$'000
<i>Current</i>		
Deposits payable	5,740	979
Unearned annuity	13,693	11,504
Deferred income	8,582	7,210
Rent incentive	310	310
Other	14	12
	28,339	20,015
<i>Non-current</i>		
Deferred income	152,823	160,033
Rent incentive	156	466
	152,979	160,499

Deposits Payable

Deposits payable consist of customer securities for supply contracts entered into with SunWater and are refundable at the completion of the contract.

Unearned Annuity

A refurbishment annuity forms part of the approved irrigation price path for each water supply scheme, and is billed to irrigation customers as part of the normal water billing process. Under the irrigation price path, the Group 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, the Group 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 annuity) as income for each water supply scheme. Any unspent annuity at year end (unearned annuity) is recognised as a current liability on the balance sheet.

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, The Group utilises an annuity approach for the irrigation sector.

Deferred Income

A customer paid in advance \$180.25m in accordance with the contract for water transportation. This amount is included in deferred income split between current and non current and is being amortised over the life of the contract.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 14 CAPITAL MANAGEMENT

Risk management

The Group'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, subject to Government's policy and directive.

The Group 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.

The Group has maintained an investment grade credit rating based on the following market gearing ratios:

	2017 \$'000	2016 \$'000
Total borrowings	284,162	245,710
Total equity	455,012	418,964
Total capital	739,174	664,674
Market gearing ratio	38%	37%

Market gearing ratio

The Group's current ratio at 30 June 2017 is 0.83 (2016: 0.74). The prior year was significantly impacted by the recognition of the special dividend and repayment of capital in total of \$289.009m due to shareholding Ministers by 30 November 2016 (refer notes 15 and 16).

Loan covenant

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

- A minimum long term stand-alone credit rating of BBB as issued by Standard & Poor's or Fitch or the equivalent long term stand-alone credit rating issued by Moody's Investors Service.
- During 2017, SunWater requested S&P to review its credit rating position. This reflects a standalone credit profile of BBB+. S&P equalised the SunWater credit rating to the State of Queensland AA+/Stable/A-1+.
- 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 these covenants throughout the reporting period. As at 30 June 2017, the EBITDA Interest Coverage was 8.55 times (2016: 6.92 times).

DIVIDENDS

Accounting Policy

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.

	2017 \$'000	2016 \$'000
<i>Ordinary shares</i>		
2016 first and final dividend of \$79.504m per share declared and provided for but not paid as at 30 June 2016	-	159,009
	-	159,009

(a) Dividends Paid

In the prior year, based on a direction in accordance with section 131 (3)(b) of the *Government Owned Corporations Act 1993*, the SunWater Board recommended a 2015–16 dividend comprising:

- a special dividend of \$130m; plus
- a dividend of \$29.009m being 100% of 2015–16 adjusted audited consolidated operating profit after tax.

Shareholding Ministers confirmed that this is appropriate. Payment was made on 28 November 2016.

(b) Dividends Declared

In June 2017, the shareholding Ministers directed SunWater not pay a dividend for the 2016–17 financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 15 CONTRIBUTED EQUITY

Accounting Policy

Ordinary shares are classified as equity. The amounts of any capital returns or injections are applied against contributed equity.

	2017 \$'000	2016 \$'000
Share capital		
Issued and paid up capital:		
2 ordinary shares of \$125.1345m each	250,269	250,269

	Number of shares \$'000	Contribution per share \$'000	Total \$'000
Movements in ordinary share capital			
Closing balance 30 June 2016	2	125,134	250,269
Closing balance 30 June 2017	2	125,134	250,269

In June 2017 the Queensland State Government announced a commitment to invest \$100m as an equity injection for capital improvement works at the Burdekin Falls Dam for the Saddle Dams and Monolith project. The investment is expected to be made after the preparation of a business case in accordance with the *Investment Guidelines for Government Owned Corporations* and will be accounted as equity when it is received.

NOTE 16 BORROWINGS

Accounting Policy

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 drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are 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.

	2017 \$'000	2016 \$'000
Unsecured		
QTC loan	284,162	245,710
	284,162	245,710
Represented by:		
Current	1,015	2,381
Non-current	283,147	243,329
	284,162	245,710

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. Borrowings are subject to the annual approval of the Queensland Treasurer and have previously been sourced from the SunWater and Woleebee Client Specific Pools. An approved borrowing program of \$100m was in place for 2016–17 (nil 2015–16) of which SunWater made a drawdown of \$40m.

During the year, SunWater signed a new loan mandate with QTC which lengthened the loan portfolio duration resulting in a reduced borrowing rate. In addition, the Woleebee Client Specific Pool was merged into a single SunWater portfolio linked loan. The merge of the two loans did not give rise to a market realisation charge as the terms and product of the loan did not substantially change and give rise to a debt extinguishment event.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 16 BORROWINGS (CONTINUED)

The QTC generic debt pools of Eungella Water Pipeline Ltd were repaid during 2015–16. SunWater funded the payout through an intercompany loan over an eight year term.

The Group has maintained the financial covenants as required under its borrowing facilities during the 2017 and 2016 reporting period (refer note 14).

The Group has a rolling \$50.0m 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 2017 (2016: undrawn).

Fair Value

	2017		2016	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
The carrying amounts and fair values of interest bearing liabilities at balance date are:				
Borrowings	284,162	304,758	245,710	272,984

The difference between carrying amount and fair value represents the market realisation adjustment on borrowings from QTC. Generally, the 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 Statement of Comprehensive Income

NOTE 17 FINANCIAL RISK MANAGEMENT

The Group'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 the Group'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. The Group 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, a counterparty credit rating analysis for credit risk and a contracts aging analysis for liquidity 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.

[a] 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 the Group does not operate internationally, on occasion, the Group may source plant and equipment or components of water infrastructure assets internationally and become exposed to foreign exchange risk. The Board has approved policies to manage foreign exchange risk. The Group 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 2016–17, the Group 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 2016–17, the Group had no significant exposure to price risk.

Cash flow and fair value interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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. The Group 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.

Financial Instruments	Carrying amount \$'000	2017 INTEREST RATE RISK			
		-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
Cash	50,220	(1,496)	(1,496)	1,496	1,496
QTC borrowings	284,162	3,222	3,222	(3,222)	(3,222)
Overall effect on profit and equity		1,726	1,726	(1,726)	(1,726)

Financial Instruments	Carrying amount \$'000	2016 INTEREST RATE RISK			
		-1% Profit \$'000	Equity \$'000	+1% Profit \$'000	Equity \$'000
Cash	265,768	(2,253)	(2,253)	2,253	2,253
QTC borrowings	245,710	2,987	2,987	(2,987)	(2,987)
Overall effect on profit and equity		734	734	(734)	(734)

(b) Credit risk

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

During 2016–17, the Group 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:

Category	Note	2017 \$'000	2016 \$'000
Cash at bank and at call invested in Australian institutions rated AA- or higher *	5	54,851	149,743
Held-to-maturity investments in Australian institutions rated A- to A+ *	5	-	50,476
Held-to-maturity investments in Australian institutions rated AA- or higher *	5	-	65,545
Other cash and cash equivalents	5	4	4
Receivables – current	6	7,793	9,127
		62,648	274,895

* Inclusive of accrued interest.

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

Deferred tax assets and liabilities have been offset and presented net in the Consolidated Statement of Financial Position. Refer to note 4 for the individual balances.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 17 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk management within the Group ensures sufficient cash is available to meet short-term and long-term financial commitments. The Group has policies in place to manage liquidity risk. The Group 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 the Group's commitments as they arise.

The Group had an approved borrowing program of \$100m during 2016–17. The Group has a rolling \$50m working capital facility with QTC. This facility (undrawn during 2015–16) operates as an overdraft arrangement which is used to cover temporary funding shortfalls, and is repayable on demand. The Group also has potential to drawdown further on its Portfolio Linked Loan that is in place.

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

	Carrying amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000	Total cash flows (contractual) \$'000
2017					
Payables	22,350	22,350	-	-	22,350
Borrowings – QTC *	284,162	12,416	49,597	283,147	345,160
Deposits payable	5,740	5,708	32	-	5,740
	312,252	40,474	49,629	283,147	373,250
2016					
Payables/dividends	310,652	310,652	-	-	310,652
Borrowings – QTC *	245,710	17,555	70,249	238,830	326,634
Deposits payable	979	39	32	908	979
	557,341	328,246	70,281	239,738	638,265

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

NOTE 18 INVESTMENT IN SUBSIDIARIES

The Group's principal subsidiaries are set out below:

Name of entity	Country of incorporation	Class of shares	EQUITY HOLDING	
			2017 %	2016 %
North West Queensland Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Eungella Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Burnett Water Pty Ltd	Australia	Ordinary	100	100

NOTE 19 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2017 \$'000	2016 \$'000
ICT projects	378	332
Water infrastructure projects	23,209	14,401
	23,587	14,733
Payable:		
Within one year	23,587	14,733

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

(b) Non-cancellable operating leases

	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	3,812	3,669
Later than one year but not later than five years	6,955	10,542
	10,767	14,211

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

The Group leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated.

Future projects and acquisitions

The Group has made in-principle commitments to investigate certain capital projects. In 2017 the Group applied for capital funding under the National Water Infrastructure Development Program – Capital Works Program for two channel efficiency projects located in Emerald (\$17m) and Mareeba (\$28m). Both projects would implement channel upgrades in the form of lining, regulator gates, offstream storages and other works to prevent distribution losses and subsequent conversion of loss allocations into saleable entitlements. Funding award will be decided by the Commonwealth Government in July 2017.

Details of SunWater's Dam Safety Improvement Program are disclosed in note 20.

NOTE 20 DAM SAFETY IMPROVEMENT PROGRAM

The Group has in place a comprehensive Dam Safety Improvement Program (DSIP) to ensure the continuing integrity of its referable dams. This program incorporates an ongoing series of inspections, engineering assessments, and comprehensive risk assessments for all referable dams, taking into account all relevant factors including changes in design standards, hydrologic data and methods, industry best practice and regulator requirements, which is undergoing a full portfolio risk assessment in August 2017 which may change the timing and quantum of the DSIP.

The DSIP has previously identified the need to improve a number of dams. DSIP projects have been completed for Fred Haigh Dam (2006), Bjelke Petersen Dam (2008), Borumba Dam (2009), Tinaroo Falls Dam (2011), Kinchant and Eungella dams (2015) and Fairbairn Dam spillway 2:1 slope safety improvement (2016). DSIP projects currently under construction include Paradise Dam strengthening of monolith (due for completion October 2017), Boondooma Dam (due October 2017), Burdekin Dam drain and spillway improvement (due December 2017) and Fairbairn Dam spillway improvement (due October 2018). A further 16 projects comprise the DSIP.

While the initial program of improvements was prioritised based on spillway adequacy, SunWater is continuously undertaking Comprehensive Risk Assessments (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. The improvements are estimated to be completed by December 2027 which includes an estimate of cost for each improvement. At this stage, the total of these cost estimates is \$902m, with schedule and cost accuracy likely to improve as projects progress into detailed design. If required, the State Government has confirmed its funding support for these projects.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 21 CONTINGENCIES

SunWater had contingent assets and liabilities at 30 June 2017 in respect of:

Contingent Liabilities

- (a) In March 2017, Cyclone Debbie made landfall between Bowen and Airlie Beach and tracked southward. The identified damage is approximately \$3.7m but requires further assessment to quantify the full extent.
- (b) Fred Haigh Dam suffered flood damage during 2013. Since the damage, SunWater has carried out engineering assessments to ascertain the damage and the scale of works required to rectify it. Insurers have conducted site visits and their assessment concluded that it will not be insured until the asset is repaired. As at 30 June there was no present obligation to finalise the works.
- (c) In November 2008, one of two inflatable dams mounted on top of Bedford Weir failed. In the ensuing unexpected release of a large volume of water downstream, a fatality occurred. In September 2009, the relatives of the deceased person instituted legal action for personal injuries. The matter remains in progress, and is being managed by SunWater's insurers.
- (d) 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.
- (e) 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.
- (f) SunWater has issued bank guarantees of \$0.4m as security against operations and maintenance service agreements. At the date of this report, there are no known claims or circumstances which would give rise to a claim under the guarantee.
- (g) SunWater remains in discussions with its insurers regarding the coverage provided by SunWater's industrial and special risks insurance policy over the costs associated with the following events:
 - During the 2010–11 and 2013 Queensland floods, Boondooma Dam located near Proston in southern Queensland suffered damage to the spillway channel from large volumes of water being discharged through the spillway; and
 - 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 policy has a number of exclusions and it is expected that these, together with the event deductibles, will be relevant to the policy responses.

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 under-recoveries against the final costs. If under-recoveries do occur, SunWater will seek to protect its interests by pursuing other commercial remedies available to it. At this stage, any ultimate under-recoveries cannot be reliably estimated.

- (h) At 30 June 2017, 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.

Contingent Assets

- a) SunWater has made a claim under its insurance policies for losses attributable to the flood event in 2013 (in addition to Paradise Dam). Revenue of \$1m from insurance proceeds has been taken up in the Statements of Comprehensive Income for the year ended 30 June 2017 (2016: \$13m, 2015: \$3m). The remainder of the claim is under negotiation.
- b) SunWater holds a number of bank guarantees in the event of non-payment of services.

NOTE 22 SUBSEQUENT EVENTS

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

NOTE 23 REMUNERATION OF AUDITORS

During the year, fees of \$170,000 (2016: \$164,000) 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

for the year ended 30 June 2017

NOTE 24 RELATED PARTY TRANSACTIONS

(a) Parent entities

The parent entity within the Group is SunWater Limited. The ultimate Australian controlling entity is the State of Queensland which at 30 June 2017 owned 100% (2016: 100%) of the issued ordinary shares of SunWater Limited.

(b) Transactions with related parties

All State of Queensland controlled entities meet the definition of a related party in AASB 124 *Related Party Disclosures*. In its normal commercial business activities, the Group 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 2017, the following significant transactions occurred between the Group and other State of Queensland controlled entities.

	2017 \$'000	2016 \$'000
Dividends declared	-	159,009
Return of capital	-	130,000
Interest received from QTC	2,693	2,983
Water sales, CSO, grants received	38,245	35,225
Consultancies paid	2,454	2,146
Interest/market realisation fee paid to QTC	15,005	20,025

(c) Transactions with subsidiaries

Interests in subsidiaries are set out in note 18. All transactions with subsidiaries are carried out under normal commercial terms and conditions or at cost. No transactions occurred between subsidiaries, other than with the parent.

During the year ended 30 June 2017, the following significant transactions occurred between the parent entity and its subsidiaries:

	2017 \$'000	2016 \$'000
Sales of water to subsidiaries	4,405	4,630
Sales of services to subsidiaries	34,865	15,925
Interest received from subsidiaries	708	337
Interest paid to subsidiaries	203	226
Current tax (payable)/receivable from tax consolidated subsidiaries	(3,846)	2,694
Dividends received from subsidiaries	12,000	10,000
Loan (advance)/received to/from subsidiaries	7,000	(17,733)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 24 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel

i. Directors

The following persons were Directors of SunWater Limited during the financial year:

Chairman

Ms Leith Bouilly

Non-executive Directors

Mr Neville Ide

Ms Patrice Sherrie

Ms Moya Steele

Mr David Stewart

Ms Vanessa Sullivan (appointed 15 December 2016)

ii. Directors contracts

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

Terms of appointment are as follows:

Directors as at 30 June 2017	Term of appointment	Appointment expiry date
Leith Bouilly, Chair	3 years	30 September 2018
Neville Ide	3 years	30 September 2018
Patrice Sherrie	3 years	30 September 2018
Moya Steele	2 years 7 months	30 September 2018
David Stewart	2 years 7 months	30 September 2018
Vanessa Sullivan	2 years 6 months	30 September 2019

iii. Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling activities of the Group, directly or indirectly, during the financial year:

Name of Executives	Position
Nicole Hollows	Chief Executive Officer
John Hooper ⁽¹⁾	Executive General Manager, Customers and Corporate Services
Colin Bendall ⁽²⁾	Executive General Manager, Operations and Services
Alex Fisher	Executive General Manager, Asset Strategy and Delivery
Geoff White ⁽³⁾	General Manager, Corporate
Tom Vanderbyl ⁽⁴⁾	General Manager, Bulk Water and Irrigation Systems
John Stubbs ⁽⁵⁾	Interim Chief Financial Officer

(1) Mr Hooper was appointed as General Manager, Customers and Corporate Services on 18 July 2016 and resigned on 05 May 2017.

(2) Mr Bendall was appointed as Executive General Manager, Operations and Services on 03 January 2017.

(3) Mr White resigned as General Manager, Corporate on 01 July 2016.

(4) Mr Vanderbyl resigned as General Manager, Bulk Water and Irrigation Services on 26 August 2016.

(5) Mr Stubbs was appointed as Interim Chief Financial Officer on 29 May 2017.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

iv. Shareholding Ministers

The GOC's shareholding Ministers are identified as part of the GOC's key management personnel and these Ministers are the Honourable Mark Bailey Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply; and The Honourable Curtis Pitt Treasurer and Minister for Trade and Investment. On 11 August 2017, it was published in the Government Gazette that the Honourable Dr Anthony Lynham MP, Minister for State Development and Minister for Natural Resources and Mines was nominated to be portfolio Minister for SunWater.

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.

v. Key management personnel compensation disclosures by category

Category	2017 \$'000	2016 \$'000
Short-term employee benefits – cash salary	1,884	1,812
Short-term employee benefits – cash bonus	89	183
Post-employment benefits – superannuation	108	139
Termination benefits	123	389
Total	2,204	2,523

Detailed remuneration disclosures can be found in sections (vi) and (vii).

vi. Compensation – Directors

Name of Director	Short-term employee benefits		Post-employment benefits	Total \$'000
	Cash salary \$'000	Cash bonus \$'000	Superannuation \$'000	
2017				
Leith Bouilly, Chair ⁽¹⁾	113	-	12	125
Neville Ide	44	-	4	48
Patrice Sherrie	48	-	4	52
Moya Steele	38	-	4	42
David Stewart	40	-	4	44
Vanessa Sullivan (appointed 15 December 2016)	20	-	2	22
2016				
Leith Bouilly, Chair (appointed 1 October 2015)	56	-	5	61
Neville Ide (appointed 1 October 2015)	27	-	2	29
Patrice Sherrie (appointed 1 October 2015)	30	-	3	33
Moya Steele (appointed 3 December 2015)	17	-	2	19
David Stewart (appointed 3 December 2015)	17	-	1	18
Kristin Ferguson (resigned 7 August 2015)	4	-	-	4
Ross Dunning, Chair (resigned 30 September 2015)	20	-	2	22
Larry Anthony (resigned 30 September 2015)	9	-	1	10
Rachel Fennell (resigned 30 September 2015)	9	-	1	10
William Wild (resigned 30 September 2015)	10	-	1	11
Greg Moynihan (resigned 31 March 2016)	30	-	3	33

(1) Cash salary included fees paid for taking on the role of Executive Chairman for the period November 2016 to February 2017.

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$163,275 (2016 – \$145,056) 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

for the year ended 30 June 2017

NOTE 24 RELATED PARTY TRANSACTIONS (CONTINUED)

vii. Compensation – Executives

Name and Title of Executive	Short-term employee benefits		Post-employment benefits	Termination	Total
	Cash salary \$'000	Cash bonus ⁽¹⁾ \$'000	Superannuation \$'000	Benefits \$'000	
2017					
Nicole Hollows, Chief Executive	558	-	20	-	578
John Hooper ⁽²⁾ , Executive General Manager, Customers and Corporate Services	282	-	21	123	426
Colin Bendall ⁽³⁾ , Executive General Manager, Operations and Services	120	-	10	-	130
Alex Fisher, Executive General Manager, Asset Strategy and Delivery	307	21	19	-	347
John Stubbs ⁽⁶⁾ , Interim Chief Financial Officer	21	-	2	-	23
Geoff White ⁽⁴⁾ , General Manager, Corporate	169	38	1	-	208
Tom Vanderbyl ⁽⁵⁾ , General Manager, Bulk Water and Irrigation Systems	124	30	5	-	159

(1) Cash bonuses paid are in respect of the previous year's assessed performance.

(2) Mr Hooper was appointed as General Manager, Customers and Corporate Services on 18 July 2016 and resigned on 05 May 2017. Cash salary includes leave entitlement payout.

(3) Mr Bendall was appointed as Executive General Manager, Operations and Services on 03 January 2017.

(4) Mr White resigned as General Manager, Corporate on 01 July 2016. Cash salary includes leave entitlements payout.

(5) Mr Vanderbyl resigned as General Manager, Bulk Water and Irrigation Services on 26 August 2016. Cash salary includes leave entitlements payout.

(6) Mr John Stubbs was appointed as Interim Chief Financial Officer on 29 May 2017.

Name and Title of Executive	Short-term employee benefits		Post-employment benefits	Termination	Total
	Cash salary \$'000	Cash bonus ⁽¹⁾ \$'000	Superannuation \$'000	Benefits \$'000	
2016					
Peter Boettcher ⁽²⁾ , Chief Executive	561	74	15	352	1,002
Nicole Hollows ⁽³⁾ , Chief Executive	95	-	4	-	99
Geoff White, General Manager, Corporate	294	36	37	-	367
Tom Vanderbyl, General Manager, Bulk Water and Irrigation Systems	271	30	33	-	334
Alex Fisher ⁽⁴⁾ , General Manager, Asset Delivery	148	-	12	-	160
Tim Donaghy ⁽⁵⁾ , General Manager, Industrial Pipelines	214	43	17	37	311

(1) Cash bonuses paid are in respect of the previous year's assessed performance.

(2) Mr Boettcher resigned as Chief Executive Officer on 31 March 2016. Cash salary includes leave entitlements payout.

(3) Ms Hollows was appointed as Chief Executive Officer on 26 April 2016.

(4) Ms Fisher was appointed as General Manager, Asset Delivery on 09 November 2015.

(5) Mr Donaghy resigned as General Manager, Industrial Pipelines on 06 November 2015. Cash salary includes leave entitlements payout.



NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

viii. Executive employment contracts

The Board Remuneration Committee reviews Senior Executive performance six 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 2014.

All 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).

Remuneration and other terms of employment are formalised in each executive's Senior Executive Employment Agreement. SunWater executives receive a Total Fixed Remuneration (TFR) inclusive of all rewards including base salary and superannuation for 2017 financial year. 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. There was no entitlement for a bonus in 2016-17. The decision to provide a bonus entitlement is at the Board's discretion.

ix. Compensation – shareholder Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The GOC does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP (Key Management Personnel) of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2016-17, which are published as part of Queensland Treasury's Report on State Finances.

(e) Other transactions with key management personnel

A Director of the Group was also a Director of another organisation which had transactions with the Group. All transactions in the year ended 30 June 2017 between the Group the organisation were on normal commercial terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 25 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The following aggregate amounts are disclosed in respect of the Parent entity, SunWater Limited:

	2017 \$'000	2016 \$'000
FINANCIAL PERFORMANCE		
Revenue from continuing operations	281,000	255,833
Other income	7,072	21,114
Dividends received from subsidiaries	12,000	10,000
Expenses from continuing operations	(222,341)	(244,180)
Operating profit	77,731	42,767
Finance costs	(15,346)	(16,134)
Profit before tax	62,385	26,633
Income tax equivalents expense	(14,805)	(4,458)
Profit for the year	47,580	22,175
Other comprehensive income	-	-
Total comprehensive income for the year	47,580	22,175
FINANCIAL POSITION		
Current Assets	85,101	266,575
Non-Current Assets	865,252	885,100
Total Assets	950,353	1,151,675
Current liabilities	117,680	398,849
Non-current liabilities	449,392	417,125
Total Liabilities	567,072	815,974
Net Assets	383,281	335,701
EQUITY		
Issued Capital	250,269	250,269
Retained Earnings	133,012	85,432
Total Equity	383,281	335,701

(b) Investment in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial report of SunWater Limited.

	2017 \$	2016 \$
North West Queensland Water Pipeline Pty Ltd	2	2
Eungella Water Pipeline Pty Ltd	2	2
Burnett Water Pty Ltd	2	2
	6	6

(c) Guarantees entered into by the Parent entity

At 30 June 2017, SunWater had issued bank guarantees of \$0.4m as security against operations and maintenance service agreements. At the date of this report, there are no known claims or circumstances which would give rise to a claim under the guarantee.

(d) Contingent liabilities of the Parent entity

All contingent liabilities referred to in note 21 relate to Parent entity, SunWater Limited.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

NOTE 26 SUMMARY OF OTHER ACCOUNTING POLICIES

(a) 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 2017 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments (AASB 2009-11 and AASB 2010-7)*

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

The Group has decided not to early adopt this standard and when the standard is adopted, the restatement of prior year comparatives is not required. 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 2018)

The core principle of AASB 15 *Revenue from Contracts with Customers* is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

While the Group has not yet decided to adopt AASB 15, revenue is already unbundled (in advance and arrears) and recognised in the appropriate month. Therefore, the standard is not expected to significantly affect the group's existing accounting for revenue.

(iii) AASB 16 *Leases* (effective from first full reporting period after 1 January 2019)

The key features of AASB 16 relating to lessee accounting are:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right of use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

The Group has non-cancellable operating leases (refer note 19) which, upon adoption of AASB 16, are expected to be included on the statement of financial position. The Group is yet to assess the full impact and has not yet decided when to adopt AASB 16. However, based on the materiality of existing leases, the standard is not expected to impact significantly on the group's assets and liabilities.

There are no other standards that are not yet effective and that would be expected to have material impact on the entity in the current or future reporting periods and or foreseeable future transactions.

(b) 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 GST receivable or payable. The net GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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.

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 42 to 78 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



L BOULLY
Chairman



P SHERRIE
Director

Brisbane, Qld
23 August 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of SunWater Limited

Report on the Financial Report

Opinion

I have audited the accompanying financial report of SunWater Limited and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Carrying value of property, plant and equipment (water infrastructure assets)

Refer to note 9 of the financial statements

Key audit matter	How my audit addressed the key audit matter
<p>Significant judgment is required by management in the determination of the carrying value of property, plant and equipment (water infrastructure assets), which due to prior impairments, is highly sensitive to changes in inputs.</p> <p>The key assumptions used in the financial model include:</p> <ul style="list-style-type: none"> - Allocating assets to cash generating units that are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. - Irrigation pricing arrangements including likely future pricing trends. - Estimating future capital expenditure and operating costs. - The discount rate applied to forecast cash flows. 	<p>My procedures in relation to management's assessment of the carrying value of property, plant and equipment (water infrastructure assets) included, but were not limited to:</p> <ul style="list-style-type: none"> - Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices. - Evaluating whether the cash generating units used by management are consistent with the entity's internal reporting and our understanding of the business. - Checking, on a sample basis, the accuracy and relevance of the input data used, including reconciling input data to supporting evidence such as approved budgets. - Assessing the reasonableness of cash flow forecasts by corroborating the key market related assumptions to relevant internal and external data. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process. - Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research. - Challenging the reasonableness of key assumptions based on our knowledge of the entity and industry. - Performing a sensitivity analysis to assist in considering the potential impact of reasonably possible changes (downside/upside) in these key assumptions. - Verifying the mathematical accuracy of the net present value calculations.

INDEPENDENT AUDITOR'S REPORT

Useful lives estimated for depreciation expense for property, plant and equipment (water infrastructure assets))

Refer to note 9 of the financial statements

Key audit matter	How my audit addressed the key audit matter
<p>The straight-line depreciation method used by SunWater required significant judgements for:</p> <ul style="list-style-type: none"> Identifying the significant parts of infrastructure that have different useful lives. Forecasting the remaining useful lives of those significant parts. 	<p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Evaluating management's approach for identifying the parts of water infrastructure that have different useful lives, having regard to recent replacement projects and long-term asset management plans. Evaluating remaining useful life estimates for reasonableness with reference to management's documented assessments, historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.

Other information

Other information comprises the information included in the company's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

The company's directors are responsible for the other information.

At the date of this auditor's report, the other information that the company's directors had approved was the directors' report.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information approved by the company's directors and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial report

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

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

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

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the company's directors I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters



R VAGG
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

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	14,772		14,772		0
	Other		0	41		41		0
	Total	29	0	14,813	0	14,813	0	0
Barker Barambah	Irrigation		31,361	36,767		17,529		4,532
	Urban		2,115	2,015		481		0
	SunWater		839	314		0		0
Total	170	34,315	39,096	114	18,010	52	4,532	
Bowen Broken Rivers	Industrial		30,309	30,274		9,906		300
	Irrigation		5,676	5,676		476		0
	Urban		1,785	1,785		777		300
	Other		290	383		204		25
	SunWater		870	812		0		0
Total	50	38,930	38,930	100	11,362	29	625	
Boyne River and Tarong	Industrial		30,453	30,453		25,071		0
	Irrigation		9,142	9,142		5,648		480
	Urban		1,825	1,825		1,372		0
	Other		480	480		121		1
	SunWater		1,625	1,625		1,137		0
Total	167	43,525	43,525	100	33,349	77	481	
Bundaberg	Industrial		386	887		196		0
	Irrigation		199,305	253,314		127,801		33,532
	Urban		9,571	9,571		3,600		711
	Other		46	46		17		0
	SunWater		171,021	121,058		35,082		144
Total	1,107	380,329	384,876	101	166,695	44	34,386	
Burdekin Haughton	Industrial		20,820	21,358		1,543		538
	Irrigation		635,212	661,007		502,176		30,265
	Urban		10,537	10,542		7,822		480
	Other		6	56		50		0
	SunWater		413,017	388,913		69,718		30
Total	411	1,079,593	1,081,875	100	581,308	54	31,313	
Callide Valley	Industrial		3,772	3,772		3,440		0
	Irrigation		13,463	14,223		10,319		1,660
	Urban		2,207	2,207		1,194		0
	SunWater		7	7		0		0
Total	141	19,449	20,209	104	14,953	77	1,660	
Chinchilla Weir	Industrial		290	12		4		0
	Irrigation		2,594	2,746		2,468		1,024
	Urban		1,160	1,160		309		0
	SunWater		5	131		5		126
Total	43	4,049	4,049	100	2,786	69	1,150	
Cunnamulla	Irrigation		2,412	2,532		1,519		633
	Urban		80	80		43		0
	SunWater		120	0		0		0
Total	24	2,612	2,612	100	1,563	60	633	

SCHEME STATISTICS CONTINUED

Scheme	Customer Segment	No. of Customers	Water		Available Water (%)	Water Deliveries (ML)	Water Deliveries (%)	TT Purchase Volume (ML)
			Entitlements (ML)	Available Water (ML)				
Dawson Valley	Industrial		3,918	3,774		1,902		415
	Irrigation		51,394	54,738		33,527		5,350
	Urban		2,283	2,081		1,036		0
	SunWater		4,142	4,342		2,720		0
Total		177	61,737	64,935	105	39,185	63	5,765
Eton	Industrial		100	100		0		0
	Irrigation		52,817	52,349		13,020		286
	Urban		176	186		40		10
	Other		81	81		7		0
	SunWater		9,389	9,389		4,476		0
Total		329	62,563	62,105	99	17,529	28	296
Julius Dam	Industrial		30,100	30,100		1,742		0
	Urban		7,900	7,900		0		0
	SunWater		10,850	10,850		7		0
Total		5	48,850	48,850	100	1,749	4	0
Lower Fitzroy	Industrial		24,009	24,010		18,517		1
	Irrigation		3,101	3,249		472		0
	Other		44	82		68		45
	SunWater		1,467	1,280		2		0
Total		27	28,621	28,621	100	19,058	67	46
Lower Mary River	Industrial		70	70		1		0
	Irrigation		19,327	21,141		14,823		6,369
	Urban		120	120		71		0
	SunWater		10,892	8,892		5,323		1,372
Total		166	30,409	30,223	99	20,218	66	7,741
Macintyre Brook	Industrial		217	217		0		0
	Irrigation		17,112	15,690		5,817		1,168
	Urban		426	284		118		0
	Other		6,400	6,400		2,628		0
	SunWater		842	2,613		756		730
Total		99	24,997	25,205	101	9,319	37	1,898
Maranoa River	Irrigation		800	800		25		0
	SunWater		5	5		0		0
Total		4	805	805	100	25	3	0
Mareeba Dimbulah	Industrial		1,561	1,294		691		66
	Irrigation		151,202	152,169		109,135		37,597
	Urban		6,656	5,959		3,784		328
	SunWater		45,005	45,002		25,308		0
Total		1,097	204,424	204,424	100	138,918	68	37,992
Nogoa Mackenzie	Industrial		27,807	27,895		11,864		7
	Irrigation		163,083	199,440		138,267		62,694
	Urban		8,548	8,258		5,754		28
	Other		339	383		215		4
	SunWater		32,081	30,867		12,807		18
Total		387	231,859	266,843	115	168,908	73	62,751

Scheme	Customer Segment	No. of Customers	Water		Available Water (%)	Water Deliveries (ML)	Water Deliveries (%)	TT Purchase Volume (ML)
			Entitlements (ML)	Available Water (ML)				
Pioneer River	Industrial		1,920	2,180		831		260
	Irrigation		47,390	57,130		4,928		284
	Urban		16,520	16,520		10,816		0
	SunWater		12,280	2,280		1		0
	Total	23	78,110	78,110	100	16,576	21	544
Proserpine River	Industrial		550	550		317		0
	Irrigation		40,817	53,705		10,078		1,102
	Urban		10,992	11,087		4,998		0
	SunWater		10,517	567		0		0
	Total	92	62,876	65,908	105	15,393	24	1,102
St George	Industrial		60	210		4		0
	Irrigation		71,770	80,165		75,313		18,751
	Urban		3,024	1,816		1,336		0
	SunWater		9,721	13,014		11,697		977
	Total	166	84,575	95,205	113	88,350	104	19,728
Three Moon Creek	Irrigation		14,324	14,124		6,727		1,814
	Urban		410	610		267		1
	Total	94	14,734	14,734	100	6,994	47	1,815
Upper Burnett	Industrial		119	119		40		0
	Irrigation		28,469	31,905		17,985		2,559
	Urban		1,930	1,914		860		0
	SunWater		18,032	4,784		220		219
	Total	155	48,550	38,723	80	19,105	39	2,778
Upper Condamine	Irrigation		30,363	18,344		17,919		3,126
	Urban		3,332	3,332		1,999		0
	Other		4	4		2		0
	SunWater		261	463		275		275
	Total	91	33,960	22,143	65	20,195	59	3,401
Total		5,054	2,619,872	2,647,192	101	1,426,359	54	220,639

NOTES

1. Water entitlements are as at 30 June 2017
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 30.9.2016 for Dawson Valley, 31.3.2017 for Eton and 30.6.2017 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 carry-over 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	Maximum height of dam 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)	15.2	81,700	2850	1972
Bjelke-Petersen	Barker Creek	Lake Barambah	Murgon	Earth and rockfill embankment	46	134,900	2250	1988
Boondooma	Boyne River	Lake Boondooma	Proston	Concrete-faced rockfill	63	204,200	1815	1983
Burdekin Falls	Burdekin River	Lake Dalrymple	Ravenswood	Mass concrete gravity	55	1,860,000	22,000	1987
Callide	Callide Creek	Callide Reservoir	Biloela	Earthfill embankment and mass concrete (radial gates)	37	136,300	1240	1965–88
Cania	Three Moon Creek	Lake Cania	Monto	Earth and rockfill embankment	47	88,500	760	1982
Coolmunda	Macintyre Brook	Lake Coolmunda	Inglewood	Earthfill embankment and mass concrete spillway (radial gates)	18.8	69,000	1645	1968
Eungella	Broken River	Eungella Reservoir	Eungella	Earth and rockfill embankment	49	112,400	848	1968
Fairbairn	Nogoa River	Lake Maraboon	Emerald	Earthfill embankment	46.3	1,301,000	15,000	1972
Fred Haigh	Kolan River	Lake Monduran	Gin Gin	Earth and rockfill embankment	52	562,000	5345	1975
Julius	Leichhardt River	Lake Julius	Mount Isa	Multiple arch concrete buttress	35.6	107,500	1255	1976
Kinchant	Sandy Creek (North Branch) – water harvested from Pioneer River	Lake Kinchant	North Eton	Earthfill embankment	22.3	62,800 ⁽¹⁾	920 ⁽¹⁾	1974–86
Kroombit	Kroombit Creek	Lake Kroombit	Biloela	Earth and rockfill embankment and roller compacted concrete spillway	25	14,600	289	1992
Leslie	Sandy Creek	Lake Leslie	Warwick	Mass concrete (radial gates)	31.1	106,200	1288	1965–86
Paradise ⁽²⁾	Burnett River	Lake Paradise	Biggenden	Roller compacted concrete	52	300,560	2950	2005
Peter Faust	Proserpine River	Lake Proserpine	Proserpine	Earth and rockfill embankment	51	491,400	4325	1990
Teemburra	Teemburra Creek	Lake Teemburra	Finch Hatton	Concrete-faced rockfill	57	147,500	1107	1997
Tinaroo Falls	Barron River	Lake Tinaroo	Atherton	Mass concrete	45.5	438,900	3500	1958
Wuruma	Nogo River	Lake Wuruma	Eidsvold	Mass concrete	44	165,400	1639	1968

NOTES

1. Maximum operating capacity
2. Owned by Burnett Water Pty Ltd – a subsidiary of SunWater Limited

For the latest storage level, capacity and outflow information visit www.sunwater.com.au/storagelevels

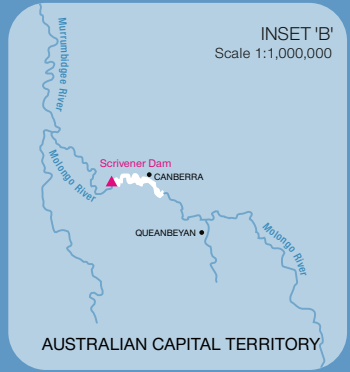
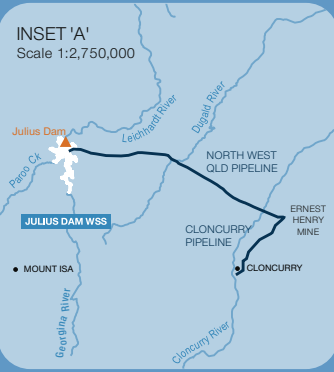
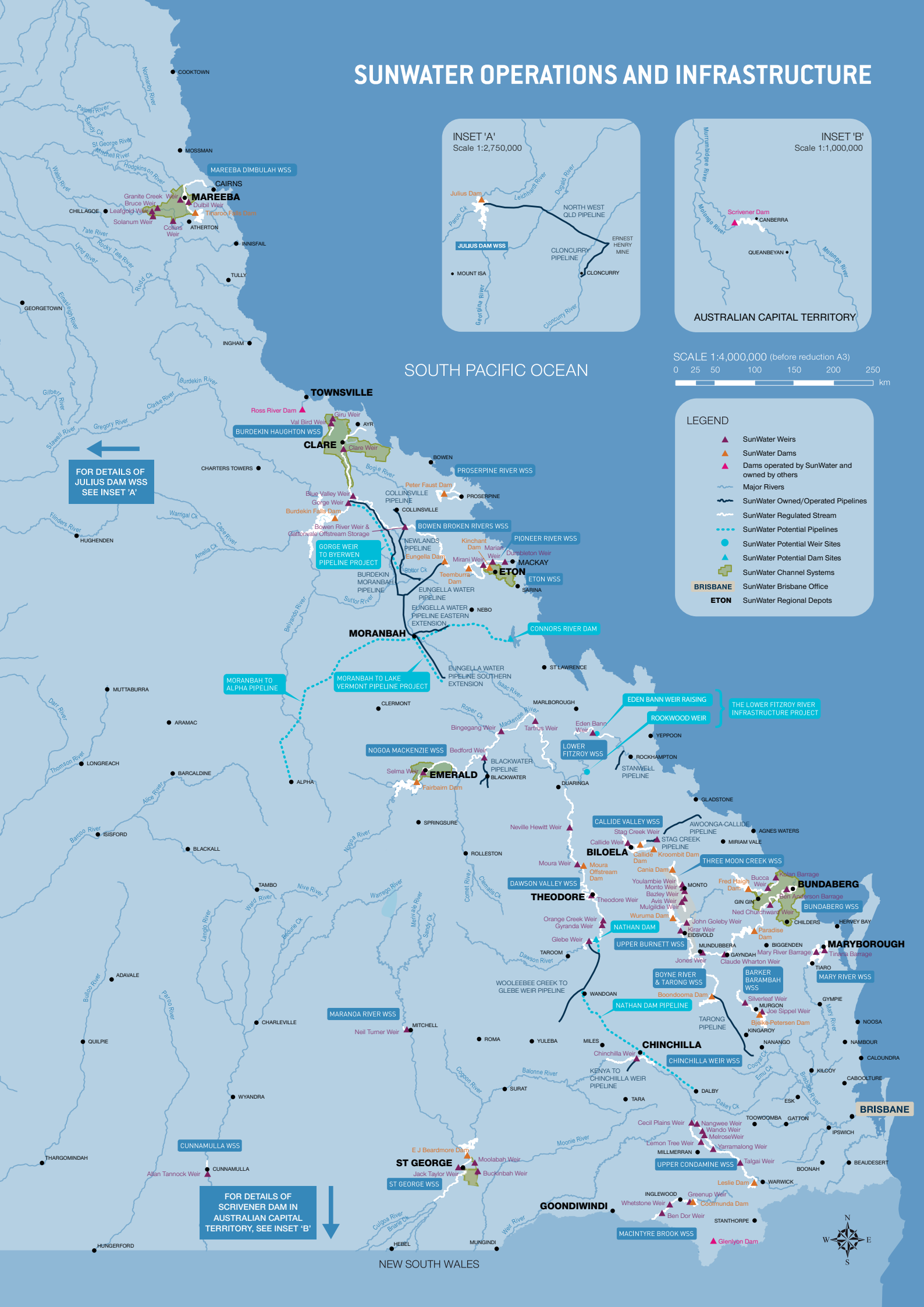
GLOSSARY

AASB	Australian Accounting Standards Board	km	Kilometre
ACN	Australian Company Number	KPI	Key Performance Indicator
AIPM	Australian Institute of Project Management	LMA	Local Management Arrangements
ANCOLD	Australian National Committee on Large Dams	LTIFR	Lost Time Injury Frequency Rate
AIFRS	Australian equivalents to International Financial Reporting Standards	m	Million
ASX	Australian Securities Exchange	ML	Megalitre (1,000,000 litres)
ATO	Australian Taxation Office	NPAT	Net Profit After Tax
BSC	Banana Shire Council	NWIDF	National Water Infrastructure Development Fund
CEO	Chief Executive Officer	PMO	Project-Managed Organisation
CGU	Cash Generating Units	QCA	Queensland Competition Authority
CRA	Comprehensive Risk Assessment	QTC	Queensland Treasury Corporation
CSO	Community Service Obligation	SCI	Statement of Corporate Intent
DEWS	Department of Energy and Water Supply	SHE	Safety, Health and Environment (Committee)
DSD	Department of State Development	TFR	Total Fixed Remuneration
DSIP	Dam Safety Improvement Program	TOIL	Time Off In Lieu
EAP	Emergency Action Plan	TRIFR	Total Recordable Injury Frequency Rate
EB	Enterprise Bargaining	TT	Temporary Transfer
EBIT	Earnings Before Interest and Tax	WACC	Weighted Average Cost of Capital
EBITDA	Earnings Before Interest and Tax Depreciation and Amortisation	WSS	Water Supply Scheme
EIS	Environmental impact statement		
ELT	Executive Leadership Team		
FTE	Full Time Equivalent		
GAWB	Gladstone Area Water Board		
GOC	Government Owned Corporation		
GST	Goods and Services Tax		
IAC	Irrigator Advisory Committee		
IASB	International Accounting Standards Board		
IFRS	International Financial Reporting Standards		
IGEM	Inspector-General Emergency Management		



Kinchant Dam , near Eton

SUNWATER OPERATIONS AND INFRASTRUCTURE



SOUTH PACIFIC OCEAN



LEGEND

- ▲ SunWater Weirs
- ▲ SunWater Dams
- ▲ Dams operated by SunWater and owned by others
- 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

FOR DETAILS OF JULIUS DAM WSS SEE INSET 'A'

FOR DETAILS OF SCRIVENER DAM IN AUSTRALIAN CAPITAL TERRITORY, SEE INSET 'B'





SunWater Brisbane Office
Level 10, 179 Turbot Street
PO Box 15536 City East
BRISBANE Q 4002
Phone (07) 3120 0000
Fax (07) 3120 0260
Customer Information Line 131589