

sunwater

Annual Report

2020-21

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Green Square North, Level 9, 515 St Pauls Terrace, Fortitude Valley, Queensland 4006.

About this report

We are pleased to present this annual report which provides an overview of Sunwater Limited's financial and non-financial performance for the 12 months to 30 June 2021. This report summarises our operational, business, governance and financial activities carried out to meet the Key Performance Indicators (KPIs) set out in Sunwater's Statement of Corporate Intent (SCI) 2020–21. This is our performance agreement with our shareholding Ministers.

This report provides information to meet the needs of our broad range of stakeholders, including our customers, state and local government partners, delivery partners, current and future employees and other commercial stakeholders. An electronic version is available on the Sunwater website at www.sunwater.com.au/about/publications.

We invite your feedback on this report. If you wish to comment, please contact our Customer Support team by calling 13 15 89 or emailing customersupport@sunwater.com.au.

Scope

This report covers all Sunwater operations in Australia, including dams, weirs, barrages, water channels, pumping stations, pipelines, water treatment plants and our physical hydraulic modelling laboratory at Rocklea in Brisbane.

We acknowledge the Traditional Owners

We acknowledge the Traditional Owners of the land on which we operate and recognise their continuing connection to land, waters and community. We pay our respects to them and their cultures, and to elders both past, present and emerging.

Translation and interpreting assistance



We are committed to providing accessible information to customers and stakeholders from culturally and linguistically diverse backgrounds. If you or an interested party has difficulty understanding this annual report, please contact us on 13 14 50 and we will arrange an interpreter to share the information in it.

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1. About us

A snapshot

Sunwater delivers water to more than 5000 irrigation, industrial and urban customers.

We supply around 40 per cent of the water used commercially in Queensland.

Just under half of our people live and work in regional Queensland.

We have a workforce of 514 full-time equivalents (FTEs) across 33 locations.

We delivered 1282 gegalitres (GL) of water in 2020–21.

Our assets

Sunwater owns \$11.7 billion (replacement cost) in assets, which can store up to 6497 GL of water, including:

- 19 dams
- 60 weirs
- four barrages
- two offstream storages
- 595 km of water channels
- 70 major pumping stations
- 1951 km of pipelines
- six water treatment plants.

Who we are

We are a Queensland Government-owned corporation staffed by a team of dedicated, skilled professionals who work together to give our customers access to secure water for a reasonable cost. We provide water solutions and bulk water for irrigation, industrial and urban customers. We appreciate how important water is to the livelihoods of our customers and play an essential role in its delivery to support regional growth and prosperity.

Our purpose

Delivering water for prosperity.

Our values – we:

- value people
- work together
- take responsibility.

Our goals

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

Organisational background

Sunwater was established on 1 October 2000 under the *Government Owned Corporations Act 1993 (Qld)* (GOC Act) administered by Queensland Treasury.

We are a water service provider under the *Water Act 2000 (Qld)* and are regulated by the *Water Supply (Safety and Reliability) Act 2008 (Qld)*, which are both administered by the Queensland Department of Regional Development, Manufacturing and Water (DRDMW). Our organisational chart can be seen on page 7. We are governed by an independent Board, currently made up of five-members.

Our people

As a regional entity, almost half of our people work from the 31 offices and depots across regional Queensland. The remainder work in our Brisbane office and Rocklea Hydraulics Laboratory providing support and services to our regional operations. When tendering for subcontractors and suppliers in the regions, we use local labour and materials wherever possible.

To deliver our services efficiently, we employ staff with the relevant skills and experience to meet our existing and future business needs in a changing environment.

At 30 June 2021, Sunwater had a total workforce of 514 FTEs. For a breakdown of our total workforce, please see Table 1.

Table 1: Sunwater's workforce

Employment Category	2020-21 Actual	2020-21 Budget
Casual positions	0	3
Senior executive positions	7	7
Common law contract positions	22	17
General employee positions ¹	415	427
Vacancies ²	70	60
Total Statement of Corporate Intent (SCI) ³	514	514
Additional workforce (non-permanent)		
Contractors ⁴	52	56
Apprentices / trainees	3	5
TOTAL WORKFORCE	569	575

1. Enterprise Agreement and Annualised Salary Arrangement employees.

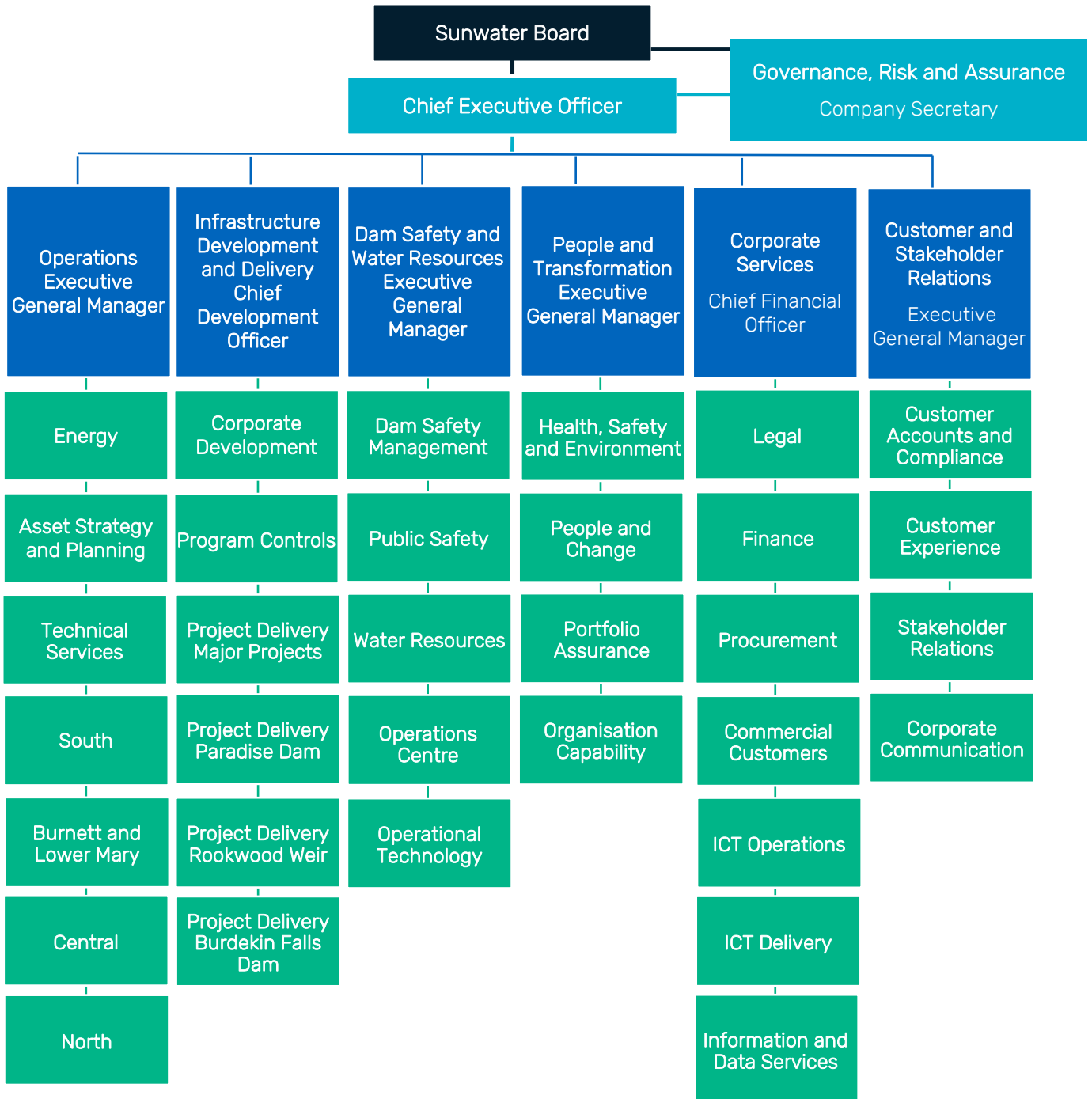
2. Positions that were not filled as at 30 June 2021.

3. Positions as outlined in Sunwater's SCI 2020-21, taking into account project lifecycles and changing requirements through the year.

4. Temporary positions for a defined period or project.

What we do

Organisational chart



Our customers

We supply water to more than 5000 irrigation, industrial and urban customers throughout regional Queensland.

We provide services where and when our customers need us, supplying water across 24 water supply schemes and 18 pipelines, engaging with state government and our customers to drive efficiency and minimise costs. We help our customers thrive by:

- working with them to make the most of the available water supply
- ensuring our resources are geared towards timely and cost-efficient water delivery.

Our communities

Our community stakeholders are those we interact with in regional Queensland, including:

- recreational dam users
- suppliers and contractors
- councils
- environmental interest groups
- Traditional Owners.

Our shareholding Ministers

The Honourable Cameron Dick MP
Treasurer and Minister for Investment
(12 Nov 2020 - ongoing).

Treasurer and Minister for Infrastructure and Planning (11 May 2020 - 11 November 2020).

The Honourable Glenn Butcher MP
Minister for Regional Development and Manufacturing and Minister for Water
(19 November 2020 - ongoing).

The Honourable Steven Miles MP
Deputy Premier and Minister for State Development, Infrastructure, Local Government and Planning and Minister for Regional Development and Manufacturing and Minister for Water (12 - 18 November 2020).

The Honourable Anthony Lynham MP
Minister for Natural Resources, Mines and Energy (1 July 2020 - 11 November 2020).

Water delivered

In 2020–21, our storages in regional Queensland were affected by both drought and flood.

At 30 June 2021, the total combined storage volume of Sunwater’s assets was 6497 GL, with the total capacity at 62 per cent (4040 GL).

Sunwater delivered 1282 GL of water across regional Queensland in 2020–21.

Most of Sunwater’s water supply schemes use the announced allocation system to determine how water is shared with customers. Not all available water can be allocated to customers, with volumes set aside to cover:

- evaporation
- seepage and transmissions allowances (or water losses)
- unusable storage (dead storage below the outlet works)
- reserves for use by high priority allocations in future years.

The remaining water is shared with customers - high priority allocations first and then medium priority allocations. In some schemes where water sharing arrangements allow, there may also be unused water which can be carried over from one water year to the next for use.

Of the water available for allocation in 2020–21:

- 45 per cent was used by customers
- 33 per cent was owned by customers but kept in storages for future use and water trading
- 10 per cent was available for purchase or temporary transfer
- 12 per cent was available to maintain irrigation scheme channels which we manage.

Scheme statistics for 2020–21 are available on the Sunwater website at www.sunwater.com.au/water-data/report-statistics.

Our strategic goals

Our strategic goals are outlined in our Corporate Plan and Statement of Corporate Intent (SCI) 2020–21 – the formal performance agreement between the Board of Sunwater and our shareholding Ministers.

The SCI governs our major activities, objectives, policies, investments and borrowings for the financial year.

Our aim for 2020–21 was to continue Sunwater’s journey as a customer-focused organisation with staff who are engaged, collaborative, efficient and safe.

Our goals and key performance indicators (KPIs) for 2020–21 were:

A safe high-performance culture

Measures of success:

- employee engagement
- compliance with environmental standards and laws
- zero harm:
 - lost time recordable injury frequency rate (LTIFR)
 - total recordable injury frequency rate (TRIFR).

A sustainable business

Measure of success:

- Dam Improvement Program and infrastructure projects delivered to scope, schedule and budget.

Supportive stakeholders

Measures of success:

- less than 12 unplanned customer supply interruptions impacting on operations
- at least two dam open days (community interactions)
- engagement and advocacy with irrigation customers to a net promoter score (NPS) greater than or equal to 10.5
- engagement and advocacy with urban customers to a NPS greater than or equal to 68
- engagement and advocacy with industrial customers to a NPS greater than or equal to 34.

Commercially-focused operations

Measure of success:

- a two per cent performance target against budgeted cash operating costs (excluding Rookwood Weir-related, depreciation and impairment).

2. Highlights

A safe, high performance culture

Health, safety and environment awards

In a year when mental health considerations were more important than ever, Sunwater received recognition from the Queensland Office of Industrial Relations (OIR) for our work in this area.

We were awarded gold accreditation as a Mental Health First Aid Skilled Workplace as a result of the training, processes and tools embedded in our business.

We were also recognised with a bronze award in Queensland's OIR 'Be Recognised' awards for programs implemented over the past year.

Our COVID-19 response

To support our people throughout the continued uncertainty of the COVID-19 pandemic, we initiated real-time feedback on how they felt and the challenges they faced in the event of lockdowns. They were given access to several forums on COVID-19 awareness, mental health, and remote working for productivity.

Our people had:

- 24/7 access to a dedicated COVID-19 information line if they had any health questions about themselves or their families
- access to paid pandemic leave
- COVID-19-safe work from anywhere plans to encourage a flexible approach to work
- a rapid transition to supporting our people to work from home, implementing social distancing and stringent hygiene measures at all our worksites.

COVID-19-safe and contingency plans were also developed for major infrastructure projects to keep our people safe and ensure work continued if impacted by an outbreak.

A sustainable business

Water plan updates

In 2020-21, changes to the Three Moon Creek Interim Resource Operations Licence (IROL) were made and amendments to the Upper Condamine Operations Manual commenced.

The Three Moon Creek IROL was approved by DRDMW in June 2021 and will be implemented from July 2021.

For Upper Condamine, work to amend medium priority water sharing rules in the operations manual began in 2020-21 and will be completed once all customers have been engaged.

In the first half of 2021, the Minister for Water also announced that the Water Plan (Barron) 2002 and the Water Plan (Mary Basin) 2006 would be replaced. Sunwater is working with DRDMW to progress the replacement of these plans.

The Minister also finalised an amendment to the Water Plan (Fitzroy Basin) 2011, incorporating the Rookwood Weir Water Supply Scheme and setting trading zones and water allocation security objectives.

For more information, see page 22.

Fairbairn Dam Improvement Project

The Fairbairn Dam Improvement Project was completed in September 2020. Works included modifying and repairing drains, replacing steel anchors, filling voids under the spillway's concrete slabs and constructing a mass reinforced concrete overlay to accommodate more steel anchors.

The work completed has brought the dam's infrastructure in line with current design standards.

Paradise Dam Essential Works

Preparation activities to lower the spillway at Paradise Dam and improve its stability and the safety of downstream communities commenced in April 2020.

The lowering was completed in September 2020, with final pours of a temporary concrete crest on the spillway finished in January 2021.

The completion of work on the spillway has improved safety by reducing the risk of dam failure from a 1 in 200-year event to a 1 in 5000-year event.

Further ancillary activities for the essential works will continue throughout 2021.

A Paradise Dam Improvement Project is required to further stabilise and strengthen the dam and ensure its long-term viability.

Sunwater, with a range of other industry experts, is assisting DRDMW to progress the next phase of an options assessment which will allow government to determine the best long-term option for Paradise Dam and the next stage of the detailed business case to proceed.

For more, see pages 19 and 20.

Rookwood Weir progress

In 2020–21, Sunwater made considerable progress on project milestones which support the construction of Rookwood Weir. These included:

- confirming the project's construction and design partners in August 2020
- completing an on-site accommodation camp in March 2021
- completing construction of Riverslea Bridge in June 2021
- in river works commencing in April 2021.

Supportive stakeholders

Dam open days

With the COVID-19 pandemic continuing in 2020–21, we had to find innovative ways of letting the community know about dam safety through our dam open days.

Instead of the face-to-face experiences, we delivered the Callide and Burdekin Falls dam open days digitally via augmented reality (AR) in the first quarter of the financial year (July–September 2020).

In the second half of the financial year on Saturday 29 May 2021, we also hosted a face-to-face dam open day at the Cania Dam for residents from Monto, Gladstone, Bundaberg and surrounds.

For more, see page 23, 25 and 27.

Customer Advisory Committees

Sunwater is committed to open and transparent communication and collaboration with our customers.

A key part of the Sunwater Customer Engagement Strategy during 2020–21 was the creation of our Customer Advisory Committees (CAC).

The CAC engagement model was created to provide customers with a diverse forum for engagement with Sunwater on a range of strategic matters relating to Sunwater's innovation, management and maintenance of assets to ensure the reliable and efficient delivery of service.

Over the past 12 months, the CAC model was successfully implemented in the Burdekin, Nogoia Mackenzie and the Dawson Valley water supply schemes. The model will continue to be progressively rolled out in 2021–22 in collaboration with customers and stakeholders across our service areas.

Delivering water during COVID-19

Providing critical water delivery services to regional Queensland during COVID-19 in 2020–21 was imperative.

Some of the initiatives we adopted to mitigate the risk of COVID-19 included:

- supporting our customers by allowing them to apply for payment relief if their income was affected by the pandemic
- supporting small-to-medium-sized suppliers by paying invoices within seven days of receipt.

Commercially-focused operations

Rookwood Weir water sales

During the financial year, Sunwater successfully completed the first stage of water sales for the \$367.2 million Rookwood Weir on the Fitzroy River, 66 km south-west of Rockhampton.

Stage one of the tender process resulted in Rural Funds Management and Argyle Capital Partners securing 30,000 megalitres of water.

For more, see page 28.

Finance Asset Management System

In 2020–21, the enhanced Finance, Asset Management and Procurement solution (FAMS) was implemented, which provided the following benefits:

- ability to close month-end financials more efficiently in shorter timeframes
- improved data to enhance business insights
- more comprehensive, improved management of asset infrastructure across the business
- ability to roll-out Asset Manager mobility capability to save time for remote field operators in day-to-day activities
- standardisation of business processes across the organisation
- overall improvement of system security access and governance.

3. Year in review

Message from the Chairman

Sunwater's annual report for 2020-21 outlines our performance in delivering water to support growth and prosperity across Queensland.

Our team worked tirelessly throughout the year to supply bulk water for a range of irrigation, industrial, and urban needs.

We engaged with customers, government, and industry to develop critical water infrastructure that will benefit regional communities for many years to come.

Our operating environment

Our response to the challenges presented by COVID-19 was driven by a focus on supporting our customers, our people, and the communities in which we operate.

The pandemic had no impact on service delivery, while our dam improvement and construction projects progressed with continuity and safety plans in place.

Our IT systems enabled our people to fulfil their responsibilities with minimal impact and I am proud of how the team adapted to working in a difficult environment.

Crucially, we continued to provide water at a time when much of Queensland remains in drought. In 2020-21, we delivered 1282 GL of the precious resource to our customers.

Our people

Sunwater's workforce reflects the communities we serve, our team consists of more than 500 people, based in 33 locations, who work together to deliver about 40 per cent of the water used commercially in Queensland.

We employ staff with the relevant skills and expertise to deliver high quality and efficient services for our customers. Sunwater is pleased to support the needs of our people by facilitating employment and training opportunities, particularly in regional areas.

Safety

The health and safety of our people, customers and the community are of critical importance. Sunwater's Health, Safety and Environment system provides the framework and tools for employees to operate safely, and identify and reduce risks, while delivering for customers.

A commitment to embedding work health and wellbeing practices into our systems and culture was a key priority in 2020-21. As a result, Sunwater attained a gold accreditation as a Mental Health First Aid Skilled Workplace, while achieving bronze status in WorkSafe Queensland's 'Be Recognised' program.

Leadership

On behalf of the Board, I would like to thank Chief Executive Officer Glenn Stockton and his management team for their efforts to improve business performance in a demanding year. Glenn has brought a high degree of diligence and professionalism to the position, and we look forward to his leadership in the coming years.

We welcomed Chief Financial Officer Simon Ellinor, Company Secretary Julie Tealby and Chief Development Officer Mal Shepherd to the executive ranks, while recognising Lisa Dalton and Darren Weir for their support in interim roles.

Thank you

I acknowledge my colleagues on the Board for their stewardship over the past 12 months. I extend a sincere thanks to Leith Bouilly, who retired as chairman in February after providing exceptional leadership for more than five years. I wish the very best to Patrice Sherry and Jo Sheppard, who stepped down as directors, and welcome new members, Jane Williams and Stuart Armitage, who will bring great expertise to our deliberations.

I congratulate Sunwater's staff for their ongoing dedication to delivering a safe and a high-quality service to the people of Queensland. Importantly, I thank our customers and shareholders for their confidence and support.

Message from the CEO

Sunwater's focus on being a trusted and reliable water service provider has secured a solid result for our customers and shareholders in 2020-21.

Our priority throughout the year was to successfully supply water across regional Queensland and optimise our bulk infrastructure assets, while driving efficiencies and minimising costs.

Our assets

Sunwater's assets must be maintained to a high standard to ensure effective water security and the safety of nearby communities. In 2020-21, we invested \$84.9 million into our Dam Improvement Program to ensure our dams safely hold and pass excess water during extreme weather events and provide long-term reliable water supply for our customers.

The program included the completion of enhancement works at Fairbairn Dam near Emerald while planning continued for an upcoming improvement project at Paradise Dam outside Bundaberg and raising and upgrade projects at Burdekin Falls Dam, south of Townsville.

Major projects

Over the past 12 months, our team made significant progress on a range of works to boost water availability in regional Queensland.

Construction started on the \$367.2 million Rookwood Weir project, west of Rockhampton, which will provide 86,000 megalitres of water for irrigation, urban and industry requirements.

As part of a program of essential works, Sunwater successfully lowered the spillway and installed a temporary concrete crest at Paradise Dam, improving the safety of downstream communities.

Sunwater also started a maintenance project to address a spillway gate vibration issue at Callide Dam near Biloela.

We finalised works at Fred Haigh Dam, near Gin Gin, to repair scour damage from flood events, and upgraded Silverleaf Weir on Barambah Creek, extending its life for about 50 years.

Commercial focus

Sunwater is committed to providing an efficient and cost-effective service to our customers. We are implementing a range of initiatives in line with the Queensland Government's savings and debt plan and our Value Improvement Program.

In 2020-21, we completed the first stage of the tender process for water sales from the new Rookwood Weir, selling 30,000 megalitres of medium priority water allocations for agricultural and non-urban use. Tender Two will be held in 2022, with a minimum of 7,500 megalitres available.

Our stakeholders

Sunwater's strong local presence helps us understand and better adapt to our customers' needs on the ground, while also educating the community about our operations. Over the past 12 months, we delivered several initiatives and campaigns to improve safety and drive innovative and sustainable water solutions.

We implemented a state-wide submerged hazards safety campaign to increase public awareness around our assets. Open days were held at Callide, Burdekin Falls and Cania dams, providing an opportunity for residents to learn about how dams work, and preparing for weather events and potential emergencies.

Sunwater continues to engage directly with customers and key stakeholders through a range of irrigation committees, reference groups and advisory boards. We have launched a suite of new technologies - such as apps and live-chat functions - providing customers with the flexibility to complete their business with Sunwater while on the go.

Looking ahead

Sunwater will continue to work with government and our customers to make the most of the available water supply, ensuring our resources are geared towards timely water delivery.

We have an extensive pipeline of projects aimed at supporting the growth of regional Queensland, and the right team in place to fulfil our wide-ranging responsibilities as a regional bulk water provider.

We look forward to delivering on our commitments in the coming year.

4. Performance

A safe, high-performance culture

The safety of our people and the communities they operate in is central to our business.

Sunwater is committed to providing a safe workplace and to acting transparently in our dealings with shareholders, stakeholders and customers.

We recognise that while operating commercially, we provide an important community service through our water assets for the benefit of regional economies.

In 2020-21, we continued working to establish a well-defined, well-understood culture among our people, so they know how decisions are made, how things get done and how the organisation as a whole works to deliver water for our customers.

We want our people engaged in and contributing to a safe, high performing, trusted and respected business.

During the financial year, we continued to develop our programs and systems to improve health, safety and capability. This has resulted in significant improvement in employee engagement enabling us to better meet customer expectations.

In 2020-21, we measured our performance against the following KPIs:

Table 2. A safe high-performance culture KPIs

Measure	2020-21 Results	2020-21 Target	Commentary
Total recordable injury frequency rate (TRIFR)	3.4 injuries per million hours worked	Less than 4.5 injuries per million hours worked	A significant ongoing improvement in our Health, Safety and Environment (HSE) systems and capability, supported by an open and transparent reporting culture enabled us to limit injuries to less than our performance target for the year. This was a considerable improvement on the 8.4 injuries per million hours worked in 2019-20, and 10.11 in 2018-19.
Lost time recordable injury frequency rate (LTIFR)	0 injuries per million hours worked	Less than 0 injuries per million hours worked	Our LTIFR is zero, with no lost time injuries recorded in 2020-21. This is an improvement on 1.4 injuries per million hours worked in 2019-20, and 2.25 in 2018-19.
Employee engagement	76%	More than 55%	The upward trend in employee satisfaction continued in 2020-21. Our people are engaged in and contributing to a safe, high performing culture.
Material breaches environmental standards and laws	0	0	There were no material breaches of environmental standards in 2020-21. Sunwater has had no breaches for the past ten financial years.

A sustainable business

Programs and infrastructure projects

Dam Safety Management Program

We are required to monitor dam safety under the *Water Supply (Safety and Reliability) Act 2008* (Qld) and in alignment with the Queensland Dam Safety Management Guidelines, Sunwater maintains a Dam Safety Management Program.

Additionally, the Dam Safety Regulator issues a Dam Safety Condition Schedule for each of our referable water storages which defines specific safety obligations for that asset.

We continually inspect and monitor our storages through the year as required under our Dam Safety Management Program to ensure compliance with both the Condition Schedule and Dam Safety Management Guidelines.

Dam Improvement Program

Sunwater is committed to meeting our dam safety legislative and common law obligations. We carry out Comprehensive Risk Assessments (CRAs) for our referable dams on a rolling cycle, typically every five years. Sunwater commenced a portfolio-wide update to its CRAs in 2020, including major updates to flood hydrology and downstream hydraulics assessments and associated assessment of societal risk profile and economic impacts.

These assessments feed into Sunwater's overarching Portfolio Risk Assessment (PRA), that defines the priority for safety improvements to our assets and forms our Dam Improvement Program, reflecting the Queensland Government's objective of all referable dams meeting Acceptable Flood Capacity (AFC) Guidelines by 2035.

Satisfying design standards and guidelines ensures our dams can safely hold and release excess volumes of water during periods of extreme rainfall and provide a long term, reliable water supply for our customers.

Infrastructure projects

Table 3 provides an overview of our infrastructure projects for 2020-21, including the Dam Improvement Program, water security projects, and projects to increase the efficiency of our water supply schemes.

Of these projects, the following were completed in 2020-21:

- Fairbairn Dam Improvement Project
- flood repairs to the Fred Haigh Dam (stages 1A and 1B)
- Paradise Dam Essential Works – ancillary works throughout 2021.

Table 3. Infrastructure projects

Project: Rookwood Weir Project	
Status	Commentary
In delivery	<p>Once constructed, Rookwood Weir, located 66 kilometres south-west of Rockhampton, is expected to yield up to 86,000 megalitres of water a year. It will provide reliable, long-term water supply to meet the needs of agriculture, urban areas and industry for Rockhampton, Livingstone Shire and Gladstone area in central Queensland.</p> <p>The Queensland and Australian governments are jointly funding construction of the weir, and Sunwater is responsible for its construction and operation and the marketing and sales of the water.</p> <p>In February 2021, the Queensland and Australian governments committed extra funding, increasing the project's budget to \$367.2 million, to raise the weir's crest from RL45.5 to RL46.2 metres, providing an additional 10,000 ML of water. Sunwater is investigating requirements to raise Foleyvale Crossing due to the increase in weir height.</p> <p>In 2020-21, \$98.5 million was spent to achieve the following project milestones:</p> <ul style="list-style-type: none"> • McCosker and ACCIONA were confirmed as the construction partners for the project in August 2020, with the weir to be delivered in partnership with Sunwater and GHD • an accommodation camp near Gogango for up to 250 workers was completed in March 2021 • construction of the \$12.5 million Riverslea Bridge was completed in May 2021 • the detailed design of the weir was largely finalised in June 2021 • in-river works commenced in April 2021. <p>During the construction of the weir, mitigation measures are in place to offset the impact on the environment. An environmental offset area adjacent to the Mackenzie River will be established with a mix of vegetation types and fauna habitat, including sand banks for turtle nesting. The offset area will act as a large sediment trap to improve water quality. There will also be a turtle ramp - a first for Queensland - built into the weir and a fish passage for barramundi and other species.</p>
Project: Fairbairn Dam Improvement Project	
Status	Commentary
Practical completion	<p>The Fairbairn Dam Improvement Project was completed in September 2020, three months ahead of schedule, achieving a significant project workplace health and safety milestone of 460,000 hours without a lost-time-injury.</p> <p>The project began in 2016 after routine inspections found inefficiencies in the spillway drainage system. The work completed has brought the dam's infrastructure in line with current design standards.</p> <p>We engaged with downstream communities, Central Highlands Regional Council and the Local Disaster Management Group (LDMG) before and during construction and updated the Fairbairn Dam Emergency Action Plan (EAP).</p> <p>The project was carried out in three stages:</p> <ul style="list-style-type: none"> • Stage 1 works started in April 2016 and were completed in December 2016 • Stage 2 works were completed in September 2020 • Stage 3 works were completed in December 2019.

The Stage 2 works completed in 2020-21 replicated the work done in Stage 1 on the next section of the spillway including:

- modifying drain outlets and repairing and replacing blocked drains
- replacing steel anchors
- filling voids under the concrete slabs of the spillway
- constructing a mass reinforced concrete overlay to accommodate steel anchors and installing 78 post tensioned active anchors on the spillway ogee crest.

While practical completion of the project was September 2020, final close-out of the project will take place in September 2021 following a successful 12-month defect period testing the active crest anchors.

Project: Fred Haigh Dam Flood Repairs

Status	Commentary
Stage 1 complete	In 2020-21, Sunwater continued works to the concrete spillway of Fred Haigh Dam near Gin Gin, to repair damage from floods in 2010-11, 2013 and 2017 which caused significant scour in the unlined channel downstream.
Stage 2 – in delivery	<p>While there was no immediate dam safety risk, site inspections in 2019 found that rock deposited at the end of the spillway channel and into the river resulted in an elevated tailwater. Action was required to address the condition of the unlined channel, scouring downstream of the spillway and erosion along the channel banks, including at the Monduran Pump Station.</p> <p>Temporary works (Stage 1A and 1B) began in 2019 to reinstate the spillway to its pre-flood risk level. Stage 1A was completed in December 2019.</p> <p>In 2020-21, \$3.9 million was spent on Stage 1B works, which started in September 2020 and completed in December 2020.</p> <p>Stage 1B work included installing 95 anchors around the spillway toe, extending 30 metres downstream to reinforce the foundation and installing a fibre-reinforced mass concrete overlay across the spillway channel to reduce further scour.</p> <p>Stage 2 of the project began in May 2020 as part of the long-term strategy for flood remediation at the dam. It involves a full CRA, including several studies (survey, geotechnical investigations, failure impact assessment, computational fluid dynamics modelling and scour assessments) to inform a detailed business case on long-term flood remediation.</p>

Project: Mareeba-Dimbulah Water Supply Scheme Efficiency Improvement Project

Status	Commentary
In delivery	<p>The Mareeba-Dimbulah Water Supply Scheme Efficiency Improvement Project commenced in 2019 and aims to improve operating and distribution efficiency and reduce water losses by up to 8,306 megalitres to deliver more water for customers.</p> <p>The \$30.8 million project, \$11.6 million of which is funded from the National Water Infrastructure Development Fund (NWIDF), includes works across the scheme at Atherton Creek, Biboohra, East Barron 4 (EB4), North Walsh, Southedge and South Walsh.</p> <p>In 2020-21, \$14.97 million was spent:</p> <ul style="list-style-type: none"> • installing automated control gates • providing additional storage capacity at North Walsh, completed 16 October 2020 • converting 2.6 km of open channel to pressurised pipeline at Atherton Creek, completed in October 2020

- converting 7 km of open channel to pressurised pipeline at Southedge, completed in March 2021.

Construction works are expected to be completed by the end of 2021, weather and site conditions permitting. Once water savings are validated, allocations will be made available for sale.

Project: Burdekin Falls Dam Improvement and Raising projects

Status	Commentary
Detailed business case underway	Burdekin Falls Dam is the largest dam in Queensland, holding 1,860,000 megalitres at full capacity. In September 2019, a detailed business case led by the former Building Queensland began on the dam’s improvement and wall-raising projects.
Environmental impact statement underway (raising project)	<p>The potential dam raising project would increase water supply in the Burdekin and surrounding regions and dam improvements will ensure its long-term viability and increase its resilience to extreme weather events, bringing it in line with modern engineering design standards.</p> <p>In 2020-21, Sunwater invested \$5.1 million on the dam wall raising project and a further \$2.6 million on the improvement project. This \$7.7 million investment included an ongoing extensive program of technical assessment to inform and refine the preliminary design, costs estimates including geotechnical investigations, historical core relogging and progressing an environmental impact statement (EIS) for the raising project.</p> <p>Sunwater is currently preparing a combined detailed business case assessing both projects.</p> <p>Sunwater received the final Terms of Reference for the EIS in April 2021 and a range of field surveys and technical studies are progressing.</p>

Project: Paradise Dam Essential Works

Status	Commentary
In delivery – essential works complete, ancillary works ongoing	<p>In September 2019, Sunwater announced an urgent need to improve the safety and stability of Paradise Dam’s wall and reduce the risk of dam failure while the long-term remediation plan was confirmed.</p> <p>CPB Contractors were awarded the contract for the essential works. They moved onsite in April 2020 and started lowering the primary spillway crest level by 5.8 metres in May 2020. The lowering was completed in September 2020.</p> <p>Passive anchors to strengthen the upper half of the dam wall and additional concrete were installed and a new 600-millimetre temporary concrete crest was completed in January 2021.</p> <p>In June 2021, concrete works were completed downstream of the dam to prepare for an apron extension and provide interim protection against scour. In alignment with Sunwater’s sustainability principles, materials removed from the spillway during the essential works were utilised in these downstream works.</p> <p>Ancillary works will continue through 2021, including further investigations to inform the next stage of design and construction of a new improved fishway.</p> <p>The Dam Safety Regulator issued a direction to Sunwater in March 2020, requiring completion of the spillway lowering by 1 December 2020. We provided an update on works and confirmed the spillway lowering activity was completed in September in accordance with this direction.</p> <p>In April 2021 and in consultation with DRDMW, the reduced Full Supply Level for Paradise Dam was raised under dam safety provisions in the <i>Water Supply (Safety and Reliability) Act 2008</i> (Qld). The new reduced Full Supply Level aligns with the temporary crest height of the lowered spillway – elevation 61.8 m AHD (170,400 ML) and allows an additional</p>

44,000 ML of storage capacity compared to the previous reduced full supply level which was introduced in late-2019.

The essential works involved about 100 people working on site. The work camp will be demobilised in July 2021.

The potential for dam failure has now been reduced to greater than a 1 in 5000-year flood event, compared with the previous assessment for a 1 in 200-year flood event before the essential works.

In 2020-21, \$66.7 million was invested by Sunwater in the essential works.

Further strengthening and stabilising work is required as part of the long-term remediation of Paradise Dam to meet safety guidelines.

Project: Paradise Dam Improvement Project

Status	Commentary
Detailed business case	<p>An options assessment was prepared for Paradise Dam by the former Building Queensland and published in March 2020. This report recommended further information be gathered in conjunction with implementing the essential works.</p> <p>Significant progress was made during 2021-21 to inform the next stage of remediation work at Paradise Dam, including Roller Compacted Concrete (RCC) shear strength testing, post tensioned anchor trials, geotechnical investigations, complex hydrology studies and a future water demand study.</p> <p>In partnership, DRDMW and Sunwater have ensured that the investigations and study results are collected as a matter of priority and can be considered in the next phase of the options assessment, allowing government to determine the best long-term option for Paradise Dam.</p> <p>The Queensland Government is expected to make a decision about the long-term future of Paradise Dam by the end of 2021.</p>

Project: Teemurra Dam Improvement Project

Status	Commentary
Risk assessment underway	<p>Teemurra Dam was built in 1996 and is located 50 km west of Mackay. It is an ungated dam with a fixed crest spillway designed to pass excess water into Teemurra Creek when the storage reaches 100 per cent capacity.</p>
Preliminary business case	<p>In 2020-21, \$2.46 million was spent on a CRA and geotechnical investigations to review the need for and assess options for any dam improvement works.</p> <p>The geotechnical investigation works around Saddle Dam 2 were completed in March 2021 and inputs from this investigation will be fed back into the CRA. Additional hydrology works identified during the CRA are underway to better inform the final report, which is forecast for completion in late-2021.</p> <p>The preliminary business case is expected to be completed by mid-2022.</p>

Project: Coolmunda Dam Improvement Project

Status	Commentary
Risk assessment underway	<p>A CRA is underway to inform dam safety improvements to Coolmunda Dam, located near Inglewood.</p> <p>The CRA has been progressed throughout 2020-21 and is forecast to be finalised by late-2021.</p>

Project: Callide Dam Gates Project	
Status	Commentary
In delivery	<p>The Callide Dam Gates Project was initiated in February 2021 to investigate the dam’s spillway gates and address intermittent gate vibration during their operation. Callide Dam is located near Biloela, in Central Queensland.</p> <p>The design and delivery work progressed in 2020-21, with \$1.3 million spent during the financial year.</p> <p>Site establishment is planned from July 2021 with technical investigations and exploration of engineering design solutions to mitigate or resolve the gate vibration issue continuing in 2021-22.</p>

Project: Rising Groundwater Mitigation Project	
Status	Commentary
Investigation underway	<p>This four-year, \$12.5 million project is investigating preventative measures and interventions to ease rising groundwater and the threat of high-water salinity in the Lower Burdekin region. Groundwater levels have risen across most of the Lower Burdekin since intensive agriculture began in the 1980s, posing a major threat to the sustainability of large-scale farming and the communities that depend on it. If action isn’t taken to manage it, projections show an adverse \$150 million economic impact over 30 years to irrigators, downstream industry, and the Great Barrier Reef.</p> <p>In the first half of 2021, investigations began into off-farm actions which could help mitigate rising groundwater in the region. Sunwater will engage the community and stakeholders, including local growers, agronomists, scientists and government agencies, to identify sustainable solutions. An Independent Science Panel will review all design and environmental considerations.</p> <p>Targeted seepage mitigation works are expected in 2023-24.</p>

Water plan updates

In 2020-21, changes to the Three Moon Creek IROL were made and amendments to the Upper Condamine Operations Manual commenced.

Three Moon Creek

An IROL was approved by DRDMW in June 2021. The changes to the licence were customer-driven to allow:

- more flexibility in managing water released from Cania Dam
- announced allocations reflecting groundwater levels
- the introduction of clear and transparent temporary trading rules.

This amendment will help set the scheme up for full transition into the Burnett Basin Water Plan in the next few years.

Implementation will begin in July 2021.

Upper Condamine

Work to amend medium priority water sharing rules in the Upper Condamine Operations Manual began in 2020-21.

These changes were customer driven to allow better use of water by medium priority irrigation customers when Leslie Dam levels are between 15,000 and 50,000 megalitres.

Changes to the water sharing rules are being worked through with customers, which have been prolonged due to significant regulation needed to meet Murray-Darling Basin accreditation.

We expect to make an application to amend the operations manual soon, once engagement with customers has occurred.

New water plans

In the first half of 2021, the Minister for Water announced the replacement of the Barron (2002) and Mary Basin (2006) water plans.

We are working with DRDMW to provide input into these plan replacements including:

- historical data
- water use demands and climate change trends to 2050
- water use efficiency projects and infrastructure options
- working with our customers to refine operations to better meet their water needs.

The Minister for Water finalised an amendment to the Water Plan (Fitzroy Basin) 2011 during the financial year to incorporate the Rookwood Weir Water Supply Scheme. This included setting trading zones and water allocation security objectives.

DRDMW led engagement and took submissions on this amendment to address issues about Rockhampton's urban water security. We committed to working with DRDMW and Rockhampton Regional Council to address these concerns.

Sunwater notes that over the next few years a number of water plans are due to expire and be reviewed, including the Burdekin, Pioneer and Whitsunday. Sunwater will participate in the plan reviews as they occur.

Sunwater is also working with DRDMW to agree on recommendations to the Minister regarding the following water plans, taking into account the future impact of these projects on the regions:

- Burnett Basin – Paradise Dam Improvement Project
- Fitzroy Basin – Rookwood Weir, Bedford Weir, Nathan and Connors Rivers dams.

Supportive stakeholders

Our customers are at the centre of everything we do. We recognise the importance of delivering high-quality services and communicating effectively with our customers about the value we bring to their businesses.

Customer service is something all our people are responsible for, no matter their role.

In 2020-21, we measured our performance against the following KPIs:

Table 4. Supportive stakeholder KPIs

Measure	2020-21 Results	2020-21 Target	Commentary
Unplanned customer supply interruptions materially impacting on operations	11 achieved	Less than 12 per scheme (as per agreed service targets)	Most unplanned shutdowns relate to pipe leaks or power outages. Where possible pipe leaks are repaired between customer demand cycles or after rainfall to minimise the impact on customers.
Community interactions	One dam open day	Two dam open days	In the first half of the 2020-21 financial year, the Callide and Burdekin Falls dam open days were delivered digitally via augmented reality (AR) due to restrictions imposed as a result of COVID-19. Launched on 29 June 2020, the open days ran to 22 July 2020. In the second half of the financial year 2021, a face-to-face dam open day was held at Cania Dam, north of Monto in Central Queensland. A planned dam open day for Kinchant Dam was cancelled due to wet weather. See below for more information.
Customer engagement / advocacy - irrigation	20.06	Net promotor score greater than or equal to 10.5	Sunwater exceeded the annual target for customer satisfaction in the irrigation customer segment. Irrigators commended us for improvements in the quality of our customer service across Brisbane and regional locations.
Customer engagement / advocacy - urban	55	Net promotor score greater than or equal to 68	Sunwater achieved a significant shift in our customer satisfaction score across urban customers. Ninety-five per cent of respondents advised they are somewhat, very or extremely likely to speak positively about us. Noting requests for further engagement in 2019-20, we rolled out the Customer Advisory Committee engagement model, increasing the level of open and transparent communication across our customer segments.
Customer engagement / advocacy - industrial	66.67	Net promotor score greater than or equal to 34	We exceeded the customer satisfaction target for the industrial customer segment. Industrial customers commented on our responsiveness and notifications during planned maintenance.

Customer reference groups and committees

Sunwater meets with customers regularly to understand their operations and how our services can best support them.

Through engagement, we aim to deliver better outcomes for customers, be more transparent about decisions that impact on their businesses and be responsive to their needs.

We engage with customers state-wide as well as through local catchment-based groups.

These groups evolve over time with the changing needs of our customers.

Irrigation Customer Reference Group:

- we meet regularly with a cross-section of our irrigation customers who sit on our Irrigation Customer Reference Group (ICRG)
- Representing irrigation customers from across regional Queensland, the ICRG considers strategic matters relevant to all schemes to ensure reliable, efficient water delivery.

Irrigator Advisory Committees:

- provide advice and recommendations about scheme operational issues
- represent the interests of the broader irrigator base around our ongoing operation of the scheme
- provide an opportunity for customers and our staff to raise and discuss matters of mutual interest around customer relationships and management of the physical aspects of the scheme.

Customer Advisory Committees

The Customer Advisory Committees (CAC) provide customers and stakeholders a forum to engage with us on a range of strategic matters relating to innovation and management and maintenance of assets to ensure the reliable and efficient delivery of service to all customers.

Their primary purpose is to:

- engage with customers to identify current and future water needs
- provide a transparent view of Sunwater's operating environment and assets

- build an understanding of our customer's businesses to ensure future plans are considered in our strategic and operations planning.

In 2020-21, three CACs were established for the Burdekin, Nogoia Mackenzie and Dawson Valley water supply schemes.

Lower Mary Customer Advisory Board

The Lower Mary Customer Advisory Board was established to:

- capitalise on the learnings from the recent local management arrangements (LMA) process
- build a collaborative partnership between us, our customers and stakeholders about the medium and longer-term management of the Lower Mary Water Supply Scheme.

Engagement with peak industry

We work closely with peak industry groups on state-wide policy issues as needed, such as in the lead up to and during irrigation price reviews.

This enables us to monitor issues and provide an avenue for customers to raise issues.

Customer App

Our phase one launch of the Sunwater Customer App adopted a collaborative customer design approach. This allowed us to test the app in its live state with customers, adopting feedback and enhancing the app to deliver real value.

Through this approach, we aimed to secure 100 active users by 30 June 2021. This target was exceeded, with over 350 customers logging in and accessing different features available through the app.

The official release of the Customer App will take place in mid-2021.

Website live chat

The Sunwater website live chat function was implemented in April 2021 to provide another avenue for customers to engage with us. The new service has the advantage of being able to capture all customer-related queries and allow quick responses to questions.

The most common enquiries relate to information on facilities, announced allocation information and updating account details.

Marketing and corporate entertainment

Dam open days

With the COVID-19 pandemic continuing in 2020-21, we had to find innovative ways of engaging with the community about dam safety through our dam open days.

Due to limitations with face-to-face events, we delivered the Callide and Burdekin Falls dam open days digitally via augmented reality (AR) from 29 June 2020 to 22 July 2020.

Using AR to communicate with our stakeholders was a first, requiring flexible thinking about how to deliver programs to our customers differently. It enabled us to share vital information with the community, while ensuring everyone was safe.

The AR experience examined safety hazards and risks at water storages, how dams work and how to prepare for weather events and potential emergencies.

The AR dam open days were viewed by 389 users, who accessed information from the safety and comfort of their own homes.

In the second half of the financial year, face-to-face dam open days returned, with more than 200 residents from Monto, Gladstone, Bundaberg and surrounds attending the Cania Dam Open Day on Saturday 29 May 2021.

The day was delivered in collaboration with local councils and community groups including the Queensland Police Service, State Emergency Service, Queensland Ambulance and Maritime Safety Queensland. There was also live music, food trucks, a free sausage sizzle, face painting and a jumping castle.

The Kinchant Dam Open Day was planned for Saturday 19 June 2020 for residents of Mackay, Isaac and Whitsunday, but was cancelled due to the wet weather.

Submerged hazards public safety campaign

Public safety assessments of our storages in 2020 identified physical hazards like floating and submerged objects as an extremely high priority safety risk across all regions.

Drought and lower than usual water levels at many of our dams identified various hidden dangers presenting possible serious public safety risks.

As a result, we devised a four-month advertising campaign to increase public awareness and education about the safety risks. The theme was 'Check things out before you get in'.

Market research completed in July 2020 contributed to our understanding of the attitudes and behaviours towards submerged hazards and other hidden dangers at our storages. The research findings and recommendations around changing behaviours will also inform future public safety education programs.

The advertising campaign and strategy was produced by Brisbane-based creative agency VMLY&R. Concept testing and filming was completed in October 2020 with recreational users of Leslie Dam, including boating and fishing groups.

The campaign was rolled-out across the state, targeting areas near Sunwater dam sites via TV (aligning with weather reports), WeatherZone advertising, online videos and social media from early November 2020 to mid-January 2021.

Regional news partnerships with 7 News and WIN News (Channel Ten) boosted reach by 20 per cent above paid advertising reach.

The Facebook component of the campaign worked well with the 18+ age group who have an interest in travel and activities, and there was a strong click-through rate via WeatherZone, outperforming benchmarks.

The campaign also aligned well with our broader public safety and wet season preparedness campaign.

Australian National Committee on Large Dams (ANCOLD)

Sunwater is a Sustaining Member of the Australian National Committee on Large Dams (ANCOLD) and in 2020, was a gold sponsor of the annual ANCOLD conference. We take part in this conference each year and participate in working groups and support activities to stay in touch with new developments and best practice. Due to COVID-19, the 2020 conference took place online in November. The theme was Dams: perceptions and realities of risk.

Sponsorships: Dam run

Sunwater provided \$10,000 in sponsorship for a run at the Callide Dam, located in Central Queensland to raise money for the Biloela Kindergarten.

The run took place over the Callide Dam wall on Sunday 20 June 2020 and had 350 participants.

The Callide Dam Gates Project team had a stall at the event to engage with community.

Emergency management

Sunwater has noted and responded to the recommendations of reviews by the Inspector General Emergency Management (IGEM), including:

- 2015 Callide Creek Flood Review
- Review of Seqwater and Sunwater Warnings Communications
- 2019 Monsoon Trough Rainfall and Flood Review
- Paradise Dam Preparedness Review.

As a result, a comprehensive improvement program has been implemented, including:

- enhanced hydrometric water data supply
- improved flood modelling and mapping
- increased community information
- improved coordination across disaster management agencies
- additional infrastructure monitoring.

In July 2020, DRDMW resumed four properties downstream of Callide Dam that flooded in the February 2015 event and were at high risk of flooding in future outflows from the dam.

Emergency Action Plans (EAP) are in place and up to date for our referable dams and water storages (as required) so we can communicate risks and coordinate responses during dam safety events.

Our program of early warnings has been in place for the last four wet seasons and has been improved each year.

During 2020-21, Sunwater facilitated a number of emergency preparedness exercises both internally and with councils close to our dams and their Local Disaster Management Groups (LDMGs).

The following exercises were conducted:

- Paradise Dam emergency exercise – 14 July 2020
- Callide Dam emergency exercise – 7 October 2020
- Two Sunwater Strategic Response Team scenario planning and response exercises – November 2020.

Sirens have been installed at six dams (Coolmunda, Callide, Teemburra, Kinchant, Paradise and Fairbairn), in response to the IGEM's advice on the need for multi-channel warnings in the event of a dam failure. The siren locations were based on a state-wide risk assessment.

They will only be activated to notify the local community in the unlikely event of dam failure.

An additional siren was installed downstream of Paradise Dam in September 2020 to bolster warnings to downstream communities.

In 2020-21, Sunwater successfully conducted audible testing of the Callide, Kinchant, Teemburra and Paradise dam sirens.

Table 5. Customer, stakeholder and community engagement costs

Activity	2020-21 Actual \$	2020-21 Budget \$
Industry and community support		
Australian National Committee on Large Dams (ANCOLD) conference ¹	9,000	10,000
Industry	17,086	30,000
Community	21,055	15,000
Total industry and community support	47,141	55,000
Advertising		
Water safety advertising campaign (submerged hazards) ²	211,264	250,000
School safety program ³	-	25,000
Total advertising	211,264	275,000
Corporate entertainment		
Employee (value improvement) awards ceremony ⁴	-	10,000
Office Christmas celebrations	17,116	32,100
Other (total of meetings and events below \$5000 per event)	7,979	7,500
Total corporate entertainment	25,095	49,600
Strategic community and stakeholder engagement activities		
State-wide dam education program ⁵	40,433	140,000
Inspector-General Emergency Management (IGEM) education campaign ⁶	-	205,000
Total community and stakeholder activities	40,433	345,000
Total all activities	323,933	724,600

- Costs attributed to membership as a Sustaining Member of ANCOLD, participation in online working groups and supporting activities to stay in touch with new developments and best practice.
- Budget was modelled on a previous campaign and savings were realised due to theme of choice, shoot location and utilising in-house resources in the design and planning phase.
- Due to the unpredictable nature of COVID-19, the school safety program was not rolled out in regional Queensland during the financial year.
- Due to COVID-19, the employee (value improvement) awards ceremony was cancelled.
- A dam open day event was cancelled due to weather resulting in lower-than-expected expenditure. This budget also comprises contingency funds for ad hoc education campaigns which were not required during the financial year.
- Budget allows for reactive / emergency campaign spending that was not required this year.

Commercially-focused operations

In 2020-21, our people worked to maximise the commercial value of our assets, operations and services, and focused on positioning the organisation to take advantage of future opportunities.

In 2020-21, we measured our performance against the following KPI:

Table 6. Commercially focused operations KPI

Measure	2020-21 Results	2020-21 Target	Commentary
Performance target against budgeted cash operating costs (excluding Rookwood Weir-related, depreciation and impairment)	-22%	-2%	Significant savings were made across operations and projects including the ongoing refurbishment program and Fairbairn Dam Improvement Project Stage 2.

Water pricing

Sunwater receives water revenue from three key customer segments:

- industrial - 72 per cent
- urban - 6 per cent
- irrigation - 22 per cent.

In 2020-21, Sunwater received \$421.3 million from operations including water sales and trading, consulting, facilities and Rookwood Weir project funding up from \$331.7 million in 2019-20.

Irrigation

The Queensland Government sets fixed and volumetric prices for irrigation water we supply in regulated water supply schemes, based on recommendations by the Queensland Competition Authority (QCA).

On 5 May 2020, the Queensland Government announced it would freeze irrigation prices for 2020-21 as part of ongoing measures to support Queensland business and industry through the COVID-19 pandemic.

The decision maintained 2019-20 prices, except where the QCA recommended a lower price in 2020-21, in which case that price was adopted.

In October 2020, the Queensland Government then made a further commitment to discount irrigation prices by 50 per cent for horticultural crops and 15 per cent for all other irrigation.

The discounts will apply for three years from 1 July 2021 to irrigation customers in all Sunwater-owned water supply schemes.

Where irrigation water prices are set below the QCA recommended costs, the Queensland Government provides a Community Service Obligation (CSO) payment to make up the shortfall. In 2020-21, this CSO payment was \$11.9 million for regulated water supply schemes. A CSO payment for the shortfall in revenue associated with volumetric charges will be made in arrears once actual usage is audited and finalised.

Sunwater sets fixed and volumetric prices for irrigation water supplied by non-regulated assets.

Industrial

Sunwater supplies water to around 200 industrial customers including mines and power stations.

While some of our industrial customers own water allocations, others enter into long term agreements (or term allocations) for water owned by Sunwater.

Urban

Our water prices for councils vary significantly, with some well below the level required to recover day-to-day operational costs.

In 2021-22, Sunwater will work with the Local Government Association of Queensland (LGAQ) and establish a working group to review the urban pricing model.

Rookwood Weir water sales

In December 2020, Sunwater successfully completed the first stage of water sales for the \$367.2 million Rookwood Weir on the Fitzroy River, 66 km south-west of Rockhampton.

Rural Funds Management and Argyle Capital Partners secured 30,000 megalitres of water for agricultural expansion, enhancing water security and providing economic opportunities across the region.

The deals are expected to create local jobs in irrigation, transport, processing and export packing businesses and flow-on impacts in the supply chain for local businesses.

Rural Funds Management plans to plant 5000 hectares of macadamia orchards, while Argyle Capital Partners plans to plant additional areas of high value permanent crops with local farming partnerships.

Additional water will be available for local irrigators as part the second stage of the tender process, scheduled in 2021-22. A minimum of 7500 megalitres will be released, with smaller operators able to apply for lots of up to 500 megalitres to expand or diversify their operations.

Upgraded business systems

In 2020-21, Sunwater spent \$15.56 million upgrading outdated and inefficient business systems.

A number of our existing legacy systems were no longer being supported by their propriety owners.

The program delivered enterprise platforms which provide efficient technology, enhancing business capability and supported cultural change.

The benefits will include improved:

- risk mitigation
- security and data protection
- customer and employee engagement
- operational efficiency.

In 2020-21, we launched a new finance and asset management solution (FAMS) across the organisation, replacing an outdated SAP ECC6 Enterprise Resource Planning (ERP) system.

As part of the FAMS solution, we deployed new and enhanced mobile applications including an asset management mobile application.

2011 South East Queensland Floods Class Action

On 3 May 2021, the New South Wales Supreme Court approved a settlement of \$440 million between Sunwater and the State of Queensland and the parties to the class action.

While Sunwater's appeal (lodged 28 February 2020) was dismissed due to the settlement, we remain a party to Seqwater's ongoing appeal.

Our thoughts remain with the people of Queensland as they continue to recover from the devastating impacts of the unprecedented floods in 2011.

5. Employment and industrial relations

Enterprise Agreements (EAs)

We value our people and are committed to developing a safe, high-performance culture to deliver for our customers and ensure stable returns to our shareholding Ministers.

We engage with our people openly and transparently to achieve strategic goals so we can meet future challenges.

In 2020–21, the Queensland Government issued a wage freeze as a result of the COVID-19 budget impacts, and we applied the Temporary Wage Freeze Legislation in our Industrial Relations (IR) Framework as required.

Current Enterprise Agreement

In 2020–21, Sunwater's current Enterprise Agreement (EA) was approved and came into effect on 18 December 2020. It expires on 30 June 2022.

The EA between Sunwater and our employees was reviewed and approved by the Fair Work Commission (FWC) to ensure employees are better off overall compared to the minimum entitlements provided in the water industry award.

It covers employees classified from SW01 to SW10 level and seeks to provide fair and consistent employment conditions across our workforce.

We remain committed to no forced redundancies in line with current Queensland Government policy.

Union membership

We respect the right of our employees to join and belong to a union, to have their industrial interests represented and to receive advice and support from their union or another advisor about workplace issues affecting them.

Individual Employment Contract (IEC) review

In 2019, we became aware that some employees on Individual Employment Contracts (IECs) were also covered by Sunwater's EA.

These employees were paid correctly under their contracts, but an inadvertent application issue meant they did not receive their full entitlements under the EA. This impacted a small number of employees.

As soon as the oversight was identified, it was reported to the Fair Work Ombudsman (FWO) and we engaged external independent advisors to assist with the identification of all current and former employees eligible for additional payments.

We worked closely with the FWO, unions and the Office of State Revenue to address the problem. During the financial year entitlements owed to affected current and former employees had been paid in full with interest, with the exception of two matters which were resolved by 31 July 2021.

We sincerely apologise to all employees affected by the coverage issues.

Sunwater is committed to resolving any concerns or queries in relation to the rectification methodology.

New employment contracts, on-boarding processes and remuneration schedules were introduced to avoid a repeat of the issue.

Leadership

In 2020-21, Sunwater experienced the following leadership changes:

- Glenn Stockton AM took up his role as Chief Executive Officer (CEO) in August 2020
- Simon Ellinor was appointed Chief Financial Officer (CFO) in January 2021, following 12 months as interim CFO
- Lisa Dalton stepped down as Company Secretary 29 January 2021 after acting as Interim CEO from the beginning of the financial year - 1 July 2020 to 2 August 2020
- Julie Tealby was appointed Company Secretary on 30 January 2021
- Darren Weir stepped down as Interim Chief Development Officer (CDO) when Mal Shepherd took up the role in October 2020.

On the Sunwater Board:

- Jane Williams joined the Board as a director in October 2020
- Patrice Sherry stepped down as a director in December 2020 after five years
- Jo Sheppard stepped down as a director in February 2021 after almost three years
- Leith Bouilly stepped down as chairman in February 2021 after serving more than five years on the Board
- Dan Hunt was appointed interim chairman in March 2021 and continued to act in the role as at 30 June 2021
- Stuart Armitage joined the Board as a director in June 2021.

Apprentices and trainees

Sunwater has committed to employing five apprentices, either directly or indirectly throughout the life of our negotiated 2018-22 EA.

Of these five positions, three are currently indirectly hired through the Group Training Organisation. One is based in Clare, two are based in Bundaberg and Sunwater was actively hiring for the two vacant positions as at 30 June 2021.

Trainees/Cadets

To ensure our talent pipeline in key roles, we have also committed to employing two trainee operator maintainers and a cadet draftsman.

The two trainees are direct hires, and both are based in Bundaberg, with the cadet based in Brisbane.

We are committed to training and retaining the front-line staff needed to deliver a safe, reliable and affordable water supply to our customers. Engaging apprentices will provide a range of much-needed trade skills now and into the future.

Staff turnover

Staff turnover in 2020-21 was 9.7 per cent, down from 17.68 per cent in 2019-20, and 18.4 per cent in 2018-19.

Staff absenteeism

In 2020-21, staff absenteeism was 2.39 per cent, slightly up on last year's figure of 2.27 per cent.

Redundancies

In 2020-21, there were four voluntary redundancies due to changes in the organisational structure and to create a more customer-centric focus by increasing regional roles and centralising business support services in Brisbane.

We remain committed to no forced redundancies in line with current Queensland Government policy.

6. Governance

Governance structure

Shareholding Ministers

↑ **The Honourable Cameron Dick, MP**, Treasurer and Minister for Investment
(12 November 2020 - ongoing)

↓ **The Honourable Glenn Butcher, MP**, Minister for Regional Development and Manufacturing and Minister for Water
(19 November 2020 - ongoing)

Accountable

Sunwater Board

The Sunwater Board is responsible for ensuring that Sunwater achieves its objectives ethically, responsibly and within its legislative and regulatory obligations. The Board is accountable to shareholding Ministers for the attainment of Sunwater's purpose and for ensuring the ongoing performance and sustainability of the company.

Chairman Dan Hunt	Director David Stewart	Director Vanessa Sullivan	Director Jane Williams	Director Stuart Armitage
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Establishes

Committees

Safety and Culture Committee – assists the Board in discharging its duties by providing objective review and oversight across the Group for a workplace that has a positive culture that lives the Group's values, takes care of its people and remunerates them fairly and transparently and puts customers at the centre of its decisions.

Risk Committee – assists the Board by providing an objective review and oversight across the Group for risk, setting risk appetite and ensuring an appropriate enterprise framework that supports well planned and resilient business operations.

Audit Committee – assists the Board by providing an objective review and oversight across the Group for the quality, adequacy and integrity of the Company's financial reporting, audit (internal and external) and assurance practices.

External Audit

Internal Audit

Appoints

Chief Executive Officer

Appoints

Executive Leadership Team

Chief Financial Officer	Executive General Manager Operations	Executive General Manager People and Transformation	Executive General Manager Customer and Stakeholder Relations	Executive General Manager Dam Safety and Water Resources	Chief Development Officer
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Establishes

Committees

Program governance			Regional leadership	Functional leadership
Water Security and Growth: oversight and assurance for works that involve the study, assessment, approval or prioritising development of business opportunities, infrastructure projects of economic benefit or that require long term planning.	Project Excellence: strategic oversight and guidance to ensure project excellence for Sunwater's significant infrastructure and dam improvement projects.	Business Systems: strategic oversight and governance to simplification of Sunwater's business systems and processes.		

Sunwater Board

Dan Hunt | Interim Chair

B.Bus(Accty), GAICD

Dan Hunt was appointed as interim chair on 11 March 2021 and re-appointed on 17 June 2021.

Dan has over 40 years' experience with the Queensland Government including as the Director-General of several departments between 2006 and 2015. He has worked across a range of the state's public sector portfolios including water supply, energy, natural resources, transport, mines and economic development.

From 2015 to 2018, Dan was also the Chair of South East Queensland's bulk water supply authority, Seqwater. Dan is an independent member of the Audit Committees for Logan City Council and the Department of Resources.

Dan is a graduate of the Australian Institute of Company Directors and has a bachelor's degree in Accounting from the Queensland University of Technology.

Jane Williams | Director

AICD

Jane Williams was appointed as a non-executive director in October 2020.

Jane has extensive experience working in rural and regional Queensland, with strong qualifications and long-term experience in serving and leading boards.

Barcaldine-based, Jane has contributed to her community over 30 years through a career in registered nursing, telehealth, midwifery, wellness and family support in Western Queensland, including Indigenous communities.

In addition to her work with Sunwater, Jane serves as Chair of the Central West Hospital and Health Board, and Chair of the Central West Rural Wellness Network. She is also a Councillor with the Queensland Mental Health Commission, and a Board member of Health and Wellbeing Queensland as well as a Director of CheckUP Australia.

David Stewart | Director

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

David Stewart was appointed as a non-executive director on 3 December 2015 and was re-appointed in October 2018.

David is a civil engineer with 40 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 MDBA.

Vanessa Sullivan | Director

BEc (Hons), GradDip (AppFin), GAICD

Vanessa Sullivan was appointed to the Sunwater Board as a non-executive Director on 15 December 2016 and re-appointed on 1 October 2019.

Vanessa has experience in the water, energy and sustainability industries at both Board and executive levels.

Vanessa's previous executive roles include being a climate change leader and a utilities leader for a big four professional services firm, founding a renewable energy and storage development business and a commercial and being a financial lead for significant market reforms in both the water and energy sectors.

Vanessa is also a non-executive Director of Essential Energy, Eco-Markets Australia, the Smart Energy Council (peak national industry body), and Centacare (not for profit domestic violence and disability support provider).

Stuart Armitage | Director

Stuart Armitage was appointed as a non-executive director on 17 June 2021.

For more than 40 years, Stuart has been a Darling Downs irrigation farmer and involved in various leadership positions across rural and agricultural industries. He has served as the president of the Queensland Farmers Federation for four years, working with government and industry to develop strategies and policies to improve efficiencies in water and energy consumption.

Stuart is a member of Central Downs Irrigators and the Darling Downs Cotton Growers and previously served as a Director of Cotton Australia and a Millmerran Shire councillor. He is a member of the Arrow Energy Intensively Farmed Land Committee, a commissioner for the Gasfields Commission Queensland and a Chair of their sub-committee, the Surat Stakeholder Advisory Group.

He was independent Chair of Sunwater's Paradise Dam Industry Forum from February 2020 until June 2021.

In 2020, Stuart was awarded the Peter Kenny Medal for his ongoing contribution to improving and developing sustainable outcomes within the Queensland agriculture sector. He is the patron and current Chair of 'Are you bogged mate?', a charity addressing mental health impacts in regional and farming communities.

Executive Leadership team

Glenn Stockton AM | Chief Executive Officer

GAICD, MBA

Glenn Stockton AM was appointed Chief Executive Officer on 3 August 2020.

Glenn has extensive leadership experience in challenging environments and in generating successful outcomes for both individuals and organisations. He brings a strong understanding of complex, high-value infrastructure projects to Sunwater, with a focus on enhancing the internal and external relationships required to achieve project objectives.

Throughout his career, Glenn has developed a keen appreciation for the connection between design, performance, and maintenance to ensure the delivered asset meets design life performance, operational cost parameters and provides the requisite returns to clients, customers and shareholders.

Glenn is a strong advocate of safety, governance and accountability, and customer-focused outcomes. He takes an active role in developing the resilience of the business and the capacity of its leaders to respond effectively to the challenge of our dynamic environment.

His previous roles include General Manager Operations at Pacific Partnerships, Director and Board Chairman of the Pulse Partnerships Consortium delivering Cross River Rail, Director and Chief Executive Officer of the ACT Light Rail project and served as a Colonel in the Royal Australian Engineers.

Simon Ellinor | Chief Financial Officer

BCom (Hons), LLB

Simon Ellinor was appointed as CFO on 20 January 2021, following 12 months as interim CFO. Simon leads Sunwater's corporate services function, encompassing the finance, legal, procurement, ICT and commercial customer teams. His role is to lead continual improvement in the functions which enable customer services to be as efficient as possible, while meeting modern expectations around governance and use of technology.

Simon has more than 20 years' experience in a diverse range of financial and commercial roles in the professional services, mining and resources industries. Simon is also a Chartered Accountant.

Colin Bendall | Executive General Manager Operations

AssocDip AppSc, CertTropAg AICD

Colin Bendall was appointed EGM Operations on 2 January 2017 after more than 35 years with Sunwater and its predecessors in technical, operational and senior management roles. Colin oversees Sunwater's on-ground services and is responsible for driving customer-oriented, efficient and safe operations that support regional Queensland's water needs.

Colin has expertise in the design, operation and maintenance of bulk water infrastructure with a strong customer focus. Colin is a Water Services Australia Utility Excellence Committee Member.

Kellie Breen | Executive General Manager People and Transformation

BBus (HRM) GAICD

Kellie Breen was appointed as EGM People and Transformation on 29 January 2018. Kellie provides strategic direction on best practice organisational people strategies that ensures we recruit well and deliver organisational change necessary to deliver the best possible business outcomes.

With more than 20 years' experience in human resources, Kellie delivers shareholder value by providing strategic direction to develop and implement organisational strategies aimed to improve business outcomes.

Kellie has a strong background in the resources sector and professional experience in the manufacturing, retail and legal sectors in Australia and internationally.

Mal Shepherd | Chief Development Officer

Dip. Proj Mgt. CertEng (Civil), AFIE Aust CEngA, EngExec NER, Reg PM-CPPP, FAIPM, PAWA, MAICD

Mal Shepherd was appointed CDO on 12 October 2020. Leading Sunwater's Infrastructure Development and Delivery function, Mal oversees the implementation of the business' growth and development strategies for new projects and the engineering, procurement and delivery of major infrastructure projects.

Mal has more than 35 years' experience in the private and public sector developing, designing, and delivering over \$8 billion worth of water infrastructure projects in Australia and internationally, across a broad range of contracting models.

Cameron Milliner | Executive General Manager Customer and Stakeholder Relations

BCom (Mark)

Cameron Milliner was appointed EGM Customer and Stakeholder Relations on 9 September 2019. Cameron oversees the efficient and customer-centric delivery of pricing, customer accounts, compliance and experience, as well as stakeholder management and communication strategies for the business.

With more than 20 years' experience in government, consultancy and multinational corporations, he has a deep understanding of the development and implementation of public policy, stakeholder management and advocacy.

Cameron has previously held roles as a Visiting / Honorary Fellow of the Murdoch University School of Research and Innovation and the Centre for Comparative Genomics.

James Stuart | Executive General Manager Water Resources and Dam Safety

CPEng, RPEQ, C.WEM

James Stuart was appointed EGM of Water Resources and Dam Safety in January 2018 following four years with Sunwater in senior water management and dam safety roles. He has 17 years' experience in water engineering both in Australia and overseas.

James oversees our dam safety program, hydrology services and water technology systems to ensure we comply with dam safety legislation, have up-to-date water modelling and data on inflows and storage levels.

James is a Chartered Civil Engineer, completed a Master of Science in Hydrology/Hydraulics and in 2017 was appointed to the Board of the National Hydrologic Warning Council of the United States.

More information about the Board and Executive Leadership team can be found on the Sunwater website at www.sunwater.com.au/about/leadership-team

Governance principles

Sunwater's corporate governance framework is underpinned by our values, principles of ethical conduct and behavioural expectations. We are committed to best-practice corporate governance to ensure accountability and transparency for our stakeholders. Our corporate governance practices and frameworks comply with legislative requirements, including the GOC Act, *Financial Accountability Act 2009* (Qld) and the Queensland Government's Corporate Governance Guidelines for Government Owned Corporations (GOC).

The Sunwater Board regularly reviews Sunwater's governance framework to ensure internal policies, practices and guidelines are aligned with legislation and GOC policy. To ensure best practice in corporate governance, Sunwater aligns where possible to the ASX Corporate Governance Principles and Recommendations. We regularly monitor, report on and disclose our practices in line with governance requirements.

This section of the report demonstrates how we align our governance practices to the principles in the Corporate Governance Guidelines for GOC (v.2.0).

Sunwater's corporate governance documents are available on the Sunwater website at www.sunwater.com.au/about/governance.

Principle 1: Foundations of management and oversight

The Sunwater Board Charter and Delegation of Authority Framework and Policy outline the roles and responsibilities of the Board and matters that are delegated to the Sunwater Executive Leadership team.

The Board has established three committees, which operate under their own charters, to assist with its role:

- Audit Committee (previously Audit, Finance and Risk Committee)
- Safety and Culture Committee (previously Culture Committee)
- Risk Committee (previously Strategic Projects Committee).

Regular Board meetings focus on corporate culture, achieving strategic objectives, managing risk and monitoring operational and financial performance.

There is a comprehensive, tailored induction process for new Board directors, including letters of appointment, which set out expectations and provide business information.

Sunwater encourages directors to take part in professional development and to interact with customers and employees. Directors are entitled to advice at Sunwater's cost.

CEO and senior executive responsibilities are well defined and clearly delineated through documented delegations and position descriptions. For the CEO and senior executives:

- KPIs are set and approved annually by the Board which are tailored for each role and aligned to the Business Performance Framework and the Board-approved SCI
- regular performance feedback is provided during the year, and there are six-monthly and 12-monthly performance reviews
- remuneration is determined by the Board in accordance with prescribed principles for GOCs and the CEO and Senior Executive Remuneration Policy.

Principle 2: Structure the Board to add value

The chairman and members of the Board are appointed by the Governor-in-Council under the GOC Act as Independent Non-Executive Directors. Procedures for managing and disclosing all actual, potential or perceived conflicts of interest and assessing the independent judgment of directors are documented. Directors must disclose any material relationships that could interfere with their independence as they occur and are managed accordingly. Declaration of conflicts of interest is a formal agenda item at all Board and committee meetings.

Board directors and executives regularly evaluate the performance of the Board, individual directors, chairman and Board Committees, in accordance with the Board Performance Evaluation procedure.

The outcomes are documented in Board KPIs and associated measures for tracking. Any areas for enhancement can be raised during the evaluation process. The outcome of the Board evaluation is reported to shareholding Ministers.

In June / July 2020, an internal review of Board performance and skills was carried out and an independent external review will be conducted in August 2021.

All directors must maintain their skills and carry out professional development to enable them to meet their responsibilities. Feedback on the Board's performance is also provided by a director after each meeting and suggestions for improvement are noted. The Board also reviews member information needs.

Details of directors' terms of office, experience, expertise and attendance at Board and committee meetings and remuneration are outlined on pages 45-48 and page 91 of this report.

Principle 3: Ethical and responsible decision making

Sunwater holds all directors and employees to the highest standards of ethical behaviour and is committed to corporate practices which recognise the interests of employees, customers and the community as well as corporate social responsibility obligations.

Sunwater's Code of Conduct and the Board Directors' Code of Conduct outlines the practices needed to maintain stakeholder, industry and community confidence in the behaviour of our people. A Trading in Securities Policy also applies where employees or contractors may have access to inside information, or where dealings may create a conflict of interest. Sunwater's CEO is legally obliged to notify the Crime and Corruption Commission if they reasonably suspect that a complaint involves, or may involve, corruption under the *Crime and Corruption Act 2001* (Qld).

Sunwater's 'Fraud and Corrupt Conduct', 'Whistleblower' and 'Public Interest Disclosure' policies and procedures outline how complaints of alleged impropriety and corrupt conduct are received, evaluated, reported and investigated.

We also have complaints policies around alleged CEO, chairman and director corrupt conduct. Sunwater has partnered with EthicsPoint - a comprehensive, confidential reporting system to help managers and employees address fraud, abuse and other misconduct in the workplace.

EthicsPoint allows independent telephone and online disclosure reporting for employees and third parties, anonymous reporting of allegations of unethical behaviour, misconduct and fraud via the Sunwater Whistleblower Hotline or an online portal on our website.

Principle 4: Safeguarding integrity in financial reporting

The CEO and CFO certify the accuracy of Sunwater's financial statements to the Board each financial year. They have confirmed in writing that the 2020-21 financial statements present a true and fair view and are in accordance with accounting standards.

The Audit Committee helps the Board fulfil its financial reporting responsibilities by:

- reviewing financial information presented by management
- overseeing the quality of audits conducted by internal and external auditors
- assessing the adequacy of accounting policies
- assessing the effectiveness of control systems
- monitoring significant business transactions and processes, including capital structure and taxation.

The committee is made up of three independent non-executive directors who (as far as possible) have appropriate financial experience and understand the water industry. The chairman of the Board is a member of the Audit Committee but cannot chair it. During the year, the Board approved the appointment of a qualified accountant as an Independent Advisor to the Audit Committee. Details of committee members, meetings and attendance are on page 48 of this report.

Principle 5: Timely and balanced disclosures

Sunwater has a Shareholder Communication and Disclosure Policy which captures disclosure requirements under the GOC Act, *Corporations Act 2001* (Cth), *Financial Administration and Audit Act 1977* (Qld) and Government policy and guidelines.

The policy also sets out clear accountabilities for making timely, accurate, transparent and balanced disclosures. The Board and executives are required to report extensively to shareholding Ministers. Continued standing arrangements for reporting are described in Principle 6.

Sunwater will notify shareholding Ministers of any breaches of its code of conduct and securities trading policies by Sunwater's Board members, CEO and executives. To ensure Sunwater meets its disclosure requirements and obligations under the *Right to Information Act 2009* (Qld), key information needed from stakeholders is regularly assessed and a publication scheme is maintained on our website.

Principle 6: Respect shareholders' rights

As required by the GOC Act, shareholding Ministers are advised in a timely way of any issue likely to have a significant financial, operating, social or environmental impact on the business.

Shareholding Minister approvals are sought as appropriate under legislation and shareholder policy guidelines. Sunwater aims to build trust through clear, responsive communication that manages expectations, engages early and offers a range of different communication mediums to reach stakeholders. Regular communications with shareholding Ministers include the:

- five-year Corporate Plan, updated annually
- annual SCI and quarterly SCI reports
- annual report
- regular meetings
- briefing notes.

Principle 7: Recognise and manage risk

Through a system of oversight and management controls, the Board ensures Sunwater understands and manages its risks across all levels of the organisation.

A rigorous governance model has been put in place to enable oversight of our strategic and operational risk profile throughout the year.

This means risks facing the company are properly understood and appropriately managed.

Sunwater's management team and Board members work together to agree on risk appetite, risk tolerance and monitor and report on enterprise risks through the CEO's monthly report. The Board is updated on the strategic and material business risks monthly, including mitigation plans and actions. The Risk and Audit committees also assess risks and controls across key business areas each quarter.

Sunwater does not tolerate fraud or corruption and all instances are promptly reported and investigated. The organisation is committed to preventing fraud within and against Sunwater and has implemented policies and procedures to address the risk, including:

- staff responsibilities around identifying and preventing fraud
- responsibility for fraud investigation once 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 in fraud awareness for Sunwater people.

Principle 8: Remunerate fairly and responsibly

Sunwater has a Safety and Culture Committee which meets at least three times a year to assist the Board with organisational culture, CEO succession, executive appointments and performance, staff remuneration and employee relations.

The committee considers and recommends remuneration rates and terms of employment for the CEO and executives and is directly involved in performance planning and review processes. The committee also oversees Sunwater EA renewals, organisational culture and capability.

Sunwater's remuneration strategy is assessed using community and industry standards and other external information. Details of committee members, meetings and attendance are on page 48 of this report.

Remuneration: directors and executives

Remuneration of Board Directors is determined by the Governor-in-Council. They do not receive performance-based remuneration.

Remuneration in Sunwater is overseen by the Board's Safety and Culture Committee. The Board sets remuneration levels for the CEO and executives in line with Queensland Government policy and external independent advice on position evaluation. Remuneration is fixed and includes all payments and benefits. All executives are engaged on 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). In line with Temporary Policy Change for Government Owned Corporations Chief and Senior Executive Employment Arrangements, no performance payments were paid in 2020-21 for the performance pay accrued in 2019-20. Board remuneration is listed in the Notes to the Financial Statements on page 91 and that of executives is on pages 92 and 93 of this report.

Remuneration: staff

Remuneration for the majority of Sunwater staff is determined by the Sunwater EA in accordance with the Queensland Government approved enterprise bargaining framework.

More on the current EA can be found on page 30 of this report.

Remuneration for employees under common law contracts is based on the median salary of each evaluated position and the employee's individual performance. Sunwater does not have a performance payment scheme for non-executive employees.

Government directives and notifications

Sunwater received the following directives in 2020-21:

- 31 July 2020 – Direction to facilitate provision of due diligence information
- 28 August 2020 – Amendment Direction to facilitate provision of due diligence information
- 26 May 2021 – Sunwater Rural Water Pricing Direction Notice (No.1) 2021 pursuant to the *Water Act 2000* (Qld) requiring Sunwater to comply with the notice when charging rural irrigation water prices and associated fees.

Sustainable practices

Sunwater compliance program

Sunwater is committed to delivering its strategic and operational objectives in accordance with legislation and good governance. We have a Legal Legislative Compliance Framework which enables us to identify, assess and implement changing legislative obligations. It is one of many tools used to manage Sunwater's compliance obligations.

The framework deals mainly with legal legislative compliance and addresses the circulation of general law updates throughout Sunwater. The framework is one part of our overall Compliance Policy.

Financial management

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

Right to information

A publication scheme and disclosure log is maintained on the Sunwater website in compliance with the *Right to Information Act 2009* (Qld) at www.sunwater.com.au/right-to-information/accessing-information.

Legal proceedings

Sunwater's Legal Services team represents Sunwater in any litigation or disputes with a view to resolving these in an appropriate and commercial manner. Active legal cases:

- 2011 South East Queensland Floods Class Action (Sunwater remains a party to the Appeal notwithstanding that a settlement has been reached with the Plaintiff and the State of Queensland)
- NSW Supreme Court Equity Division Claim by Liberty Mutual Insurance Co & Ors v Sunwater & Ors
- Federal Court Application by Sunwater v APESMA
- District Court proceedings filed by Mirandco Engineering Pty Ltd v Sunwater Limited.

Internal audit

Internal audit is a key part of Sunwater's corporate governance framework guided by a risk-based annual plan approved by the Audit Committee. In 2020-21, Sunwater's internal audits were performed internally and in some more technical cases, by independent external firms. Once completed, Audit Reports are submitted to the Audit Committee for consideration and discussion. The committee also monitors the implementation of agreed management actions arising from audits.

Infrastructure management

Sunwater has fit-for-purpose asset management plans, strategies and standards to ensure all infrastructure is maintained, repaired, refurbished and enhanced to standards in line with regulatory and legislative requirements.

We regularly engage with customers and seek feedback on operations and infrastructure maintenance through our Irrigator Advisory Committees and 2020-21 Network Service and Performance Plans.

Sunwater reviews and adjusts planned maintenance expenditure to ensure costs incurred are prudent, efficient and in-line with QCA pricing principles.

Sunwater maintains accreditation with the Environment AS/NZS 14001 standard which provides the framework within which we implement infrastructure management and maintenance.

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 goal of a sustainable business by embedding risk and opportunity management.

As a prudent owner of commercial infrastructure assets, we have 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 an appropriate level with reputable insurers.

Modern slavery

Sunwater completed its first Modern Slavery statement pursuant to section 13 of the *Modern Slavery Act 2018* (Cth). The statement sets out the actions taken by Sunwater Limited to address modern slavery risks in its business and supply chain for the period 1 July 2020 to 30 June 2021.

Human rights

Sunwater is committed to identifying compliance obligations under the *Human Rights Act 2019* (Qld) (HRA) and has established initial governance to ensure ongoing compliance is achievable.

We are committed to reviewing decision-making processes for matters covered by the HRA, to ensure human rights are appropriately considered.

In 2020-21, one human rights complaint was received. This complaint was assessed, and an explanation was provided to the complainant.

7. Summary of key performance indicators

Table 7. Sunwater's key performance indicators 2020-21

Key performance indicators	Actual 2020-21	Budget 2020-21	Actual 2019-20	Budget 2019-20	Actual 2018-19	Budget 2018-19
Total operating revenue (\$m) - excluding Rookwood	375.1	316.0	321.2	300.3	304.2	289.7
Total operating revenue (\$m) - including Rookwood ¹	473.6	436.7	343.1	367.3	340.5	289.7
Total operating costs (\$m) - excluding Rookwood	134.2	228.0	536.1	201.0	191.8	188.2
Total operating costs (\$m) - including Rookwood	232.2	349.1	557.7	268.9	228.1	188.2
Operating profit (\$m) ²	241.4	87.6	(214.6)	99.3	112.4	101.5
Profit before taxation (\$m)	143.3	(22.1)	(286.6)	21.5	72.9	64.3
EBITDA (\$m)	287.9	135.6	(168.6)	145.4	155.9	141.8
NPAT (\$m)	39.0	(15.4)	(202.6)	15.0	51.2	45.0
Consolidated cash balance (\$m)	84.7	28.6	30.9	12.5	29.7	22.7
Total assets (\$m) ³	1,117.0	1,073.1	1,110.3	985.3	1,044.3	992.6
Debt (\$m)	283.9	284.1	284.0	284.1	284.1	284.2
Shareholder equity (\$m)	280.0	236.2	251.4	460.5	457.0	445.5
Capital expenditure (\$m)	126.5	144.0	76.7	75.0	48.9	61.5
EBITDA interest coverage (times)	20.5	9.5	(11.6)	9.2	10.8	9.9
Return on average assets – EBIT / average total assets (%)	14.1	(0.7)	(25.1)	3.6	8.5	8.0
Market gearing – debt / (debt + equity) (%)	50.3	54.6	53.0	38.2	38.3	38.9
Debt to EBITDA (times)	1.0	2.1	(1.7)	2.0	1.8	2.0

Explanations and differences to financial statements:

1. Excludes interest income of \$0.9 million and other miscellaneous income of \$0.6 million.
2. Includes depreciation and amortisation. Excludes asset impairment expense. Excludes items noted in (1).
3. Excludes deferred tax liability.

Directors' report

The directors present their report for the financial year ended 30 June 2021, the Financial Report of Sunwater Limited and its subsidiaries (collectively 'the Group') and the Independent Auditor's Report.

1. Directors

The following people were directors of Sunwater Limited during all or part of the financial year:

- David Stewart
- Vanessa Sullivan
- Dan Hunt, appointed 11 March 2021 to 31 May 2021, re-appointed 17 June 2021
- Jane Williams, appointed 1 October 2020
- Stuart Armitage, appointed 17 June 2021
- Patrice Sherrie, resigned 31 December 2020
- Jo Sheppard, resigned 22 February 2021
- Leith Bouilly, resigned 28 February 2021.

Further information about directors' qualifications, experience, and terms of appointment is on pages 45-48 of this report.

2. Secretaries

The following people were Secretaries of Sunwater Limited during all or part of the financial year:

- Julie Tealby
- Lisa Dalton, ceased on 29 January 2021
- Kate Wright, appointed on 1 February 2021
- Mike Meintjes, ceased on 30 September 2020.

3. Principal activities

The Group owns and operates bulk water supply and distribution infrastructure throughout regional Queensland and provides water-related engineering and facilities management services. It also engages in construction of bulk water supply and distribution infrastructure.

Water is supplied to mining companies, industrial companies, power stations, manufacturing companies, irrigators, water boards and local governments.

4. Dividends and return of contributed equity

The Group's dividend policy is stated in the 2020-21 Statement of Corporate Intent (SCI). It takes into account the return its shareholding Ministers expect on the government's investment.

On 30 April 2021, the directors recommended a dividend of 100 per cent of the Group's audited net profit after tax, adjusted to remove the non-cash profit attributable to any adjustments for the provision for the 2011 South East Queensland Floods Class Action. The recommendation was accepted by shareholding Ministers on 29 June 2021.

At 30 June 2021, the directors also recommended a further adjustment to the net profit after tax to remove the effect of the write down of the Group's Deferred Tax Asset (DTA), a non-cash expense not expected to require a future cash outflow.

A dividend of \$10.404 million has been provided for but not paid.

5. Review of operations

For a detailed overview of operating and financial performance, please see section 3 of the Group's Annual Report.

6. Significant changes in the state of affairs

There have been no changes in the state of affairs to the end of the 2020-21 financial year.

7. Events since the end of the financial year

No matter or circumstance has arisen since the end of the financial year significantly affecting the Group's operations, results or state of affairs, or which may do so in future years.

8. Likely developments and expected results of operations

Likely developments in the operations of the Group not finalised at the end of the financial year and are understood by our stakeholders include:

- a) The Dam Improvement Program, which is necessary to ensure our dams meet modern safety requirements and can provide water security for years to come, will not generate future revenue and will be recognised as an impairment against the assets, resulting in future losses and no tax and dividends for the foreseeable future.
- b) The building of the Rookwood Weir on behalf of the State of Queensland with a construction alliance appointed and associated water rights being marketed.
- c) Final settlement of the 2011 South East Queensland Flood Class Action by May 2022.
- d) Ongoing efforts to pursue our claim for coverage from our insurers for the events of the 2011 South East Queensland Flood Class Action and the hearing of the matter in the Courts.
- e) An agreement to hand over specific recreation facilities to another government entity will be completed in 2021-22.

9. Environmental regulation

The Group's operations are subject to significant environmental regulation under Australian and Queensland legislation. The Group's Environmental Management System (EMS) successfully passed the ISO14001 recertification audit by SAI Global in April 2021.

The EMS includes a comprehensive Environmental Legal Obligations Register which links environmental processes to relevant legislation. Monthly HSE Reports are tabled to the Board highlighting any environmental incidents or legislative changes.

10. Insurance of directors and officers

During the financial year, the Group paid a premium of \$0.34 million (excluding GST) to insure the directors and the secretary of Sunwater, its wholly-owned subsidiary companies and executive officers.

This is insurance for legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as officers of Sunwater, and any other payments arising from liabilities from such proceedings.

This does not include liabilities incurred by directors or officers arising from:

- conduct involving a wilful breach of duty
- the improper use of their positions
- the use 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. Relief from financial reports for wholly-owned-subsiidiaries

Sunwater and its wholly-owned-subsiidiaries are parties to *ASIC Corporation's (wholly-owned companies) Instrument 2016/785* which grants relief from reporting to its wholly owned subsidiaries. Under the *Corporations Act 2001* (Cth), the following subsidiaries are not required to prepare, audit and lodge separate financial reports:

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

12. Rounding of amounts

In accordance with the *ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191*, amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars unless otherwise stated.

13. Auditor's Independence Declaration

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 the Group by the Auditor-General. Further information is set out in note 21 to the financial statements.

A copy of the Auditor's Independence Declaration is included on page 49 of this report as required under section 307C of the *Corporations Act 2001* (Cth) and forms part of the Directors' report.

Signed in accordance with a resolution of the directors:



Dan Hunt
Chairman

Dated: 16 August 2021



Vanessa Sullivan
Director

Dated: 16 August 2021

Sunwater Board

Dan Hunt | Chairman

B.Bus(Accty), GAICD

Appointed on 11 May 2021 to 31 May 2021

Re-appointed 17 June 2021

Term of appointment to 30 September 2021

Board committee membership

Audit (Member 11 May 2021 to 31 May 2021 and from 17 June 2021)

Safety and Culture (Chairman 11 May 2021 to 31 May 2021 and from 17 June 2021)

Risk (Member 11 May 2021 to 31 May 2021 and from 17 June 2021)

Skills, experience and expertise

Dan has over 40 years' experience with the Queensland Government including as the Director-General of several departments between 2006 and 2015. He has worked across a range of the state's public sector portfolios including water supply, energy, natural resources, transport, mines and economic development.

From 2015 to 2018, Dan was also the Chair of South East Queensland's bulk water supply authority, Seqwater. Dan is an independent member of the Audit Committees for Logan City Council and the Department of Resources.

Dan is a graduate of the Australian Institute of Company Directors and has a bachelor's degree in Accounting from the Queensland University of Technology.

Jane Williams | Director

AICD

Appointed on 1 October 2020

Term of appointment to 30 September 2023

Board committee membership

Safety and Culture (Member from 12 November 2020)

Audit (Member from 23 March 2021)

Risk (previously Strategic Projects) (Member from 12 November 2020 to 23 March 2021)

Burnett Water Pty Ltd (Non-Executive Director from 1 January 2021)

Skills, experience and expertise

Jane has extensive experience working in rural and regional Queensland, and with strong qualifications and long-term experience in serving and leading boards.

Barcaldine-based, Jane has contributed to her community over 30 years through a career in registered nursing, telehealth, midwifery, wellness and family support in Western Queensland, including Indigenous communities.

In addition to her work with Sunwater, Jane serves as Chair of the Central West Hospital and Health Board, and Chair of the Central West Rural Wellness Network. She is also a Councillor with the Queensland Mental Health Commission, and a Board member of Health and Wellbeing Queensland as well as a Director of CheckUP Australia.

David Stewart | Director

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

Appointed on 3 December 2015

Re-appointed on 1 October 2018

Term of appointment to 30 September 2021

Board committee membership

Risk (previously Strategic Projects) (Chairman)

Safety and Culture (Member)

Eungella Water Pipeline Pty Ltd (Non-Executive Director)

North West Queensland Water Pipeline Pty Ltd (Non-Executive Director)

Skills, experience and expertise

David is a civil engineer with 40 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 MDBA.

Vanessa Sullivan | Director

BEc (Hons), GradDip (AppFin), GAICD

Appointed on 15 December 2016

Re-appointed on 1 October 2019

Term of appointment to 30 September 2022

Board committee membership

Audit (Member 1 July 2020 to 31 December 2020 and Chairman from 1 January 2021)

Risk (previously Strategic Projects) (Member)

Safety and Culture (Member from 14 June 2021 to 1 July 2021)

Skills, experience and expertise

Vanessa has experience in the water, energy and sustainability industries at both Board and executive levels.

Vanessa's previous executive roles include being a climate change leader and a utilities leader for a big four professional services firm, founding a renewable energy and storage development business and a commercial and financial lead for significant market reforms in both the water and energy sectors.

Vanessa is also a non-executive Director of Essential Energy, Eco-Markets Australia, the Smart Energy Council (peak national industry body), and Centacare (not for profit domestic violence and disability support provider).

Stuart Armitage | Director

Appointed on 17 June 2021

Term of appointment to 31 May 2024

Skills, experience and expertise

For more than 40 years, Stuart has been a Darling Downs irrigation farmer and involved in various leadership positions across rural and agricultural industries.

He has served as the president of the Queensland Farmers Federation for four years, working with government and industry to develop strategies and policies to improve efficiencies in water and energy consumption.

Stuart is a member of Central Downs Irrigators and the Darling Downs Cotton Growers and previously served as a director of Cotton Australia and a Millmerran Shire councillor. He is a member of the Arrow Energy Intensively Farmed Land Committee, a commissioner for the Gasfields Commission Queensland and a chair of their sub-committee, the Surat Stakeholder Advisory Group.

He was independent Chair of Sunwater's Paradise Dam Industry Forum from February 2020 until June 2021.

In 2020, Stuart was awarded the Peter Kenny Medal for his ongoing contribution to improving and developing sustainable outcomes within the Queensland agriculture sector. He is the patron and current Chair of 'Are you bogged mate?', a charity addressing mental health impacts in regional and farming communities.

Leith Bouly | Chairman Board (resigned 28 February 2021)

BRuSC, DipBusStud, FAICD

Appointed on 1 October 2015

Resigned from the position of Chairman on 28 February 2021

Board committee membership

Audit Committee (Member to 28 February 2021)

Risk Committee (previously Strategic Projects Committee) (Member to 8 December 2020)

Safety and Culture Committee (Chairman to 28 February 2021)

Eungella Water Pipeline Pty Ltd (Non-Executive Director to 28 February 2021)

North West Queensland Water Pipeline Pty Ltd (Non-Executive Director to 28 February 2021)

Burnett Water Pty Ltd (Non-Executive Director to 28 February 2021)

Skills, experience and expertise

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

As at 30 June 2021, Leith was the Chairman of Palgrove, the Managing Director of Warragal and 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, CRC for Water Sensitive Cities, and Isis Central Sugar Mill. She recently retired from the Board of Murrumbidgee Irrigation Limited after 14 years.

Jo Sheppard | Director (resigned 22 February 2021)

BBA, GAICD

Appointed on 1 October 2018

Resigned on 22 February 2021

Board committee membership

Audit Committee (Member to until 22 February 2021)

Skills, experience and expertise

A steadfast advocate for the development of regional Queensland, Jo has presented to the Regional Inequality in Australia Senate Inquiry supporting the further development of water infrastructure to ensure a sustainable future for agriculture and regional communities.

Jo was awarded the Mary Wagner Honour Award in the 2017 Women in Business Awards (Darling Downs) in recognition of her excellence in leadership through deep local understanding and outstanding initiatives during her professional and personal life.

As at 30 June 2021, Jo was the Chairman of Eco-Markets Australia and the MacIntyre Wind Farm Community Engagement Committee, Director of Stakeholder Engagement with the University of Southern Queensland and a Queensland Local Government Grants Commissioner.

Patrice Sherrie | Director (resigned 31 December 2020)

FCA, GAICD

Appointed on 1 October 2015

Resigned on 31 December 2020

Board committee membership

Audit Committee (Chairman until 31 December 2020)

Culture Committee (Member until 12 November 2020)

Burnett Water Pty Ltd (Non-Executive Director to 31 December 2020)

Skills, experience and expertise

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

As at 30 June 2021, Patrice was a non-executive director and Chair of the Audit and Risk Committees for Acumentis Group, City of Brisbane Investment Corporation and Millovote. She was also a non-executive Director of Brisbane Green Heart CitySmart and Andersens Floor Coverings Pty Ltd.

Patrice is a Fellow Chartered Accountant and Graduate member of the Australian Institute of Company Directors.

Sunwater Company Secretaries

Julie Tealby

BBus, CPA, FGIA, FCIS, MAICD

Julie was appointed alternate secretary on 22 May 2018 and as Company Secretary on 30 January 2021. Julie is an experienced senior executive and company secretary, skilled in corporate governance, financial services, risk management, performance management, internal audit and business process improvement. Julie has held previous Company Secretary roles for ASX Listed companies and non-executive director roles in the not-for-profit area. She is currently a member of the Governance Committee for a Brisbane private girls' college.

Lisa Dalton

BAppSc, MAppSc, LLB (Hons), FAICD, FCIS

Lisa was appointed Company Secretary in November 2016 and ceased on 29 January 2021. Lisa is a governance professional with over 20 years of experience in senior executive positions with responsibility for governance, risk management, human resources, strategy and communications. Lisa is an experienced company secretary, non-executive director of Second Skin Pty Ltd and Healthia Limited and is a member of the Department of Justice and Attorney General's Audit and Risk Management Committee.

Kate Wright

LLB (Hons), Grad Dip Legal Prac, BA Arts

Kate was appointed alternate Company Secretary on 1 February 2021. Kate is the General Counsel of Sunwater and has been a member of the legal team since 2013. Kate managed the 2011 South East Queensland Floods Class Action for Sunwater and was integral to the settlement of the claim.

She is an experienced legal practitioner and has extensive experience in areas of law ranging from corporate and commercial, energy, property, resources and infrastructure, through to commercial and insolvency litigation.

Mike Meintjes

BCom (Hons), ACA

Mike was appointed Acting Company Secretary on 26 February 2020 and ceased on 30 September 2020. Mike is a risk, governance and finance professional with over 35 years of experience, initially in professional services and more recently as Company Secretary for a number of ASX Listed companies. He is the Chair of the Audit and Risk Committee of the Crime and Corruption Commission.

Meetings of Directors

The meetings of the Group's Board of Directors and Board committee meetings held during the financial year and each Director's attendance were:

Director	Board Meetings		Audit ¹ Committee Meetings		Safety ¹ and Culture Committee		Risk ¹ Committee Meetings	
	Attended	Held ²	Attended	Held ²	Attended	Held ²	Attended	Held ²
Leith Bouilly	11	12	2	2	2	2	1	1
Dan Hunt	5	5	1	1	1	1	-	-
Patrice Sherrie	9	10	2	2	1	1	-	-
David Stewart	15	17	-	-	3	4	3	3
Vanessa Sullivan	17	17	4	4	1	1	3	3
Jo Sheppard	10	11	2	2	-	-	-	-
Jane Williams	11	11	2	2	3	3	2	2
Stuart Armitage	-	1	-	-	-	-	-	-

1. *December 2020 Committee Restructure:*

- a. *Audit, Finance and Risk Committee became Audit Committee*
- b. *Culture Committee became the Safety and Culture Committee*
- c. *Strategic Projects Committee became the Risk Committee.*

2. *Held refers to meetings held where the Director was entitled or able to attend.*

Auditor's Independence Declaration

To the Directors of Sunwater Limited

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

Independence Declaration

As lead auditor for the audit of Sunwater Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Sunwater Limited and the entities it controlled during the period.



Vaughan Stemmett
as delegate of the Auditor-General
Queensland Audit Office Brisbane
16 August 2021

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 Australian dollars.

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

Green Square North

Level 9, 515 St Pauls Terrace

Fortitude Valley 4006

Queensland

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Revenue from contracts with customers	1	421,257	331,725
Other income	2	53,816	13,637
Total revenue and other income		475,073	345,362
Expenses:			
Operating expenditure	3A	(128,910)	(460,777)
Employee benefits expense	3B	(57,599)	(53,037)
Depreciation and amortisation	10,11,12	(44,986)	(43,831)
Impairment of assets	10,11	(85,500)	(59,743)
Loss on disposal of assets		(695)	(115)
Operating profit/(loss)		157,383	(272,141)
Finance costs	8	(14,052)	(14,498)
Profit/(loss) before income tax		143,331	(286,639)
Income tax (expense)/credit	4	(104,305)	83,997
Profit/(loss) for the year		39,026	(202,642)
Other comprehensive income		-	-
Total comprehensive income/(expense) for the year		39,026	(202,642)

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 2021

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	84,669	30,902
Trade and other receivables	6	191,293	131,338
Inventories	24	2,690	2,665
Assets held for distribution	24	190	-
Total current assets		278,842	164,905
Non-current assets			
Property, plant and equipment	10	795,313	807,009
Right-of-use assets	12	18,309	20,515
Intangible assets	11	22,813	11,823
Deferred tax assets	4	-	104,232
Total non-current assets		836,435	943,579
Total assets		1,115,277	1,108,484
LIABILITIES			
Current liabilities			
Trade and other payables	7	291,247	36,178
Provisions	14	36,117	19,359
Lease liabilities	12	3,389	2,237
Other current liabilities	13	62,479	31,720
Total current liabilities		393,232	89,494
Non-current liabilities			
Provisions	14	9,450	331,448
Borrowings	8	283,858	284,020
Lease liabilities	12	18,412	20,082
Other non-current liabilities	13	130,287	132,024
Total non-current liabilities		442,007	767,574
Total liabilities		835,239	857,068
Net assets		280,038	251,416
EQUITY			
Contributed equity	16	236,347	236,347
Retained earnings		43,691	15,069
Total equity		280,038	251,416

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 2021

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2019		239,145	217,711	456,856
Total comprehensive expense for the year		-	(202,642)	(202,642)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	15	-	-	-
Return of contributed equity	16,22	(2,798)	-	(2,798)
Balance at 30 June 2020		236,347	15,069	251,416
Total comprehensive income for the year		-	39,026	39,026
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	15	-	(10,404)	(10,404)
Balance at 30 June 2021		236,347	43,691	280,038

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 2021

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		322,655	328,285
Payments to suppliers and employees		(277,223)	(209,162)
Net receipts		45,432	119,123
Rookwood Weir project funding		117,420	26,898
Community service obligations received		15,430	8,042
Interest received		196	173
Income taxes received/(paid)		14,459	(31,181)
GST recovered		15,739	6,313
Net cash inflow from operating activities	5	208,676	129,368
Cash flows from investing activities			
Payments (to)/from advance facility	6	(12,673)	16,495
Payments for property, plant and equipment		(126,819)	(78,246)
Interest received		725	1,809
Proceeds from sale of property, plant and equipment		283	41
Net cash (outflow) from investing activities		(138,484)	(59,901)
Cash flows from financing activities			
Dividends paid		-	(51,224)
Interest paid on financing activities	8	(12,378)	(12,921)
Principal elements of lease payments	12	(2,814)	(3,029)
Interest paid on leasing liabilities	12	(1,071)	(1,013)
Repayments of borrowings	8	(162)	(87)
Net cash (outflow) from financing activities		(16,425)	(68,274)
Net (decrease) increase in cash and cash equivalents		53,767	1,193
Cash and cash equivalents at the beginning of the financial year		30,902	29,709
Cash and cash equivalents at the end of the financial year	5	84,669	30,902

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

Notes to the financial statements for the year ended 30 June 2021

Basis of preparation

Sunwater Limited is a company incorporated and domiciled in Australia and is a for-profit entity for the purposes of preparing the financial statements. The financial statements are for the consolidated entity consisting of Sunwater Limited (the Company) and its subsidiaries and together are referred to as the Group or Sunwater.

Compliance with Australian Accounting Standards

The financial statements are general purpose financial statements which:

- have been prepared in accordance with the requirements of the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), *the Corporations Act 2001* (Cth) and the provisions of the *Government Owned Corporations Act 1993* (Qld)
- have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value
- are presented in Australian dollars, with all amounts in the financial report being rounded off in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* to the nearest thousand dollars, unless otherwise indicated
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2020, except for if there is a practical impediment, in which case management will provide further disclosure. New standards or interpretations and the groups response is as follows:

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 Service Concession Arrangements: Grantors provides accounting requirements for public sector grantors in a service concession arrangement. Entities affected are those public sector entities who that grant concessions to private sector operators for the delivery of specified public services. The standard is effective for annual reporting periods beginning on or after 1 January 2020.

The Group does not grant any service concession arrangements to operators and therefore the standard has no impact on the Group's accounting for its financial assets and liabilities.

IFRIC Interpretation on configuration or customization costs in a cloud computing environment (April 2021)

In April 2021, the International Financial Reporting Standards Interpretation Committee (IFRIC) issued a final agenda decision, *Configuration or customization costs in a cloud computing arrangement*. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group's accounting policy has historically been to capitalise costs related to cloud computing arrangements as intangible assets in the Consolidated Statement of Financial Position. The adoption of this agenda decision could result in a reclassification of these intangible assets to either a prepaid asset in the Consolidated Statement of Financial Position and/or recognition as an expense in the Consolidated Statement of Comprehensive Income, impacting both the current and/or prior periods presented.

As at 30 June 2021:

- the Group has not adopted this IFRIC agenda decision. The impact of the change is not reasonably estimable as the Group has yet to commence its assessment of the impact of the IFRIC agenda decision. The Group expects to adopt this IFRIC agenda decision in its annual financial statements ending on June 2022
- the Group's preliminary analysis indicates that the impact will be material from an accounting perspective as it is likely to change the allocation of costs between capital and expense
- where necessary, comparative information has been restated to conform with changes in presentation in the current year.

Going concern

Having read the information available to them and made any enquiries that were necessary the Directors are of the opinion that the business has sufficient resources to continue trade.

The financial statements have been prepared on a going concern basis. The Board considers the going concern basis to be appropriate as there is a reasonable expectation that Sunwater will be able to pay its debts as and when they fall due.

Further, it is expected that the business will remain a going concern for at least 12 months from the signing of the financial statements.

Applying sensitivities might cause the Company to call upon support available to it from the Queensland Government.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes.

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 based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and 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.

The Group has considered the impact of the COVID-19 pandemic on all areas of its financial statements, specifically future cashflow impacts on impairment of property, plant and equipment (refer to Note 10) and expected credit losses on trade receivables (refer to Note 9).

Section 1: Profit or loss information

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 customers	Performance Obligations	Revenue Recognition
Industrial water distribution services	Transportation of water from Sunwater's water sources along a pipeline to a customer's off-take	Capital charges are recognised over time as the customer simultaneously receives and consumes benefits as water is delivered
Irrigation water distribution services	Delivery of water through water supply scheme assets to a customer's off-take	Consumption is recognised at the point-in-time when water is delivered to the customer
Urban water distribution services	Reservation and supply of water to customers for urban needs - especially regional councils	Recognised over time as the water is made available to the customer
Drainage	Fixed fee for capital infrastructure and maintenance of drainage systems to remove excess water	Recognised over time as the customer simultaneously receives and consumes benefits
Water allocations	Water allocations are saleable/tradeable rights that may be granted by the Crown free of charge in a Resource Operations Plan under the <i>Water Act 2000</i> (Qld). Water allocations are an entitlement to a share of available water from Sunwater's sources and the authority to take water from a catchment	<p>Permanent allocation sales are recognised at a point-in-time on completion and execution of a contract</p> <p>Leased or Term allocations are recognised over the water year evenly as the water is made available</p> <p>All other water allocations granted free of charge are recognised, when granted, at fair value which is nominal cost (\$1)</p>
Consulting and facilities management	Providing operations and maintenance or consultancy services as a service provider to third party water assets	Recognised as the customer receives the services provided or can benefit from the work completed to date

Revenue from customers	Performance Obligations	Revenue Recognition
Rookwood Weir funding	Specific obligations as outlined in a funding arrangement for Sunwater to carry out design, development, construction and commissioning	Falls within scope of AASB 15 Revenue from Contracts with Customers and recognised at points-in-time as work is completed
Community service obligations	As these are subsidies from the Queensland Government, no conditions (apart from normal commercial considerations in maintaining water deliveries) are required to be met	Evenly over time
Lease rental income	Operating leases from renting premises	Recognised at point in time in line with rental occupation

	2021 \$'000	2020 \$'000
Revenue from contracts with customers		
Industrial water distribution services	200,178	189,029
Irrigation water distribution services	61,145	64,156
Urban water distribution services	14,957	14,098
Drainage	1,035	1,031
Water allocations revenue	21,092	26,042
Consulting and facilities services revenue	6,232	7,904
Rockwood Weir project funding	98,480	21,681
Community service obligation - irrigation	11,897	1,741
Community service obligation - urban (Cloncurry)	6,241	6,043
Total revenue from contracts with customers	421,257	331,725

Rookwood Weir project funding reflects the legal arrangements between the State of Queensland and Sunwater for specific activities to undertake design and construction of Rookwood Weir near Rockhampton. The funding is received at developmental milestones and revenue is recognised over the periods to match costs that they are intended to compensate.

Irrigation revenue is largely determined by the cost reflective tariffs over the price path recommended by the Queensland Competition Authority (QCA). The cost-reflective tariffs determined by the QCA are not necessarily recovered by Sunwater from irrigation customers and may be lower than the actual costs incurred by Sunwater in the provision of services to those customers.

2021	Mining and resources	Irrigation customers	Urban water	Drainage	Water allocations	Consulting and facilities services revenue	Government contracts and Rookwood Weir	Total
Timing of revenue recognition:								
At a point-in-time	40,544	18,208	4,032	-	5,113	6,232	-	74,129
Over time	159,634	42,937	10,925	1,035	15,979	-	116,618	347,128
Total	200,178	61,145	14,957	1,035	21,092	6,232	116,618	421,257
Number of customer contracts	457	4,566	149	131	56	52	3	
2020								
Timing of revenue recognition:								
At a point-in-time	41,674	18,701	2,910	-	10,482	7,904	-	81,671
Over time	147,355	45,455	11,188	1,031	15,560	-	29,465	250,054
Total	189,029	64,156	14,098	1,031	26,042	7,904	29,465	331,725
Number of customer contracts	456	4,597	140	128	60	45	3	

Note 2: Other income

	2021	2020
	\$'000	\$'000
Proceeds from insurance	50,066	10,516
Interest income	921	1,983
Rent received	141	144
Gain on disposal of non-current assets	283	9
Fees and other income	2,405	985
Total other income	53,816	13,637

Proceeds from insurance are recognised only when there is virtual certainty such as the insurance claim has been accepted by the insurer.

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

Note 3: Expenses

A. Operating expenditure

	2021	2020
	\$'000	\$'000
Settlement provisions	(80,000)	336,300
Contracted services	132,612	54,226
Electricity	28,690	33,850
Insurance	19,723	9,978
Materials, plant hire and fleet	8,982	9,457
Legal services	2,411	4,672
Telephone and data lines	1,262	1,698
Travel and accommodation	1,493	1,387
Rates and land tax	2,211	2,202
ICT equipment and software	4,658	2,338
Corporate and administrative expenses	6,869	4,668
Total operating expenditure	128,910	460,777

Settlement provisions are transactions relating to the 2011 South East Queensland Flood Class Action. In 2020, the Group took up a provision of its best estimate of the obligation of \$330 million (refer Note 14). During 2021, a settlement with the Plaintiff (approved by the Court) agreed a final payment which has been booked as payable (refer Note 7). This has resulted in a write back to the Consolidated Statement of Comprehensive Income.

Insurance includes the annual premiums of insurance for the Group and in 2021 includes specific project insurance for Rookwood Weir and Paradise Dam.

Corporate and administrative expenses include a \$1.4 million payment to Q-Leave for the portable long service leave scheme for the Rookwood Weir project.

A. Employee benefits

	2021	2020
	\$'000	\$'000
<i>Employee benefits</i>		
Salaries and allowances	41,737	39,651
Redundancy expenses	201	398
Annual leave, banked time and time off in lieu (TOIL)	4,868	3,554
Long service leave expenses	1,079	918
Employer superannuation contribution	5,308	4,452
<i>Employee-related expenses</i>		
Workers' compensation premium	380	361
Payroll tax	2,698	2,377
Other employee-related expenses	1,328	1,326
Total employee benefits	57,599	53,037

Salaries and allowances are recognised as the related service is provided.

Annual leave, banked time and time off in lieu

Liabilities for annual leave, banked time and time off in lieu (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.

Long service leave

Sunwater is levied under the Queensland Public Sector's long service leave scheme at rates determined by actuarial assessment. Levies are expensed in the period in which they are paid. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

Sick leave

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

Superannuation

Employer superannuation contributions are paid to Queensland Government or an employee's choice of superannuation scheme at statutory rates or rates determined by the State Actuary. Contributions are expensed in the period in which they are paid.

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, under the *Government Owned Corporations Act 1993* (Qld) 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.

On 6 October 2020, the Australian Government announced the Treasury Laws Amendment (A Tax Plan for the COVID-19 Economic Recovery) Bill 2020 (the Bill) to support Australian businesses to invest, grow and create more jobs through targeted tax incentives. The Bill included:

- Instant Asset Write Off (IAWO) – temporary full expensing of eligible depreciating assets
- Carry-back of tax losses – temporary loss carry-back which can be used to offset previously taxed profits to generate a refund.

An amendment to the Bill was also issued on 23 November 2020 to allow entities to make an irrevocable choice to opt out of the IAWO on an asset-by-asset basis. Sunwater has elected to opt out of the IAWO at 30 June 2021.

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.

Deferred income tax using the liability method is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss.

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 for previous years.

(b) 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 relation to 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 there will probably be sufficient future taxable profits available to use them.

However, deferred tax assets and liabilities are not recognised for taxable temporary differences for investments in subsidiaries where the parent is able to control the timing of the reversal and differences probably 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 or substantially enacted by the end of the reporting period and are expected to apply when the 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 for 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 expenses.

(d) Tax consolidation legislation

Sunwater Limited and its wholly owned Australian-controlled subsidiaries are subject to 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 for unused tax losses or tax credits transferred to Sunwater Limited under the 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 on payment by Sunwater of those liabilities and are subject to Sunwater entity providing to the wholly-owned entities satisfactory evidence of that payment. The wholly-owned entities will promptly pay Sunwater the contribution amount and Sunwater will promptly pay to the relevant wholly-owned entities the 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 and unused tax losses only sufficient future taxable profits will probably be available to use those temporary differences and losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profit.

(i) income tax expense

	2021 \$'000	2020 \$'000
Income tax equivalents expense		
Current tax equivalents expense	-	6,948
Deferred tax equivalents expense/(credit)	104,232	(90,929)
Research and development tax credit	-	(179)
Prior year under / (over) provision	73	163
	104,305	(83,997)
Income tax equivalents expense is attributable to:		
Profit from continuing operations	104,305	(83,997)

(ii) Reconciliation of income tax expense

	2021 \$'000	2020 \$'000
Profit/(loss) before income tax	143,332	(286,639)
Tax expense at the Australian rate of 30% (2020:30%)	43,000	(85,991)
Non-deductible entertainment	5	16
Sundry items	(1,116)	163
Research and development tax credit	-	(179)
Non-deductible provisions	37	1,994
De-recognition of temporary differences	62,379	-
	104,305	(83,997)
Income tax expense		
Current tax	73	6,852
Deferred tax	104,232	(90,849)
	104,305	(83,997)

(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
2021					
Employee benefits	1,108	393	1,501	1,501	-
Property, plant and equipment	1,917	2,882	4,799	4,799	-
Provisions	102,424	(95,216)	7,208	7,208	-
Leases	599	506	1,105	1,105	-
Other	(1,816)	96	(1,720)	-	(1,720)
Deferred tax assets / (liabilities) before set off	104,232	(91,339)	12,893	14,613	(1,720)
Set off DTL against DTA	-	-	-	(1,720)	1,720
De-recognition	-	(12,893)	(12,893)	(12,893)	-
Net Tax Assets	104,232	(104,232)	-	-	-

	Net balance at 1 July	Effect of new AASB ¹	Restated Opening Balance	Charged to Income Statement	Charged to Contributed Equity	Net balance at 30 June	Deferred Tax Asset (DTA)	Deferred Tax Liability (DTL)
2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	956	-	956	152	-	1,108	1,108	-
Property, plant and equipment	4,081	-	4,081	(2,028)	(136)	1,917	1,917	-
Provisions	10,042	-	10,042	92,382	-	102,424	102,424	-
Leases	-	238	238	361	-	599	599	-
Other	(1,798)	-	(1,798)	(18)	-	(1,816)	-	(1,816)
Deferred tax assets / (liabilities) before set off	13,281	238	13,519	90,849	(136)	104,232	106,048	(1,816)
Set off DTL against DTA	-	-	-	-	-	-	(1,816)	1,816
Net Tax Assets	13,281	238	13,519	90,849	(136)	104,232	104,232	-

1. AASB – Australian Accounting Standards Board.

(iv) Unrecognised deferred tax assets

Deferred tax assets have not been recognised regarding the following items, because it is not currently assessed as probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	2021 \$'000	2021 Tax effect \$'000	2020 Gross Amount \$'000	2020 Tax effect \$'000
Deductible temporary differences	46,945	14,084	-	-
Unused tax losses	160,983	48,295	-	-
	207,928	62,379	-	-

The unused tax losses can be recovered against future taxable income. They can be carried forward indefinitely.

Section 2: Financial assets and financial liabilities

Note 5: Cash and cash equivalents

Accounting policy

Cash and cash equivalents in the Consolidated Statement of Financial Position include cash on hand, deposits held at call with financial institutions; and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Bank overdrafts are shown in borrowings in current liabilities on the Consolidated Statement of Financial Position.

Risk exposure

Information about the Group's exposure to credit risk is detailed in Note 9.

	2021	2020
	\$'000	\$'000
Cash at bank and on hand	71,409	18,209
Cash held as security	1,375	1,367
Deposits at call	11,885	11,326
Cash at bank and on deposit	84,669	30,902

Cash held as security is held in separate bank accounts and is subject to repayment on call by the customer subject to meeting the obligations under their respective agreements (refer Note 9).

At 30 June 2021, the Group held cash held in trust of \$2.25 million (2020 \$nil).

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

	2021	2020
	\$'000	\$'000
Profit/(loss) for the year	39,026	(202,642)
Depreciation and amortisation	44,986	43,831
Impairment of assets	85,500	59,743
Bad and doubtful debts	(562)	(346)
Net (gain)/loss on disposal of non-current assets	412	106
Interest received	(725)	(1,809)
Interest paid	12,379	12,922
Interest on lease liabilities	1,071	1,013
Change in assets and liabilities:		
Decrease/(increase) in inventories	(25)	103
(Increase) in deferred tax assets	115,905	(102,303)
(increase) in receivables and other assets	(35,992)	(18,592)
Increase in trade and other payables	(17,573)	351,507
(Decrease)/(increase) in deferred revenue	(24,053)	(17,126)
(Decrease)/(increase) in income taxes payable	-	(8,492)
Increase/(decrease) in deferred tax liabilities	(11,673)	11,453
Net cash inflow from operating activities	208,676	129,368

Note 6: Trade and other 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.

	2021	2020
	\$'000	\$'000
Trade Receivables		
Trade receivables	14,202	10,890
Accrued revenue	72,845	14,409
Loss provision	(610)	(1,172)
	86,437	24,127
Other receivables		
Advance facility	99,288	86,614
Prepaid income tax	1,305	15,838
GST receivable 'net'	3,269	2,788
Pre-payments	994	1,971
	104,856	107,211
Trade and other receivables	191,293	131,338

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and generally have credit terms ranging from seven to 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Accrued revenue

Accrued revenue includes \$50 million insurance proceeds recoverable against the 2011 South East Queensland Flood Class Action, the water delivered to 30 June 2021 but not invoiced and costs recoverable from customers for projects which did not proceed to construction.

Loss provision

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables. Trade receivables have not had a significant increase in credit risk since they originated. The Group has applied the simplified approach to measuring credit losses which uses an expected loss allowance for all trade receivables and contract assets and liabilities.

In applying the simplified approach, the Group has considered the potential additional impact of the COVID-19 pandemic on customers' ability to pay invoices. Impact on the Group's accounts in arrears have been immaterial, consistent with the Group's assessment of the expected impact on its customers due to the nature of the goods and services provided by its customer Groups.

To measure the expected credit loss; trade receivables, contract assets and liabilities have been grouped based on shared credit risk characteristics and the days past due. The contract assets and liabilities relate to unbilled or in advance work and have substantially the same risk characteristics as the trade receivables for the same types of contracts (refer to Note 9).

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

	2021	2020
	\$'000	\$'000
At 1 July	1,172	1,518
Allowances added	(562)	(346)
Carrying amount at 30 June	610	1,172

Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk relating to trade and other receivables is detailed in Note 9.

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 9.

Advance facility

Under the Queensland Government's cash pooling arrangement, Government Owned Corporations (GOCs) advance surplus cash to Queensland Treasury. Queensland Treasury Corporation (QTC) pays interest on these advances at the QTC Cash Fund rate which averaged 0.75 per cent in 2020-21 (1.60 per cent 2020).

During 2020-21, \$12.7 million cash was advanced to the facility (2020: \$16.5m withdrawn) which can be drawn down as required. Notification periods of 24 to 48 hours are generally required to access the advances.

Due to the short-term nature of the advances, the carrying value is assumed to represent fair value.

Note 7: Trade and other payables

Accounting policy

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

	2021	2020
	\$'000	\$'000
Trade creditors	7,059	16,670
Settlement 2011 South East Queensland Floods Class Action	250,000	-
Other creditors and accruals	34,188	19,508
	291,247	36,178

Note 8: Borrowings

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Borrowings are classified as non-current liabilities as there are no capital components repayable within one year and QTC has confirmed there are no defaults which would give rise to a right to demand repayment.

Finance costs for the construction of any qualifying asset are capitalised during the time required to complete and prepare the asset for its intended use. Interest and finance costs of \$nil were capitalised in the year ending 30 June 2021 (2020: \$nil capitalised). Other borrowing costs are expensed.

	2021 \$'000	2020 \$'000
Unsecured		
QTC loan	283,858	284,020
	283,858	284,020
Represented by:		
Current	-	-
Non-current	283,858	284,020
	283,858	284,020

Financing arrangements

The loans from QTC are interest bearing. Sunwater non-current borrowings have no fixed repayment date. The terms of the loan facilities are reviewed with QTC annually. Borrowings are subject to the annual approval of the Queensland Treasurer and have previously been sourced from the Sunwater Client Specific - Pool Portfolio Linked Loan. No money (\$nil) was sourced from the approved state borrowing program 2020-21 (2019-20: \$nil).

The Group maintained financial covenants in 2021.

It has a rolling \$50 million working capital facility with QTC. This facility is repayable on demand and operates as an overdraft which is used to cover temporary funding shortfalls. The facility was undrawn as at 30 June 2021 (2020: undrawn).

The difference between the 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, so no adjustment to fair value is needed. Where there is a market realisation charge, it has been included in finance costs in the Consolidated Statement of Comprehensive Income.

Fair value

	2021		2020	
	Carrying Amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$000
Borrowings	283,858	313,228	284,020	322,721

Changes in liabilities arising from financing activities

The amounts disclosed in the Consolidated Statement of Cash Flows under Financing Activities relate to cash transactions arising from the Group's long-term borrowing with QTC.

Note 9: Financial risk management

The Group's activities may, at certain times, expose it to a variety of financial risks, including market risk (including currency risk, interest rate risk and price risk) and credit risk and liquidity risk.

The Group's financial risk management policies aim to focus primarily on counterparty risks and the unpredictability of the financial markets and to minimise potential adverse effects on its financial performance.

The Group uses different methods to measure different types of risk to which it is exposed, including:

- sensitivity analysis in the case of interest rate risk
- a counterparty credit rating analysis for credit risk
- a contract aging analysis for liquidity risk.

The Board has endorsed principles for overall risk management, and policies covering specific areas, such as:

- mitigating interest rate and credit risk
- use of derivative financial instruments
- investment of liquid assets.

Market risk

Foreign exchange risk

Although the Group does not operate internationally, it may occasionally source plant and equipment or components of water infrastructure assets internationally, exposing it 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, QTC.

In 2020-21, 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 2021, 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 Sunwater and its subsidiaries to cash flow interest rate risk, whereas borrowings issued at fixed rates expose them 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 by monitoring changes in yields over the debt duration profile.

The following interest rate sensitivity analysis assumes that the rate would be 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 on its borrowings as a reasonable expectation based on historical patterns for the type of debt facility held.

Financial Instruments

	Carrying Amount \$'000	2021 interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and advance facility	182,582	(1,354)	(1,354)	1,354	1,354
QTC borrowings	283,858	2,700	2,700	(2,700)	(2,700)
Overall effect on profit and equity		1,346	1,346	(1,346)	(1,346)

Financial Instruments

	Carrying Amount \$'000	2020 interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and advance facility	116,149	(1,677)	(1,677)	1,677	1,677
QTC borrowings	284,020	2,752	2,752	(2,752)	(2,752)
Overall effect on profit and equity		1,075	1,075	(1,075)	(1,075)

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with financial institutions and receivables from customers. Credit risk largely arises from the potential failure of counterparties to meet their obligations under contracts. Credit evaluations are carried out 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.

The Group applies the AASB 9 simplified model of recognising expected credit losses for all trade receivables, contract assets and liabilities as they do not have a significant financing component.

In measuring the expected credit losses, trade receivables, contract assets and liabilities have been Grouped as they share credit risk characteristics. The expected loss rates are based on historic rates previously taken up by the Group and progressively increase across the ageing brackets to reflect the customer's ability to settle the amount outstanding.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payment within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement (among other factors) are considered indicators that there is no reasonable expectation of recovery. Balances greater than 180 days have a higher default rate applied to take account of these potential losses.

For customers with balances after more than 180 days that are greater than 90 per cent of the total balance due, 100 per cent is provided across all ageing brackets.

No provision is taken up for government customers.

Historic default rates are applied to the remainder of balances.

The COVID-19 pandemic has had minimal impact on recoverability of receivables. The Group has considered impacts on the expected credit losses and believes that fully providing for customers with balances greater than 90 per cent after 180 days of the total balance due provides coverage for customers struggling during this difficult period. On the above basis the expected credit loss for trade receivables as at 30 June 2021 and 30 June 2020 was determined as follows:

\$000	Current	Less than 30 days past due	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days	Total balance
Carrying value of trade receivables	13,227	451	11	33	277	1,279	15,279
Amount provided at 100%	4	6	3	1	8	579	601
Remaining carrying value of trade receivables	13,224	445	8	32	269	701	14,679
Expected credit loss rate	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	
Amount provided (\$000)	4	2	0	0	1	2	9
Total provided 30 June 2021	8	7	3	2	9	581	610
Carrying value of trade receivables	6,443	11	437	260	241	3,591	10,983
Amount provided at 100%	5	1	2	3	6	1,140	1,157
Remaining carrying value of trade receivables	6,438	10	435	256	235	2,451	9,826
Expected credit loss rate	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	
Amount provided (\$000)	3	0	3	2	2	5	15
Total provided 30 June 2020	8	1	5	5	8	1,145	1,172

In 2020-21, the Group had no transactions involving derivative financial instruments.

At the balance sheet date there were no other significant concentrations of credit risk outside of QTC for recognised financial instruments. The maximum exposure to credit risk at 30 June 2021 in each class of recognised financial assets is the carrying amount of those assets shown in the following table:

Maximum exposure to credit risk

Category	Notes	2021 \$'000	2020 \$'000
Cash at bank and at call invested in Australian institutions rated AA- or higher ¹	5	84,668	30,901
Other cash and cash equivalents	5	1	1
Receivables – current	6	86,438	24,127
		171,107	55,029

1. Inclusive of accrued interest.

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

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 by monitoring forecast cash flows to ensure that sufficient cash and short-term borrowing facilities are maintained, so adequate funds are available at all times to meet commitments.

The Group had an approved borrowing program of \$nil during 2021. It has a rolling \$50 million working capital facility with QTC. This facility was not drawn on during 2021 (\$nil 2020) but operates as an overdraft used to cover temporary funding shortfalls and is repayable on demand. The Group also has the ability to draw down further on its Portfolio Linked Loan.

The following table sets out the liquidity risk of financial liabilities held by Sunwater and its subsidiaries. It shows the contractual maturity of financial liabilities, with calculations based on undiscounted cash flows.

2021	Carrying Amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000	Total cash flows (contractual) \$'000
Payables	291,247	291,247	-	-	291,247
Borrowings ¹	283,858	8,832	35,327	283,147	327,306
Leases	21,801	4,354	13,279	8,066	25,699
Deposits payable	9,779	3,444	6,335	-	9,779
	606,685	307,877	54,941	291,213	654,031
2020					
Payables	36,178	36,178	-	-	36,178
Borrowings ¹	284,020	10,790	43,141	283,147	337,078
Leases	22,319	3,301	15,843	8,057	27,201
Deposits payable	3,986	1,867	-	2,119	3,986
	346,503	52,136	58,984	293,323	404,443

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

Section 3: Operating assets and liabilities

Note 10: 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. The Group elected to exercise the option under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS) to adopt the fair value of an item of property, plant and equipment at its deemed cost.

This means all items of property, plant and equipment revalued to fair value on or before 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 incidental costs, including all those incurred in preparing the assets for use, such as engineering design fees, an appropriate proportion of directly attributable overheads and finance costs (refer Note 8). 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 an estimate is relevant and reliable in the context of the very long design life of most assets.

All items of property, plant and equipment acquired at a cost or other value, above the threshold for capitalisation are capitalised in the year of acquisition. Assets under construction are recorded at cost and are not depreciated until they are completed and ready for use.

No threshold is applied to items in 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 enhancements or replacements do not satisfy asset recognition criteria and are expensed on completion.

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

Depreciation

Depreciation is calculated on a straight-line basis to write off the cost or deemed cost of each depreciable asset progressively over its estimated 'useful life to the entity'.

Useful life to the entity is determined by considering factors like 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 rate
Land	Land is not depreciated
Buildings and land improvements	0.67% to 20% [5 – 150 years]
Plant and equipment	6.67% to 33.33% [3 – 15 years]
Water infrastructure	0.5% to 10% [10 – 200 years]

Impairment of property, plant and equipment

Items of property, plant and equipment are assessed each year for indicators of impairment.

Where an indicator of impairment exists, an estimate of the recoverable amount of the asset is carried out. An impairment loss is recognised for its recoverable amount less the asset's carrying 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 the Group's water infrastructure assets, which are not traded in an active market, value-in-use is applied in estimating the recoverable amount and an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Items of property, plant and equipment that were impaired in a previous period are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which cannot exceed the original cost or deemed cost of that asset. A reversal of an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Sensitivity analysis is carried out on the impact of possible changes in the significant factors and key assumptions, including weighted average cost of capital (WACC) (refer to 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.

Key estimates and judgments

The Group does not recover full costs under the government's regulated irrigation price path which governs irrigation water supply revenue. 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 from each cash generating unit, key estimates and assumptions are made about the future.

The Group has reviewed the impact of COVID-19 on its future cash flows to ensure they are adjusted and reflect future earnings. The Group's commercial assets that have a positive DCF are largely contracted on a fixed revenue basis, giving stability to future earnings so no adjustment has been applied and there has been no impact on impairment in 2020-21.

For assets supplying water for irrigation customers, revenue reflects the Queensland Government set pricing plus any applicable Community Service Obligation expected to be received and agreed with the State. Most of these schemes have a negative DCF. Therefore, new capital investment is impaired during the year regardless of price adjustments.

The sources for the key estimates and assumptions include:

- The Group receives a portion of its irrigation revenue from customers, which is determined by the irrigation prices set by the Queensland Government. The remainder of its irrigation revenue is paid by the Queensland Government, through its community service obligation (CSO) payment, which is the difference between the QCA's recommended cost-reflective prices and the prices set by the Queensland Government. It is noted that the cost-reflective prices recommended by the QCA do not necessarily recover all the Group's costs of earning the irrigation revenue. In addition, although the Group receives revenue related to a portion of renewals spend, the regulated price does not provide for a commercial return on capital. Therefore, the reduced cashflows substantially impact on the carrying values assigned to the water infrastructure assets.
- 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 the estimated weighted average cost of capital (WACC) provided by QTC. Future cash flows have been discounted using a pre-tax discount rate of 6.8 per cent (2020: 7.2 per cent).
- 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-recommended efficient costs and that future price paths will recover efficient costs.

Key estimates and judgments

- The regulated price path, which reduces the Group's ability for cost recovery, results in large 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.

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 and improvements \$'000	Plant & equipment \$'000	Water infrastructure \$'000	Work in progress \$'000	Total PPE \$'000
At 1 July 2019						
Cost	7,144	16,313	14,092	1,397,364	80,650	1,515,563
Accumulated depreciation	-	(4,983)	(10,583)	(331,490)	-	(347,056)
Accumulated impairment	-	-	(522)	(309,682)	(29,018)	(339,222)
Net book amount	7,144	11,330	2,987	756,192	51,632	829,285
Year ended 30 June 2020						
Additions	-	-	-	-	76,629	76,629
Disposals	-	(19)	(57)	(563)	-	(639)
Transfer between classes	-	2,492	615	51,603	(54,710)	-
Transfer to intangibles	-	-	-	-	(862)	(862)
Depreciation expense	-	(479)	(813)	(36,502)	-	(37,794)
Impairment (loss)	-	-	-	(34,138)	(25,472)	(59,610)
At 30 June 2020						
Cost	7,144	18,733	14,107	1,448,332	101,743	1,590,059
Accumulated depreciation	-	(5,409)	(10,853)	(367,920)	-	(384,182)
Accumulated impairment	-	-	(522)	(343,820)	(54,526)	(398,868)
Net book amount	7,144	13,324	2,732	736,592	47,217	807,009
Year ended 30 June 2021						
Additions	-	-	-	-	126,539	126,539
Disposals	(60)	(1,033)	(22)	(3)	-	(1,118)
Transfer between classes	-	1	836	7,175	(8,012)	-
Transfer to intangibles	-	-	-	-	(14,049)	(14,049)
Assets held for distribution	-	-	-	(190)	-	(190)
Depreciation expense	-	(509)	(781)	(36,202)	-	(37,492)
Impairment (loss)	-	-	-	(3,877)	(81,512)	(85,389)
At 30 June 2021						
Cost	7,084	17,023	14,617	1,454,802	206,220	1,699,746
Accumulated depreciation	-	(5,239)	(11,330)	(403,608)	-	(420,177)
Accumulated impairment	-	-	(522)	(347,696)	(136,038)	(484,256)
Net book amount	7,084	11,784	2,765	703,498	70,182	795,313

Impairment

Cash-generating units (CGUs) for which significant impairment losses were recognised/(reversed) for water infrastructure during the financial year are:

	2021 Loss/(Reversed)	2021 Recoverable amount	2020 Loss/(Reversed)	2020 Recoverable amount
	\$'000	\$'000	\$'000	\$'000
Nogoa Mackenzie Water Supply Scheme	(12,182)	47,338	4,598	35,153
This CGU includes Fairbairn Dam and Blackwater Pipeline. The improvement in the recoverable amount is a result of reduced cash outflows resulting from the completion of Fairbairn Dam Improvement Project. The discount rate used was 6.8 per cent (2020: 7.2 per cent).				
Boyne River and Tarong Water Supply Scheme	5,762	11,556	7,575	17,537
This CGU includes all the water infrastructure assets in the scheme including Boondooma Dam and Tarong Pipeline. The impairment loss is primarily due to lower net revenues from operations. The discount rate used was 6.8 per cent (2020: 7.2 per cent).				
Mareeba Dimbulah Water Supply Scheme	227	-	14,175	-
The impairment loss is primarily due to impairing current year capital expenditure which occurs on most impaired CGU's for any capital expenditure that occurs without a specific new revenue to support the future asset cost. The discount rate used was 6.8 per cent (2020: 7.2 per cent).				
Barker Barambah Water Supply Scheme	3,204	-	37	-
This CGU includes the major refurbishment of the Silverleaf Weir. The impairment loss is primarily due to the impairing of the capital expenditure of the project which is not supported by future net cash inflows. The discount rate used was 6.8 per cent (2020: 7.2 per cent).				
Upper Condamine Water Supply Scheme	3,394	-	(3,400)	-
This CGU includes Leslie Dam. The impairment loss is primarily due to additional costs associated with a planned Comprehensive Risk Assessment project combined with increasing insurance and O&M costs. The discount rate used was 6.8 per cent (2020: 7.2 per cent).				
St George Water Supply Scheme	90	-	7,198	-
The impairment loss is primarily due to impairing current year capital expenditure which occurs on most impaired CGU's for any capital expenditure that occurs without a specific new revenue to support the future asset cost. The discount rate used was 6.8 per cent (2020: 7.2 per cent).				
Other cash generating units	3,382	563	3,955	4,228
Total	3,877		34,138	

The Group's cash generating units are the smallest identifiable group of assets that generate cash inflows and are largely independent of the cash inflows from other assets or groups of assets. The Group contains 33 cash generating units based on the cash flows from water supply schemes 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)	Recoverable amount
	\$'000	\$'000
At 30 June 2021		
Paradise Dam improvements	77,900	-
Burdekin Falls Dam improvements	2,625	-
Coolmunda Dam improvements	403	-
Leslie Dam improvements	3	-
Teemburra Dam improvements	581	-
Total	81,512	-
	Loss/(Reversed)	Recoverable amount
	\$'000	\$'000
At 30 June 2020		
Paradise Dam improvements	20,963	-
Nathan Dam development project	19,623	-
Burdekin Falls Dam improvements	4,732	-
Coolmunda Dam improvements	558	-
Leslie Dam improvements	236	-
Teemburra Dam improvements	344	-
	46,456	-
Fairbairn Dam improvements	(20,984)	-
Total	25,472	-

The Group has a portfolio of dam improvement projects (as part of the DIP) and as these projects do not generally generate any additional revenue, the 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 project-by-project.

Note 11: Intangible assets

Accounting policy

Software

Software is a combination of acquired and developed software systems which have a finite life and are carried at cost less accumulated amortisation and impairment. Costs of developing products or systems and acquiring software and licenses that will contribute to future financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service, employee costs and an appropriate portion of relevant overheads.

Costs of software development include only direct costs of the development phase and are only recognised after completion of technical feasibility assessments and where the Group intends to and can use the asset.

Amortisation is calculated using the straight-line method over the estimated useful life which varies from three to ten years.

Water Allocations

Water allocations are intangible assets that are valued at cost or deemed cost. The Group elected to exercise the option allowed under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS) to adopt the fair value of an intangible asset at its deemed cost. This means all water allocations that had been revalued to fair value on or before 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.

Impairment

Intangible assets impaired in a previous period are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss is 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 Consolidated Statement of Comprehensive Income.

Key estimates and judgments

In determining that water allocations have an indefinite life, Sunwater has assumed that the current resource operating license conditions will continue, although notes that the plans and associated conditions may be reviewed and changed.

Movements

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

	Software	Trade names	Water allocations	Total Intangible assets
	\$'000	\$'000	\$'000	\$000
At 1 July 2019				
Cost	30,333	8	58,147	88,488
Accumulated amortisation	(26,496)	-	-	(26,496)
Accumulated impairment	(359)	-	(48,678)	(49,037)
Net book amount	3,478	8	9,469	12,955
Year ended 30 June 2020				
Transfer from work in progress	862	-	-	862
Amortisation expense	(1,861)	-	-	(1,861)
Impairment reversal	-	-	(133)	(133)
At 30 June 2020				
Cost	31,188	8	58,147	89,343
Accumulated amortisation	(28,350)	-	-	(28,350)
Accumulated impairment	(359)	-	(48,811)	(49,170)
Net book amount	2,479	8	9,336	11,823
Year ended 30 June 2021				
Transfer from work in progress	14,049	-	-	14,049
Amortisation expense	(2,948)	-	-	(2,948)
Impairment (loss)	-	-	(111)	(111)
At 30 June 2021				
Cost	45,238	8	58,147	103,393
Accumulated amortisation	(31,299)	-	-	(31,299)
Accumulated impairment	(359)	-	(48,922)	(49,281)
Net book amount	13,580	8	9,225	22,813

Note 12: Leases

Accounting policy

At the inception of a contract, the Group assesses whether it contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset.

As a lessee, the Group:

- recognise right-of-use assets and lease liabilities at the lease commencement date in the Consolidated Statement of Financial Position, initially measured at the present value of future lease commitments using the Group's incremental borrowing rate which applies in the year of application
- recognise depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statement of Comprehensive Income
- separate the total amount of cash paid into the principal portion and interest in the Consolidated Statement of Cashflow
- recognise lease incentives as part of the measurement of the right-of-use assets and lease liabilities.

The estimated useful lives of right-of-use assets are based on the non-cancellable contract life and any reasonably certain contract extensions.

The Group has separated non-lease components from the lease components of contracts and has therefore not applied the practical expedient of combining both as a single lease component. Non-lease

components are accounted for in the period in which they are intended for use as stipulated by other accounting standards.

Right-of-use assets are reviewed for impairment each year.

Short-term leases of less than 12 months and leases of low-value assets (less than AUD\$10,000) are recognised as a lease expense on a straight-line basis.

The Group has applied the practical expedient of allocating leases into portfolios which have similar characteristics, estimates and assumptions.

The lease liability is initially measured at the present value of lease payments that are not paid to date. Lease payments to be made under reasonably certain extension options are also included in the measuring liability.

Lease payments are discounted using the Group's incremental borrowing rate, which is the borrowing interest rate applied by QTC.

Nature of leasing activities

The Group leases a number of properties from which it operates including the head office and regional buildings. Some lease contract payments increase each year by a fixed rate and others reset periodically to market rental rates.

The Group also leases light fleet vehicles, items of heavy fleet and certain items of ICT plant and equipment. These leases require fixed payments over the lease terms.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the Consolidated Statement of Financial Position.

Right-of-use assets 30 June 2021	No of right-of-use assets leased	Range of remaining terms	Average remaining lease term	Extension options
Brisbane head office	2	8 years	7.8 years	Yes
Regional offices and premises	5	1 to 5 years	3.5 years	Yes
Light and heavy fleet	152	1 to 6 years	1.5 years	Modifiable
Plant and equipment	1	4 years	1.3 years	Yes

Right-of-use assets

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

	Buildings	Light and heavy fleet	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2019	12,183	2,941	360	15,484
Additions	5,956	3,320	-	9,276
Disposals	-	(69)	-	(69)
Depreciation expense	(1,863)	(2,205)	(108)	(4,176)
At 30 June 2020				
Cost	18,139	5,968	360	24,467
Accumulated depreciation	(1,863)	(1,981)	(108)	(3,952)
Net book amount	16,276	3,987	252	20,515
At 1 July 2020				
Additions	91	2,260	-	2,351
Disposals	-	(5)	(5)	(10)
Depreciation expense	(2,007)	(2,432)	(106)	(4,546)
At 30 June 2021				
Cost	18,230	7,597	355	26,182
Accumulated depreciation	(3,870)	(3,788)	(214)	(7,872)
Net book amount	14,360	3,809	141	18,310

Lease liabilities

Lease liabilities are presented in the Consolidated Statement of Financial Position as follows:

	2021	2020
	\$'000	\$'000
Current	3,389	2,237
Non-current	18,412	20,082
	21,801	22,319

The total cash outflow for leases during 2020-21 was \$3.88 million.

Lease liabilities are secured by the assets leased and represent the discounted future rental payments payable by the Group. Excepting short-term leases and leases of low-value assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Amounts recognised in the Consolidated Statement of Comprehensive Income

	2021	2020
	\$'000	\$'000
Interest on lease liabilities	1,071	1,013
Expenses relating to short-term leases and low value assets	2,790	2,932
	3,861	3,945

Note 13: Other liabilities

Accounting policy

Income received in advance primarily represents amounts received from customers as pre-payment of future capital payments under agreements for customers using capital water infrastructure. These amounts are deferred and earned over the term of the agreements or over the period it was prepaid.

	2021 \$'000	2020 \$'000
Current		
Income received in advance	58,970	28,538
Deposits payables	3,475	3,156
Other	34	26
	62,479	31,720
Non-current		
Income received in advance	123,983	131,194
Deposits payable	6,304	830
	130,287	132,024

Deposits payable

Deposits payable are securities paid by customers for supply contracts with Sunwater and are refundable at the completion of the contract.

Income received in advance

Income received in advance consists of an advance payment of \$180.25 million split between current and non-current and being amortised over the life of the contract.

The current balance includes \$42.13 million funds received in advance for Rookwood Weir construction.

Note 14: Provisions

Accounting policy

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

- the Group has a present legal or construction obligation as a result of past events
- outflow of resources will probably be required to settle the obligation
- 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 improvements are measured following Board approval once the scope of works has progressed to contractual arrangements from which a reliable measure can be derived. Where there is still uncertainty around the timing or amount, it is disclosed as a contingent liability. All current provisions are expected to be settled within a year of the reporting date and non-current within the contractual terms of the agreements.

	Notes	2021 \$'000	2020 \$'000
Current			
Compensation for handover of assets		6,520	6,300
Bridge demolition		12,682	-
Dam improvements		1,492	5,939
Employee benefits		5,003	3,693
Employee entitlements		-	3,412
Restructuring costs		16	15
Dividends	16	10,404	-
		36,117	19,359
Non-Current			
Settlement for 2011 South East Queensland Floods Class Action		-	330,000
Bridge demolition		8,000	-
Land commitment		1,270	1,268
Make good leased sites at the end of their term		180	180
		9,450	331,448

Employee benefits

Refer to Note 3b on employee expenses for accrued annual leave, banked time and TOIL. These employee benefits are considered short-term as they are expected to be settled wholly within 12 months of the reporting period.

Employee entitlements

Employee entitlements are payments due to a Group of current and former employees that are on Individual Employment Contracts that have been identified to be also covered by the Sunwater Enterprise Agreement and have not received their full entitlement at the reporting date.

Dam improvements

The provision for dam improvements represents management's best estimate of the present constructive obligation for the cost of carrying out dam improvement works.

Compensation

Sunwater has reached an agreement to hand over assets to another government entity with a payment to compensate for future works to bring the assets up to a standard set out in the agreement.

Bridge demolition

Sunwater as the 100 per cent parent of Burnett Water Pty Ltd has a legal obligation to remove a bridge at Paradise Dam under the *Planning Act 2016* (Qld). In partnership with external engineering firms, the Group has taken up its best estimate and has approval by the Board to expedite the work.

Land commitment

Under an agreement between the former State Water Projects and the DRDMW, Sunwater is required to settle the disposal of surplus land with the department.

Make good

Provision to restore leased premises back to an acceptable standard at the end of the lease term.

Movements in provisions

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

	Dam improvements \$000	Compensation hand over assets \$000	2011 South East Queensland Flood Class Action \$000	Restructuring \$000	Bridge demolition \$000	Employee entitlements \$000	Dividends \$000	Make good \$000	Land commitment \$000
Carrying amount at 1 July 2020	5,939	6,300	330,000	15	-	3,412	-	180	1,268
Provisions added	-	220	-	1	20,682	-	10,404	-	2
Provisions released to income statement	-	-	(80,000)	-	-	-	-	-	-
Transferred to payables	-	-	(250,000)	-	-	-	-	-	-
Payments made during the year	(4,447)	-	-	-	-	(3,412)	-	-	-
Carrying amount at 30 June 2021	1,492	6,520	-	16	20,682	-	10,404	180	1,270
Represented by:									
Current	1,492	6,520	-	16	12,682	-	10,404	-	-
Non-current	-	-	-	-	8,000	-	-	180	1,270

2011 South East Queensland Flood Class Action provision

In 2020, the Group took up a provision of its best estimate of the obligation of \$330 million. During 2021, a settlement with the Plaintiff (approved by the Court) agreed a final payment which has been booked as payable (refer Note 7). This has resulted in a write back to the Consolidated Statement of Comprehensive Income (refer Note 3).

Key estimates and judgements

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, a provision is to be raised if it is a present obligation due to a past event, if it is probable an outflow will occur in the future and the amount can be reliably estimated.

Section 4: Capital structure

Note 15: Capital management

Risk management

When managing capital, the Group's objectives are to safeguard its ability to continue as a going concern, so it can continue to provide returns for shareholders and benefits for other stakeholders and 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 which 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:

	2021 \$'000	2020 \$'000
Total borrowings	283,858	284,020
Total equity	280,038	251,416
Total capital	563,896	535,436
Market gearing ratio	50%	53%

The Group's current ratio at 30 June 2021 was 0.71 (2020: 1.84).

Loan covenant

Under the terms of the major borrowing facility with QTC, the Group is required to comply with financial covenants. All covenants were met in 2020-21.

Dividends

Accounting policy

Provision is made for the amount of any dividend declared which has been appropriately authorised and no longer at the discretion of Sunwater, on or before 30 June 2021 but not distributed at the date the Statement of Financial Position is signed.

	2021 \$'000	2020 \$'000
Ordinary shares		
2021 first and final dividend of \$5.20 million (2020: \$nil) per share declared and provided for but not paid as at 30 June 2021	10,404	-
	10,404	-

(a) Dividends paid

In the prior year, the Sunwater Board recommended a 2019-20 dividend of \$nil due to a net loss after tax which was accepted by shareholding Ministers and therefore no dividend payment was made in 2020-21.

(b) Dividends declared

In June 2021, the Sunwater Directors recommended a first and final dividend of 100 per cent (2019-20: zero per cent) of the Group's adjusted audited net profit after tax which was accepted by shareholding Ministers. Adjustments were applied to remove the non-cash profit attributable to any adjustment to the provision for the 2011 South East Queensland Floods class action. At 30 June 2021, the Directors also recommend a further adjustment to the net profit after tax to remove the effect of the write down of the Group's Deferred Tax Asset (DTA), a non-cash expense not expected to require a future cash outflow.

Note 16: Contributed equity

Accounting policy

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

	2021 \$'000	2020 \$'000
Share capital		
Issued and paid up capital:		
Two ordinary shares of \$118.173 million each	236,347	236,347

Note 17: Investment in subsidiaries

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at reporting date and the results of all subsidiaries for the financial year.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those 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 and de-consolidated from the date that control ceases.

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

The Group's principal subsidiaries are set out below:

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2021	2020
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%

Deed of Cross Guarantee

These wholly-owned subsidiaries have entered into a deed of cross guarantee with Sunwater Limited (the Company) under the *ASIC Corporations (wholly-owned Companies) Instrument 2016/785* and are not required to prepare and lodge an audited Financial Report and Director's Report.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position of the entities party to the deed of cross guarantee are the same as the Consolidated Financial Statements of the Group.

Pursuant to *ASIC Instrument 2016/785*, the wholly-owned subsidiaries listed above are relieved from the *Corporations Act 2001* (Cth) requirements for preparation, audit and lodgement of financial reports and a Directors' report. It is a condition of the Class Order that Sunwater Limited and each of the subsidiaries enter into a Deed of Cross Guarantee.

The Deed's effect is that the Company guarantees each creditor payment in full of any debt if any of the subsidiaries are wound up under certain provisions of the *Corporations Act 2001* (Cth). If a winding up occurs under other provisions of the Act, the Company will only be liable if, after six months, any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that Sunwater is wound up.

Section 5: Unrecognised items

Note 18: Commitments

Capital commitments

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

	2021 \$'000	2020 \$'000
ICT projects	1,150	5,860
Water infrastructure projects	40,505	36,455
	41,655	42,315
Payable: within one year	41,655	42,315

Dam Improvement Program

The Group has a significant Dam Improvement Program (DIP) in place. Major projects currently underway with committed costs are:

Paradise Dam

Works on Paradise Dam include the construction and completion of the dam safety scope for the first stage Essential Works to lower the primary spillway initially by 5.8 metres as a risk reduction measure. The crest was subsequently raised to 61.8 metres Australian Height Datum before the end of the financial year. Minor ancillary works remain.

Sunwater and a range of other experts are assisting DRDMW in the development of a detailed business case and options evaluation for the next Dam Improvement Project (DIP) works. This phase of DIP work includes design, planning, test program activities (including sampling and testing of roller compacted concrete) and various technical studies to support evaluation of the options for the long-term dam crest level and improvement scope.

Burdekin Falls Dam

Burdekin Falls DIP is currently in detailed business case phase, which will determine the works to be completed. Sunwater is committed to this phase of work, which includes preliminary engineering, geotechnical investigations, cost estimates and development of the detailed business case. The majority of the costs of this phase have been incurred to date.

Note 19: Contingencies

The Group had the following contingent assets and liabilities at 30 June 2021:

Contingent liabilities

- a. Fred Hagh Dam suffered flood damage in 2011, 2013 and 2017. In 2019, the Group carried out engineering assessments to assess the extent of the damage and in 2020-21 rectification work was done to satisfy insurers and ensure the asset is covered under the Group's general property insurance.

At 30 June 2021, a Comprehensive Risk Assessment commenced to scope out a longer-term solution, however it was not sufficiently advanced or approved to reliably estimate a provision for the full scale of works required.

- b. In August 2020, the Association of Professional Engineers, Scientists and Managers of Australia (APESMA) brought an application in the Fair Work Commission (FWC) against Sunwater. APESMA disagreed with the methodology used to calculate the rectification payments to current and former Sunwater individual employment contract employees whom Sunwater had determined were paid less than they were entitled to in accordance with various enterprise agreements.

On 4 November 2020, Sunwater filed an originating application in the Federal Court for the matter to be heard. The parties attended mediation on 21 April 2021 which was unresolved at the reporting date. If the parties cannot resolve through mediation, it is more than likely to proceed to a court hearing in the next financial year and any potential liability will be known.

- c. In 2020-21, Sunwater was forewarned with a class action in relation to the integrity of, and resulting actions in relation to, the lowering of the Paradise Dam wall to make the dam safe. No formal class action has been launched, and any basis for such an action is unknown.
- d. At 30 June 2020, the Group was engaged in commercial and legal disputes about 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 of them.

Contingent assets

- a. Following the adverse 2011 South East Queensland Flood Class Action judgement, Sunwater is in litigation with its upper layer insurers over a coverage issue under the relevant insurance policies. A hearing is scheduled for November 2021. The recoverability of insurance proceeds from the upper layer insurers to cover the payment of settlement proceeds agreed between the Plaintiff, the State and Sunwater in respect of the class action is not virtually certain and therefore has not been booked as a receivable at 30 June 2021.
- b. During the 2020/11 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. The Group has an expectation that all or some of the insurance under-recovery will be compensated for by its major customer relating to the asset, however the quantum and timing is currently being negotiated.
- c. Sunwater holds a number of bank guarantees in the event of non-payment of services.

Note 20: Subsequent events

To the date of the signing by the Board of these Financial Statements, except as detailed elsewhere in the Financial Statements, no events have occurred subsequent to balance date since the Consolidated Statement of Financial Position dated 30 June 2021, that would materially impact on these financial statements or would require disclosure under accounting rules.

Section 6: Other notes

Note 21: Remuneration of auditors

During the year, fees of \$216,500 (2020: \$192,200) were paid or payable for services provided by the auditor of the consolidated entity for the audit of the Financial Report of Sunwater and its subsidiaries.

No other services were provided.

Note 22: Related party transactions

(a) Parent entity

The parent entity within the Group is Sunwater Limited. The ultimate Australian controlling entity is the State of Queensland, which at 30 June 2021 owned 100 per cent (2020: 100 per cent) 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 in arm's length transactions or in accordance with government policy.

In the year ended 30 June 2021, the following significant transactions occurred between the Group and other State of Queensland-controlled entities.

	2021 \$'000	2020 \$'000
Distribution of Eton assets and liabilities	-	2,798
Interest received from QTC	687	1,644
Water sales, CSO, grants received	47,166	35,359
Rookwood Weir project funding received	115,000	10,000
Consultancies paid	238	3,906
Interest paid to QTC	12,505	13,458

(c) Transactions with subsidiaries

Interests in subsidiaries are set out in Note 17. 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.

(d) Key management personnel

i. Directors

The following people were Directors of Sunwater Limited during the financial year:

Chairman

- Leith Bouilly
- Dan Hunt.

Non-executive Directors

- Patrice Sherrie
- David Stewart
- Jo Sheppard
- Vanessa Sullivan

- Jane Williams
- Stuart Armitage.

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 2021	Term of appointment	Appointment expiry date
Dan Hunt	Interim	30 September 2021
David Stewart	3 years	30 September 2021
Vanessa Sullivan	3 years	30 September 2022
Jane Williams	3 years	30 September 2023
Stuart Armitage	3 years	31 May 2024

iii. Other key management personnel

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

Name	Position
Glenn Stockton	Chief Executive Officer
Lisa Dalton	Interim Chief Executive Officer
Colin Bendall	Executive General Manager, Operations
Kellie Breen	Executive General Manager, People and Transformation
Cameron Milliner	Executive General Manager, Customer and Stakeholder Relations
Simon Ellinor	Chief Financial Officer
Mal Shepherd	Chief Development Officer
James Stuart	Executive General Manager, Water Resources and Dam Safety

iv. Shareholding Ministers

The GOC's shareholding Ministers are identified as part of its key management personnel and as 30 June 2021, these Ministers were the Honourable Cameron Dick MP, Treasurer and Minister for Investment and the Honourable Glenn Butcher MP, Minister for Regional Development and Manufacturing and Minister for Water.

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 in light of government policy, relevant market comparisons and performance against goals set at the start of the financial year.

v. Key management personnel compensation disclosures by category

Category	2021 \$'000	2020 \$'000
Short-term employee benefits – cash salary	2,746	2,717
Short-term employee benefits – cash bonus	-	287
Short-term employee benefits – other	62	-
Post-employment benefits – superannuation	183	198
Termination benefits	-	216
Total	2,991	3,418

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

vi. Compensation – Directors

Director's remuneration	Directors' fees		Superannuation		Total	
	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000
Leith Bouilly, Chairman	69	102	7	10	76	112
Dan Hunt, Chairman	27	-	3	-	30	-
Patrice Sherrie	27	52	3	5	30	57
David Stewart	52	51	5	5	57	56
Jo Sheppard	28	42	3	4	31	46
Vanessa Sullivan	46	42	4	4	50	46
Jane Williams	36	-	3	-	39	-
Stuart Armitage	1	-	-	-	1	-
Total	286	289	28	28	314	317

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$337,500 (2020 - \$218,644) paid by the parent entity for directors' and officers' liability insurance contracts as the contracts do not specify premiums paid for individual directors and officers.

vii. Compensation – Executives

2021*	Short term employee benefits			Post-employment benefits	Termination benefits	Total
	Cash salary	Cash bonus ¹	Other ²	Superannuation		
Name and title of executive	\$000	\$000	\$000	\$000	\$000	\$000
Glenn Stockton, Chief Executive Officer ³	572	-	-	22	-	594
Lisa Dalton, Interim Chief Executive Officer ⁴	46	-	-	2	-	48
Colin Bendall, Executive General Manager, Operations	300	-	-	23	-	323
Kellie Breen, Executive General Manager, People and Transformation	294	-	-	23	-	317
Cameron Milliner, Executive General Manager, Customer and Stakeholder Relations	276	-	-	23	-	299
Simon Ellinor, Chief Financial Officer ⁵	411	-	62	23	-	496
Mal Shepherd, Chief Development Officer ⁶	329	-	-	16	-	345
James Stuart, Executive General Manager, Water Resources and Dam Safety	232	-	-	23	-	255
Total	2,460	-	62	155	-	2,677

1. No bonuses were given based on performance to 30 June 2020 during 2020-21.

2. Simon Ellinor was paid a retention payment as part of his contractual arrangement.

3. Glenn Stockton was appointed Chief Executive Officer on 3 August 2020.

4. Lisa Dalton was appointed Interim Chief Executive Officer on 2 March 2020 and served until 2 August 2020.

5. Simon Ellinor was appointed Chief Financial Officer on 20 January 2021, following 12 months as Interim Chief Financial Officer.

6. Mal Shepherd was appointed as Chief Development Officer on 12 October 2020.

2020*	Short term employee benefits		Post-employment benefits	Termination benefits	Total
	Cash salary	Cash bonus ¹	Superannuation		
Name and title of executive	\$000	\$000	\$000	\$000	\$000
Nicole Hollows, Chief Executive Officer ²	487	108	16	-	611
Lisa Dalton, Interim Chief Executive Officer ³	219	-	10	-	229
Colin Bendall, Executive General Manager, Operations	285	34	23	-	342
Olivia Newman, General Manager, Major Projects and technical Services ⁴	158	28	20	150	356
Kellie Breen, Executive General Manager, People and Transformation	300	33	21	-	354
James Stuart, Executive General Manager, Water Resources and Dam Safety	251	25	23	-	299
Cameron Milliner, Executive General Manager, Customer and Stakeholder Relations ⁵	233	-	17	-	250
Peter MacTaggart, Executive General Manager, Corporate Development ⁶	130	27	16	66	239
Tim Murphy, Chief Financial Officer ⁷	179	32	14	-	225
Simon Ellinor, Interim Chief Financial Officer ⁸	186	-	10	-	196
Total	2,428	287	170	216	3,101

1. Cash bonuses paid were based on performance assessed as at 30 June 2019.

2. Nicole Hollows resigned as Chief Executive Officer on 28 February 2020.

3. Lisa Dalton was appointed as Interim Chief Executive Officer on 2 March 2020.

4. Olivia Newman resigned as General Manager, Major Projects and Technical Services on 21 February 2020.

5. Cameron Milliner was appointed as Executive General Manager, Customer and Stakeholder Relations on 9 September 2019.

6. Peter MacTaggart resigned as Executive General Manager, Corporate Development on 31 January 2020.

7. Tim Murphy resigned as Chief Financial Officer on 14 February 2020.

8. Simon Ellinor was appointed as Interim Chief Financial Officer on 20 January 2020.

viii. Executive employment contracts

The Safety and Culture 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 which provide for three months' notice or equivalent payment on 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 received a Total Fixed Remuneration (TFR) inclusive of all rewards including base salary and superannuation for the 2020-21 financial year.

Annual input is sought on remuneration of each role from an independent remuneration expert on market and industry movements. Based upon the market median, the performance of Sunwater and the executive, a new TFR is determined annually, effective 1 July. The Board considers, at its discretion, whether senior executives are eligible for an incentive bonus of up to 15 per cent of TFR from 1 July each year. During the financial year 2020-21, in accordance with the Queensland Government's policy, no performance payments were paid to Sunwater's senior executives.

ix. Compensation – shareholding Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The GOC does not bear any cost for remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as Key Management Personnel (KMP) of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements 2020-21, which are published as part of Queensland Treasury's Report on State Finances.

x. Other transactions with key management personnel

A Director of the Group was also a Director of another organisation (up to 27 November 2020) which had transactions with the Group. All transactions up to 27 November 2020 between the Group and the organisation were on normal commercial terms and conditions.

A close member of the previous Chairman's family was engaged as a consultant to the Group during the year ended 30 June 2021 on a casual basis through an external recruitment agency. This engagement was for the rendering of professional services on normal commercial terms and conditions. The total amount paid by the Group to the recruitment agency in respect of these services for the period to 30 June 2021 was \$66,152.

Note 23: New or amended accounting standards and interpretations issued but not yet effective

There are no 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.

Note 24: Summary of other accounting policies and activities

(a) Inventories

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

(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 Consolidated 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.

(c) Assets held for distribution

Accounting policy

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

Non-current assets (including those which are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale.

At 30 June 2021, the Group had received acceptance (subject to a formal contract) of the transfer of ownership of Fairbairn Dam recreation area and LN1 drain in Central Queensland. The Group has taken a provision (refer Note 14) for payment to compensate future works to bring the assets up to a standard set out in the agreement. The carrying value of the assets has been transferred to assets held for distribution.

	2021	2020
	\$'000	\$'000
Fairbairn Dam recreation facility and LN1 drain assets	190	-
	190	-

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 50 to 95 are in accordance with the *Corporations Act 2001* (Cth), 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 2021 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, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in the corporate structure.

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* (Cth).

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



Dan Hunt
Chairman
Brisbane
16 August 2021



Vanessa Sullivan
Director
Brisbane
16 August 2021

Independent Auditor's Report

To the Members of Sunwater Limited

Report on the audit of 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 2021, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001* (Cth), the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated 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 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 Auditing Standards. I am also independent of the group in accordance with the auditor independence requirements of the *Corporations Act 2001* (Cth).

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 10 of the financial statements.

Key audit matter	How my audit addressed the key audit matter
<p>Significant judgement 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 flows from other assets or group 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 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 and 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.

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

Refer to note 10 of the financial statements

Key audit matter	How my audit addressed the key audit matter
<p>The straight-line depreciation method 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 financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in Sunwater's annual report for the year ended 30 June 2021 was the directors' report.

Those charged with governance are responsible for the other information.

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 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.

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:

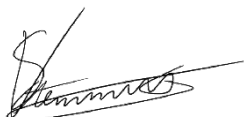
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Vaughan Stemmett
as delegate of the Auditor-General
Queensland Audit Office Brisbane
16 August 2021



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