

sunwater

Annual Report

2022-23

Acknowledgement of Country

Our First Nations Commitment Statement

Sunwater acknowledges Aboriginal and Torres Strait Islander peoples as the first peoples of this country and Traditional Owners and Custodians of the land and water we rely on. We respect and value their continued sacred connection to Country, including the diverse rich traditions, languages and customs that are the longest living in the world. We acknowledge their resilience in the face of significant and ongoing historical, cultural and political change within Australia. We recognise and value the importance of truth-telling today, and our role to listen and learn. Our vision for reconciliation is that we are a nation of unity and fairness for all; a nation that owns its history and acknowledges its First Nations peoples, their strength and their living culture.

Our goal is to work together to realise mutual benefits with First Nations peoples through authentic relationships and respect for cultural value; fostering a sense of belonging and pride in our people, community, customers and stakeholders. We can learn so much from Traditional Custodians, who have cared for Country for thousands of years, in the way we sustainably manage water and land. Going beyond compliance and embedding reconciliation into core business practices and decision making brings to life our purpose of Delivering Water for Prosperity through Valuing People, Working Together and Taking Responsibility.

About this report

We are pleased to present this annual report to provide an overview of Sunwater Limited's (Sunwater) financial and non-financial performance for the 12 months to 30 June 2023. This report includes a summary of the activities carried out to meet the Key Performance Indicators (KPIs) set out in Sunwater's 2022–23 Statement of Corporate Intent (SCI 2022–23), which is our performance agreement with our shareholding Ministers.

This report aims to provide information to meet the needs of Sunwater's 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.

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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Message from Chair

Water is a precious resource that plays a critical role in the Queensland economy. Not only does it support growth and development, water underpins food security and sustains the health and wellbeing of our communities.

I am proud to present the 2022-23 Annual Report, in my second year as Chair of this vital government owned corporation that delivers safe, reliable and sustainable water to our customers across the state.

To continue optimising our water infrastructure and operational capability to deliver water for prosperity, this year we reviewed the Sunwater Strategic Plan. The revised plan sets some new goals that reflect the changing environment in which we operate and our longer-term aspirations for ongoing business success.

How we hire, develop and care for our people is critical to Sunwater's ability to meet its objectives, especially as we recalibrate to the post-pandemic new normal. This year we re-established our Sunwater Graduate Program as a proactive way of securing talented professionals who wish to excel in the water industry.

The Sunwater culture continues to evolve in positive ways, offering work options, development opportunities, psychosocial support and workplace conditions designed to maintain a diverse, inclusive and thriving workforce.

We continue to build on the 2022 launch of our First Nations Commitment Statement. This frames our recognition of Aboriginal and Torres Strait Islander peoples as the Traditional Custodians of the land and waters we rely on. We have an established engagement process, with our teams across the state hosting regular discussions and site visits, with First Nations involvement being an integral component for successful major project delivery. We look forward to working together on an ongoing basis to achieve mutually beneficial economic and social outcomes.

It was an honour to see our commitment to protecting the health and wellbeing of our people formally recognised with the award for Best Response to the COVID-19 Pandemic in Work Health and Safety, at the 2022 Safe Work and Return to Work Awards.

The recent summer saw some challenges for our people and infrastructure, with significant rainfall across the state. This was welcome news for the capacity of our dams. Throughout these events we ensured that our people, our assets and the public remained protected, and minimised interruptions to customer water supply where we could.

We continue to make sure our dams remain safe and reliable, investing \$45.3 million in our Dam Improvement Program this financial year.

We approach an exciting milestone as the landmark Rookwood Weir, south-west of Rockhampton, nears completion. The weir will be one of the largest in Australia and will provide much-needed water to drive growth in Central Queensland agriculture and industry.

It was pleasing to see the design phase of the project awarded an 'excellent design' rating by the Infrastructure Sustainability Council, based on its economic, social and environmental performance. This is a first for a weir in Australia or New Zealand, and is testament to the knowledge, skill and dedication of the Rookwood Alliance team, led by Sunwater.

On behalf of the board, I would like to acknowledge the contribution of the Chief Executive Officer, Glenn Stockton, and the Sunwater Executive Leadership Team in skilfully guiding the business through the past 12 months.

I also extend my thanks to outgoing board member Vanessa Sullivan for her substantial contribution over the past six years. The board welcomes new Non-Executive Director Peter Scott, who brings extensive experience in local government and the energy sector.

Sunwater has an exciting year ahead, with significant opportunities and major projects under way. We remain committed to creating a sustainable future and delivering economic, social and environmental value for our customers, stakeholders and communities.

Dr Lisa Caffery

Message from CEO

Sunwater takes great pride in making a positive difference in regional Queensland. In 2022–23, our people worked tirelessly to fulfil our purpose of delivering water for prosperity across the vast area in which we operate. Throughout the year, we remained focused on providing a safe and secure bulk water supply for our more than 5000 irrigation, industrial and urban customers. We continued to plan and build new and upgraded infrastructure, while ensuring confidence in the performance our extensive asset base.

A focus on safety

Safety is embedded in our day-to-day activities, and we encourage a proactive and transparent approach across the business. Our commitment to continuous improvement is recognised within the industry. In 2022, Sunwater was the Queensland Safe Work and Return to Work Awards winner for Best Response to the COVID-19 Pandemic in Work Health and Safety. Additionally, we were finalists in safety categories at the National Safety Council of Australia Foundation and GIO Workers Compensation National Safety awards. These acknowledgements reflect the dedication of our people, who genuinely care for each other and our stakeholders.

Wet season challenges

For the second successive year, a busy wet season tested our people, processes and systems, with half of our dams spilling, some on multiple occasions. Significant inflows across our service areas resulted in the successful activation of 16 Emergency Action Plans. The Sunwater team responded well to these demanding conditions, operating our infrastructure safely while always keeping the community informed. Importantly, our assets are designed to operate in these types of events, our people are trained and our systems are well developed.

The wet season inflows had a positive impact on water storage volumes, lifting them to the highest levels experienced in several years. Water reliability across our network remains high at 76.83 per cent, while announced allocations across the majority of Sunwater schemes started the water year at 100 per cent.

As we move into a period of forecast drier weather, our priority will be to maximise the availability of water to customers and the community.

Engaging our communities

Sunwater appreciates how important our assets are – not just for delivering water, but for the recreation opportunities they provide to the community. We take seriously the responsibility of making these places safe and enjoyable. In 2022–23, we implemented a public safety campaign that highlighted a range of safety issues to be mindful of in and around waterways. This initiative included several school visits, media and advertising.

Water infrastructure leader

In 2022–23, Sunwater continued to develop existing bulk water infrastructure throughout Queensland. Construction of Rookwood Weir, south-west of Rockhampton, is nearing completion despite the challenges of working in a dynamic river system during successive La Niña weather patterns. A second tender process was finalised in June 2023, with 21 new customers successfully bidding for water from the weir.

Sunwater is progressing a critical project to restore Paradise Dam to its original height, while also further strengthening the asset. Our work in design, procurement and approvals continues with significant project milestones being achieved on what is a complex and valuable asset. Major construction activities at the dam are expected to commence next year. This will be preceded by early works to prepare roads and project infrastructure to support delivery of the main works.

The Queensland Government has committed \$540 million to the Burdekin Falls Dam Improvement and Raising projects, which will ensure the state's largest dam remains safe and productive for years to come. Sunwater continues to progress an environmental impact statement required for a two-metre dam raising. If approved, this project will ensure the asset meets future water demand in the region.

Tangible benefits are also set to flow from an infrastructure modernisation project in Mareeba. Sunwater completed works to improve operating and distribution efficiencies and reduce water losses. The water savings from the project will soon be available for customers.

In December 2022, we finalised on-site works for the Callide Dam Gates Project, which remediated the spillway gates to address intermittent occurrences of vibration during their operation.

Working with our customers

Sunwater places a high value on insights provided to us by our customers, who understand the challenges and opportunities associated with a reliable water supply. We seek input and feedback through a range of forums, such as advisory groups for the major projects at Burdekin Falls and Paradise dams, and customer advisory committees for our water supply schemes. Sunwater is leading a regional water assessment for the Bundaberg and Burnett region, while providing input and support to government-led assessments in the Tablelands, Southern Downs and Burdekin regions.

In 2023, Sunwater commenced stakeholder engagement to inform our submission to the Queensland Competition Authority's 2025–26 to 2028–29 irrigation price review. This is a significant undertaking, and we are committed to proactive engagement at a state-wide level as well as directly with irrigation customers.

Our people, our culture

I am proud to lead a dedicated team of skilled professionals who work together to overcome a range of challenges. I thank them for their commitment and resilience, as well as their genuine care for each other, our customers, communities and our assets. Our people strive to work safely every day and are confident to speak and act to promote a safe and supportive workplace. It is through their efforts and innovation – both as individuals and team members – that we live our values as an organisation to deliver water for the prosperity of Queensland. We have re-established pathways back into our business with apprentices, cadets and graduates now being celebrated members of our team.

We continue to foster an environment where all individuals can thrive through the implementation of the Sunwater Diversity and Inclusion Strategy 2023–35. The strategy is focused on developing and managing a diverse and inclusive workforce.

Regional footprint

Many of our people live and work in the communities we serve and understand the importance a secure water supply plays in supporting local economic development and protecting environments. Sunwater strengthened its regional footprint in 2022–23, opening new offices in Townsville and Rockhampton. Not only does this allow for more direct engagement with customers and the community, it also supports the creation of job opportunities and professional pathways in regional Queensland.

Sunwater is focused on strengthening our position as an experienced and reliable water infrastructure business – so that we are here today, and here tomorrow. On behalf of the team, we look forward to working with our customers and the people of Queensland to ensure a safe and secure water supply is available for the production of world quality food and fibre, operation of nationally important industries, and the sustainment of local communities.

Glenn Stockton AM

1. About us

Who we are

Sunwater is a Queensland Government-owned corporation that supplies about 40 per cent of the water used commercially in the state, delivering 894 gigalitres (GL) this year, for irrigation, industrial and urban usage.

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

Sunwater is a water service provider under the *Water Supply (Safety and Reliability) Act 2008* (Qld), and a resource operations licence holder under the *Water Act 2000* (Qld) (Water Act), both of which are administered by the Queensland Department of Regional Development, Manufacturing and Water (DRDMW).

We are governed by an independent board made up of six members. You can view the organisational chart on page 26.

Our purpose

Delivering water for prosperity.

Our values – we:

- value people
- work together
- take responsibility.

Our goals

- safe and engaged people
- a sustainable business
- stakeholder-centric business
- operational excellence
- water infrastructure leader.

What we do

We move, treat, store and distribute water to farms, industry and communities across regional Queensland.

This involves the safe and effective operation and maintenance of \$13.9 billion of water infrastructure assets, including:

- 19 dams
- 64 weirs and barrages
- 595 km of water channels
- 70 major pumping stations
- 1951 km of pipelines
- six water treatment plans.

Sunwater's assets service the needs of customers and communities across regional Queensland. Our operations are divided into four regions: North; Central; Burnett and Lower Mary; and South. Our people work together as one team, with the customer front of mind.

Sunwater has a dam improvement program to ensure regional bulk water assets are maintained in accordance with state and national standards. In addition to managing and distributing bulk water, we undertake a variety of complex and often interdependent projects. These range from the design and construction of new and improved water infrastructure to the digital transformation of the way we work to ensure operational efficiency.

Our people

At 30 June 2023, Sunwater had a total workforce of 645. Almost half our people work from the 33 offices and depots across regional Queensland. The remainder are based at our Brisbane head office and the Rocklea Hydraulics Laboratory.

As one of the largest builders, owners and maintainers of bulk water and distribution infrastructure in Queensland, we are growing our business by providing consultancy services to customers planning bulk water projects. Our in-house water industry experts provide the expertise and specialist skills to tailor end-to-end solutions that can reduce long-term costs without compromising the quality of outcomes.

Our customers

Our 5000-plus customers from across regional Queensland fall into three categories:

- Irrigation – small-scale to broadacre farming including a wide range of horticulture and cropping Industrial – mining and manufacturing companies, power stations, small industry, and stock and domestic users
- Urban – regional-based councils and communities.

They receive vital bulk water supply from 23 water supply schemes (WSS) and 18 pipelines covering 1951 kilometres.

Because our customers are central to everything we do, we are continuously seeking to better understand their needs and enhance our service delivery.

We drive efficiency and minimise costs for customers by:

- making the most of the available water supply
- ensuring our infrastructure assets are operated and maintained efficiently, safely and in the best condition possible
- planning for and constructing upgraded and new infrastructure, and anticipating our customers' changing needs
- continuously improving the way we do things.

Our communities

Sunwater operates on Aboriginal land and waters. We respect and value their continued sacred connection to Country, including the diverse, rich traditions, languages and customs that are the longest living in the world.

Our dams are an important part of many communities – not only storing water for customer use but playing valuable recreational and amenity roles.

Our shareholding Ministers

We have two shareholding Ministers:

The Honourable Cameron Dick MP

Treasurer and Minister for Trade and Investment

The Honourable Glenn Butcher MP

Minister for Regional Development and Manufacturing and Minister for Water

Water delivered

In 2022–23, we delivered 894 GL of water for irrigation, industrial and urban usage across regional Queensland.

This financial year, we saw record rainfall across most of the state, with the majority of major storages now full, or near full. At 30 June 2023, the total combined storage volume of Sunwater's assets was approximately 6580 GL, with the total capacity at 76 per cent (5010 GL).

The majority of Sunwater's water supply schemes use the announced allocation system to determine how water is shared with customers. High priority is allocated first – such as town water supply, mining, power generation and high-value cropping – followed by medium priority allocations. In some schemes where water sharing arrangements allow, there may also be unused water which can be carried over for use from one water year to the next.

At 30 June 2023, of the water available for allocation in 2022–23:

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

Specific water scheme statistics for 2022–23 are available on the Sunwater website at www.sunwater.com.au/water-data/report-statistics/

Our strategic goals

In 2022, our leaders came together to review and update Sunwater's corporate goals to reflect the changing environment in which we operate.

Our revised strategic goals will guide how we optimise our water, infrastructure maintenance and operations capability, and ensure the safety of our stakeholders, customers and people so we can deliver water sustainably now and into the future.

Our five strategic goals are:

Safe and engaged people

Building a culture that cares for and supports the health and wellbeing of our people and the communities in which we operate, to meet or exceed customer and stakeholder expectations and ensure everyone goes home safely each day.

A sustainable business

Remaining reliable, resilient and adaptable by effectively managing assets, reducing environmental impact and nurturing relationships to meet the changing demands of our customers, communities and business.

Stakeholder-centric business

Actively working with all stakeholders – including customers, shareholders, industry groups and traditional custodians – to minimise the impact of our operations and projects and create opportunities for best value outcomes that go beyond water delivery.

Operational excellence

Developing a skilled workforce along with contemporary systems, processes and technology to efficiently and safely manage and maintain our assets and ensure optimal service value to our customers.

Water infrastructure leader

Leveraging internal and external capabilities to successfully plan, design, construct and commission quality bulk water infrastructure solutions that drive economic growth and jobs in regional communities and make best use of our valuable water resource.

2. Year in review

Safe and engaged people

We genuinely care for and support the health and wellbeing of our people. By strengthening and maturing our safety culture, programs and systems, we ensure our people can perform at their best and go home safely each day.

Safety performance

In 2022–23, both the all-injury frequency (AIFR) and total recordable injury frequency (TRIFR) rates increased. This was attributable to:

- the ramping up of activities on our complex, major infrastructure projects
- an improved and effective reporting culture
- an increase in minor injuries requiring first aid only.
- an increase in minor injuries requiring medical treatment, notably hand-related injuries related to manual tasks.

Noting the increase of these rates, safety interventions have had a positive impact in the latter part of this year – with a downward trend in the rates recorded in the final two quarters.

While there was an increase in the AIFR and TRIFR, the lost time injury rate (LTIFR) decreased this year to 0.5, compared to 0.6 in 2021–22. This is an indication that the severity of injuries remains low, and controls remain effective.

Through these results, and with a focus on intervention and prevention activities year-on-year, we continue to build an understanding of our risk profile, allowing us to evolve our thinking and continuously improve health and safety management.

Our Workcover premium compared to the Queensland industry standard has also decreased from 42 per cent to 19 per cent in the last two years.

Keeping our people safe and well

We undertake a range of proactive health and safety initiatives to promote mental and physical wellbeing and prevent and manage injuries.

To foster wellbeing, our people have access to practical tools and resources through our Mental Health Series, and an established Mental Health First Aid (MHFA) program.

Since launching the MHFA program in March 2021, 12 per cent of our workforce has been trained in these early intervention skills, including our CEO. The training program equips people with the knowledge and confidence to recognise, connect and respond to someone experiencing a mental health problem or crisis. Since its instigation, close to 70 preventative conversations with colleagues have been recorded. MHFA peer group sessions are also held monthly to continue to embed the training.

Another key Health, Safety and Wellbeing initiative was delivery of the six-week online mental health program, Mently, developed using best practice clinical knowledge and support. This was available to all staff, contractors and their families to support mental health in the lead up to R U OK? Day in September 2022.

Regionally, we provided access to important mental health conversations by supporting awareness-raising dinners organised by Are You Boggled Mate? This sponsorship allowed selected staff, contractors and their families to learn more about mental health challenges in rural Queensland and how to access the appropriate support.

Safety awards recognition

Our commitment to protecting the health and wellbeing of our people was recognised at prestigious safety award ceremonies in 2022–23. Sunwater was a state finalist in three categories at the 2022 Safe Work and Return to Work Awards, receiving the award for the Best Response to the COVID-19 Pandemic in Work Health and Safety.

In November 2022, we were honoured at the National Safety Awards of Excellence by being selected as one of four finalists in the Best Return and Recovery at Work System category. Our submission, which came up against 88 nominations, shared Sunwater's holistic approach to offering return to work pathways for both work-related and non-work-related injuries and illnesses, alongside proactive initiatives to reduce chronic health risk factors. Our submission on the Sunwater Best Practice Injury Management System reached the finals of the 2023 AWA National Water Awards, against strong competition in the Water Industry Safety Excellence category.

A sustainable business

With the goal of being here today, and here tomorrow, we work with our stakeholders to manage our assets sustainably, optimise water delivery, drive efficiencies and minimise costs.

Sustainability including environment, social and governance

For Sunwater, 'a sustainable business' means responsibly delivering water for our customers, community and the planet by adopting a holistic view of financial, societal and environmental considerations while maintaining financial viability.

Our approach to sustainability, including environment, social and governance, is outlined in section 4.

Dam Safety Management Program

In 2022–23, we invested \$45.3 million in our Dam Improvement Program (DIP), which is part of our Dam Safety Management Program (DSMP) to ensure regional bulk water assets are maintained in accordance with state and national standards.

To make sure our dams can safely hold and release excess volumes of water during periods of extreme rainfall, the DSMP considers dam condition, design standards and guidelines, and the latest hydrology, seismology and rainfall patterns.

We conduct Comprehensive Risk Assessments of dams, which identify potential failure modes and probability and consequences of failure. These are collated into a Portfolio Risk Assessment, which defines the priorities for dam safety improvements at a portfolio level, based on the guidelines published by the Australian National Committee on Large Dams (ANCOLD) and the Queensland Government.

Opportunity pipeline

In 2022–23, Sunwater utilised the Australian Government's National Water Grid Fund (NWGF) to support development and implementation of projects that can deliver new water supplies to our customer base and support economic growth throughout regional Queensland.

Together, the NWGF and Sunwater funded two option assessments for improved water security in the Dawson Valley and Nogoa Mackenzie water supply schemes – and a detailed business case for the modernisation of the Burdekin Haughton WSS. Sunwater is now considering how best to progress these opportunities and those where detailed business case applications to the NWGF were unsuccessful:

- Bundaberg WSS Channel Capacity Upgrades
- Mareeba Dimbulah WSS Efficiency Improvement Project – Stage 2
- Barlil and Cooranga weirs in the Burnett district.

As part of the Australian Government's Northern Basin Toolkit, two business cases were completed in March 2023 – for fish passages on Jack Taylor Weir and EJ Beardmore Dam, and bifurcation weirs in the Lower Balonne System.

Bundaberg and Burnett Regional Water Assessment

Sunwater is leading the Bundaberg and Burnett Regional Water Assessment (BBRWA) on behalf of DRDMW and successfully completed phase one and commenced phase two of the three phase process in 2022–23.

Phase one saw a Stakeholder Advisory Group (SAG) form between local grower groups, business and council representatives, and other key regional stakeholders. Meeting 10 times over the year, the SAG worked together to identify the water supply requirements and challenges for the region and put forward initiatives to service those needs.

This collaborative process resulted in a longlist of more than 100 options refined to a shortlist of five infrastructure options and one non-infrastructure option to progress to phase two. A further five infrastructure options, which already have business cases under way or completed, will be considered in the development of the final BBRWA. To date, phase two has involved the development of the draft BBRWA, which includes a detailed analysis of the shortlisted options and recommendations on which should progress.

Public consultation on the draft BBRWA is expected to begin in mid-2023.

The final BBRWA will be completed by the end of 2023, ready for Queensland Government consideration.

Mareeba-Dimbulah Water Supply Scheme Efficiency Improvement Project

In far north Queensland, Sunwater has completed the construction component of the Mareeba-Dimbulah Water Supply Scheme Efficiency Improvement Project, which is expected to deliver more than 8000 ML of additional water for customers.

Throughout 2022–23, we have worked to validate water savings resulting from this work. Once validated, Sunwater will work with customers to make the water available for sale.

Water Trading Board

In 2022–23, Sunwater committed to improvements in transparency around water trading and providing better opportunities to buy and sell underutilised water across our water supply schemes.

Guided by the Queensland Water Markets Optimisation Action Plan, we have developed a strategy to assist customers in pursuing new business avenues and expanding existing productions by maximising water utilisation through trading.

Key to this was the introduction of the Water Trading Board, launched in October 2022. The trading portal sits on the Sunwater website and was developed in partnership with DRDMW. It allows water users and seekers to connect with others looking to trade or purchase water allocations on a temporary or permanent basis. Interested parties can place or view ads for water and easily access information on water availability based on volume, location and term of contract.

Price negotiations occur outside the platform, and the standard Sunwater process for a water sale or temporary transfer remains in place.

To increase awareness, we have educated customers on the opportunities and how to complete temporary trades.

Stakeholder-centric business

Sunwater values the insights and perspectives that our stakeholders bring. We undertake meaningful engagement activities to minimise the impact of our operations and create opportunities for best value outcomes for the regional communities in which we operate.

Engaging with our customers

Irrigation Price Path Review 2025–26 to 2028–29

Sunwater is developing an irrigation pricing proposal to submit to the Queensland Competition Authority (QCA) for 26 price-regulated service contract areas, consisting of 22 bulk water supply schemes and four distribution schemes.

The proposal provides QCA with an integrated view of our proposed services, expenditure levels and irrigation prices for each service area and informs pricing for both fixed and volumetric tariffs.

In developing this proposal, which applies to the period from 1 July 2025 to 30 June 2029, a three-stage engagement process is being adopted to seek feedback from our irrigation customers and keep them informed throughout. Face-to-face engagement began with 21 customer forums, held in water supply schemes across the state from March to May 2023. We also established a Consultative Committee to represent the interests of our irrigation customers and advise Sunwater on engagement matters. Committee members come from the Queensland Farmers' Federation, Cotton Australia, Queensland Fruit and Vegetable Growers and CANEGROWERS Queensland.

In June 2023, irrigation customers in each scheme were provided a first look at draft fees and charges schedules for their service area.

After considering their feedback, we will share our final irrigation price path proposal with customers from August to October 2023.

The proposal will then be submitted to the QCA in November 2023.

Positive response to our customer survey

A total of 719 people responded to our 2022–23 Customer Satisfaction Survey. The survey plays an important role in understanding how we are meeting customer expectations. As well as tracking performance, we use these results to identify areas for improvement and opportunities for innovation.

Sunwater's customer satisfaction scores (CSAT) have continued to trend upwards, with our Net Promoter Score increasing more than 25 points over the past four years.

Overall, 90 per cent of our irrigation customers feel we are 'somewhat to extremely responsive' and 'provide great customer service', while 81 per cent believe we understand their business 'somewhat to extremely well'.

More than 77 per cent of industrial customers responded that Sunwater provided 'very or extremely good' customer service.

Reference groups and committees

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

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

We actively participate in 18 scheme-based groups across the state, with the majority of these being Sunwater-led. Irrigator Advisory Committees and Customer Advisory Committees are the cornerstone of Sunwater's approach as we continue to evolve with the changing needs of our customers and our business.

Engaging with our communities

Community Reference Groups

When undertaking significant projects, we establish community reference groups to share information and take on board the knowledge, concerns and ideas of local community stakeholders.

The Paradise Dam Reference Group (PDRG) has been established to facilitate the exchange of information and ideas between key stakeholders and Sunwater while the Paradise Dam Improvement Project is implemented.

The new body replaces and builds on the productive work of the Paradise Dam Community Reference Group and the Paradise Dam Industry Forum. It provides a forum for discussions in relation to community safety, water security, and cultural, social, economic and environmental values.

Led by Independent Chair Renée Madsen, the PDRG comprises representatives from local government, community, Traditional Owner representing bodies, industry and advisors. The group currently convenes three to four times a year and its first meeting was held in July 2022.

The Burdekin Falls Dam Community Reference Group has been operating since 2021, as a consultation and information sharing forum for the Burdekin Falls Dam Raising and Improvement projects. The group captures a diverse range of views to ensure local community knowledge, skills and concerns are considered in Sunwater's planning, decision making and communication about the projects.

Raising awareness at dam open days

Sunwater conducted two dam open days in 2022–23 – at Kinchant Dam, west of Mackay, and Tinaroo Falls Dam on the Atherton Tablelands.

These family-friendly events provided a valuable opportunity to learn about how dams work, how to stay safe on and around water storages, and how to prepare for weather-related events and potential emergencies.

The Kinchant Dam Open Day was held on 20 August 2022, and the Tinaroo Falls Dam Open Day on 24 June 2023.

As well as dam tours and education, the events offered attendees the chance to interact with a range of invited community groups and emergency services, including representatives from the Queensland Police Service, Queensland Ambulance Service and Maritime Safety Queensland. With a barbecue and live entertainment also on the agenda, the open days created a relaxed social atmosphere for building community spirit as well as broadening dam safety awareness.

Safeguarding communities

Emergency management

We protect downstream communities by ensuring our dams are managed safely year-round in accordance with our standard operating procedures and emergency action plans (EAPs).

During high rainfall events, we work hand in hand with the Bureau of Meteorology, Local Disaster Management Groups (LDMGs), and government agencies to manage flows and keep our communities safe and informed.

Each of our referable storages has an EAP in place, approved by the Queensland Government. Following an external review of our emergency communications approach, we are adopting a number of recommendations to ensure we meet national and state emergency messaging guidelines and industry standards. These revised emergency messages have been tested using interviews and focus groups in key areas to ensure they are well understood and effective.

Under advice from the Dam Safety Regulator, we are working towards adopting the standardised Australian Warning System (AWS) by 1 November 2023. This involves close collaboration with local councils and the inclusion of AWS templates, messaging and action words into EAPs.

All EAPs due for submission after 1 June 2023 have included these new action statements, which give the community clearer advice on what to do in the event of a dam safety event.

Wet season safety campaign

Sunwater takes an active approach to raising public awareness and educating communities about how to stay safe on or near our water storages.

We share information and updates through the Sunwater App, website and social media accounts, LDMGs and local councils. Paid advertising and media campaigns are also implemented at times to educate the public on specific issues or topics.

Our 2022-23 wet season media campaign reminded dam users and downstream communities to be prepared during periods of wet weather by downloading the Sunwater App to receive spill alerts and recreational updates on dam conditions and hazards. It also raised awareness of the differing roles and responsibilities of other agencies in emergency management, such as LDMGs and the Bureau of Meteorology.

The multi-channel campaign comprised a mix of advertising, sponsorship, social media activity and community events.

Our social media reach far exceeded campaign targets, resulting in a 29.5 percent increase in Sunwater App subscribers and an 11.3 percent increase in Facebook followers.

We also engaged directly with close to 400 community members across Queensland at four wet season awareness events. Our people provided valuable safety awareness information via stands at the Cairns Disaster Management and Emergency Services Day, Inglewood Emergency Services Day, and the Rockhampton Get Ready Queensland Launch Event, and at pop-up information stalls in Biloela and Nogoa.

Trespassing risks awareness campaign

Because trespassing continues to be a leading safety issue at Sunwater's storages, in March to May 2023 we developed a public safety advertising campaign to connect with communities on this serious issue.

The \$250,000 campaign was filmed at Clare in the Burdekin region and highlighted the dangers of trespassing on dam walls, outlets, weirs, channels, lake exclusion zones and other Sunwater property. Its messaging complements and strengthens existing prevention tools such as signage, fencing and buoy lines.

The multi-channel campaign was informed by input from our Health, Safety and Environment team along with input from regional staff and community stakeholders.

The campaign will be rolled-out in regional Queensland in mid to late-2023.

Engaging with our industry

ANCOLD Conference

In upskilling our people and positioning Sunwater as a leader in Australian water infrastructure, we value the opportunity to attend industry conferences to engage with fellow water professionals and keep abreast with industry innovations from around the world.

As a Sustaining Member of ANCOLD, we raised awareness of Sunwater's role in sustainable approaches to dam safety management by having a visible presence at the 2022 conference, held in Sydney from 26-28 October.

Our exhibition booth, which highlighted the upgrade to the Sunwater Hydraulics Laboratory at Rocklea, generated strong interest in our services. Once completed, the facility will be the largest of its kind in the Southern Hemisphere and offers physical hydraulic modelling and testing of dam infrastructure.

A conference keynote address by our Executive General Manager of Engineering and Water Resources, Michael Kahler, was also well received by delegates. The presentation shared the importance of collaboration to ensure best practice and sustainable approaches to dam safety management.

Ozwater'23 Conference

A small contingent of Sunwater executives and subject matter experts joined hundreds of water industry peers at the Ozwater'23 Conference in Sydney in May 2023.

The event provided an opportunity to gain cutting-edge insights from leaders in the water industry across all facets of the business, including planning, service delivery, environmental health and workplace relations.

Three Sunwater team members were invited to present on speciality topics in their respective fields, as well as being part of the team on hand to showcase key initiatives at the exhibition booth, including the Rookwood Weir and Mareeba-Dimbulah Efficiency Improvement Project.

The conference also played host to the Australian Water Awards, where Sunwater was honoured to be a finalist in the Water Industry Safety Excellence and Customer Experience categories.

Operational excellence

Sunwater values optimal service for our customers, with our focus on delivering water through efficient systems, processes and a skilled workforce.

Maintaining Coolmunda Dam

Maintenance and improvement work at Coolmunda Dam commenced in May 2023, and is expected to be completed by the end of the year. The 60-year-old dam is located near Inglewood on the Darling Downs and requires an upgrade to its gate's variable counterweights and associated equipment. The project also includes scour repair work in an area downstream of the dam and will improve dam safety and long-term water security for the region.

Back-to-base metering

We are trialling remote back-to-base monitoring of customer flowmeters to assess the best approaches for integrating real-time meter data into our customer billing and water modelling systems.

The trial commenced in June 2022, with the aims of improving data-driven decision making, enhancing customer service, and reducing the cost and physical risks associated with meter reading.

The initial stage of the trial involved installing battery powered back to base monitoring units on seven customer flowmeter sites in the Macintyre Brook region. Three different remote monitoring devices are being compared to gauge their effectiveness in terms of battery life, data transmission times, ability to operate at low signal strength, reliability and durability.

The flowmeter data and device performance measures are currently being evaluated to determine next steps.

Making it easier to do business through ICT improvements

We continue to improve the way we do business by upgrading or replacing outdated and inefficient business systems and implementing enterprise platforms that support an efficient, technology-enabled organisation.

In 2022–23, \$33.2 million was allocated to enhancing customer and enterprise experience through Information and Communication Technology (ICT) improvements.

These ICT improvements are helping Sunwater to:

- mitigate risks
- strengthen security and data protection
- enhance customer experience
- enhance employee engagement capabilities
- improve operational efficiency.

A number of significant projects are in delivery, including the Customer and Stakeholder Project (CASPr), which will provide a holistic solution to manage the customer and bulk water services lifecycle. Building of the platform commenced in April 2023, following completion of a detailed business case and project management plan.

Keeping our information secure

In 2022–23, Sunwater further heightened measures to ensure the security of our information, systems and assets.

In April 2023, we attained ISO 27001 Certification, which relates to the overall management of our enterprise-wide Information Security Management System.

As part of a three-year cyber security uplift strategy, we are improving security for our Corporate and Operational Technologies. In early 2023, we commenced implementation of a more secure Supervisory Control and Data Acquisition (SCADA) network architecture to build on previous work separating this from our corporate networks. In addition, we have invested in an Operational Technology-specific cyber security monitoring toolkit to further reduce risks in this environment.

Other investments include Identity and Access and Privileged Access management to ensure coverage across all controls recommended by the Australian Cyber Security Centre's Essential 8 mitigation strategies at an appropriate level.

This financial year, we conducted thorough testing of our disaster recovery plan and system, designed to protect critical business processes in the event of a cyber-attack or major outage.

At Sunwater, it is mandatory for all staff to undergo Cybersecurity Awareness Training, delivered through our online learning platform. Continuous learning opportunities are provided through quarterly refresher training on key topics.

Wet season preparedness

We completed a comprehensive range of flood preparedness activities prior to the 2022–23 wet season to keep our customers and communities safe.

Sunwater enacted in-house and cross-agency emergency simulation exercises in September–October 2022 to refresh emergency and crisis management processes. This included an emergency management exercise dubbed Exercise Indra, which involved Sunwater, Minister for Regional Development and Manufacturing and Minister for Water, the Honourable Glenn Butcher MP and the Mackay LDMG. Our emergency sirens at key dam sites were also tested, supported by a campaign of community announcements to raise local awareness of this exercise.

In addition, Sunwater participated in Get Ready Queensland events in Rockhampton and Cairns, a Queensland Government initiative designed to help locals prepare for natural disasters.

In close collaboration with Goondiwindi Regional Council, the Bureau of Meteorology and the Queensland Reconstruction Authority, we identified an opportunity to improve the flood warning network upstream of Coolmunda Dam. This process is expected to be completed by October 2023.

Our annual wet season preparation activities were performed as usual, including preventative maintenance works, fire and risk surveys, and fire suppression system checks at all pump stations.

Only a small number of flood events occurred this financial year, and we ensured our customers and communities had access to all the information they needed to prepare for severe rainfall events via our 2022–23 wet season communication campaign.

Recreation area upgrades

Sunwater has commenced the process of upgrading more than a dozen dam and weir recreation areas, stretching from St George in the south, to Mount Isa in the west and Mareeba in the north.

The improvements will ensure these highly valued and well used community assets meet expectations, safety standards and accessibility requirements.

The makeovers follow the July 2022 announcement of \$24.5 million in Queensland Government funding to upgrade the sites over five years.

Following communication with key stakeholders, we developed stakeholder management and communication action plans for 10 sites and have completed concept scopes and schedule of works for each recreation area.

Significant upgrades have been finalised at Leslie Dam, near Warwick, including the installation of seven picnic shelters, barbecues and playground equipment. Pathway accessibility checks have also been conducted by Spinal Life Australia to improve access for people with disabilities.

We also completed buoy replacement at Mirani Weir, while other recreation area works are planned and well under way.

Water infrastructure leader

A key focus for Sunwater is driving economic growth in regional Queensland by successfully planning, designing, constructing and commissioning quality bulk water infrastructure solutions.

Rookwood Weir update

Construction progress

Significant progress has been made in 2022-23 on the construction of Rookwood Weir, located on the Fitzroy River, 66 kilometres south-west of Rockhampton.

The landmark \$568.9 million development is one of the largest water infrastructure projects in Australia. It commenced in 2020 and is due for completion in late-2023 (weather permitting). Water from the weir will be available for customers in 2024, following wet commissioning.

In February 2023, the project was awarded an 'excellent design' rating by the Infrastructure Sustainability Council, based on its economic, social and environmental performance during the design phase.

This is the first time a weir in Australia or New Zealand has been certified for an Infrastructure Sustainability Rating.

The significant project has provided more than 300 jobs, including 130 for Central Queenslanders and more than \$200 million has been spent in the region through to the end of June 2023.

Key weir construction milestones as at June 2023 include:

- 100 per cent completion of weir foundations, left and right abutments, fish lock and turtle passage structure's concrete requirements
- 70 per cent completion of the monolith structures
- 50 per cent completion of the left bank cut-off wall
- pouring more than 106,400 cubic metres of the required 131,000 m³ of concrete
- completion of 800,000 m³ of earthworks.

The project also includes the delivery of associated infrastructure (enabling works) such as road and river crossing upgrades. Work has recommenced on the Hanrahan Crossing upgrade, downstream of the weir, and is expected to be completed by the end of 2023 (weather permitting). Work is set to commence on Foleyvale Crossing, upstream of the weir on the McKenzie River, and the new fish passage on the Fitzroy Barrage in mid-2023.

At 30 June 2023 the project, including its enabling works, is now more than 80 per cent complete.

The project is jointly funded by the Queensland and Australian governments who each contributed \$183.6 million, and Sunwater, who contributed \$201.7 million. Weir design and construction is being delivered by an alliance between Sunwater, GHD and McCosker Contracting-ACCIONA.

Water sales

As completion of Rookwood Weir nears, Sunwater commenced a second water tender in November last year, closing bidding on 17 February 2023.

This follows the awarding of Tender 1 in December 2020, where 30,000 ML of medium priority water was successfully sold.

In Tender 2, 7500 ML was released for irrigated agriculture, with Lower Fitzroy landholders bidding for lots between 10 ML and 500 ML.

To help landholders prepare, we partnered with Advance Rockhampton to deliver a Landholder Support Program.

The tailored program helped irrigators to understand and capitalise on future access to water from the weir, offering farm and land use planning, agronomy assessment, irrigation design and commercial feasibility assessments. A total of 44 landholders received assistance under the program, which concluded on 5 November 2022.

On 9 June 2023, Sunwater informed the 21 successful landholders who had secured a total allocation of 6000 ML for irrigation use across the Lower Fitzroy region.

Sunwater will determine how best to make the unsold water from Tender 2 available for sale in the next financial year.

Burdekin Falls Dam Raising and Improvement projects

Holding 1,860,000 ML at full capacity, Burdekin Falls Dam is the largest in Queensland and contributes greatly to economic prosperity and development in the region. As a life-long asset, it requires ongoing monitoring and maintenance to allow it to provide water security well into the future and assure safe dam operation during extreme weather events.

In 2022–23, Sunwater continued its extensive program of technical, environmental and cultural heritage assessment activities to inform the Burdekin Falls Dam Raising and Improvement projects.

This included progressing an environmental impact statement (EIS) for a two-metre raising option. We expect to submit a draft of the EIS to the Queensland Coordinator-General in the second half of 2023.

An initial detailed business case will then be revisited and finalised upon approval of the EIS.

Paradise Dam Improvement Project

Located south-west of Bundaberg, Paradise Dam is undergoing a significant program of safety improvement works that will see it restored to its original height and ensure a safe and secure water supply across the Burnett region for generations.

In 2022–23, a robust procurement process to appoint the project's alliance construction partner progressed. An industry briefing was held in August 2022, submissions were then sought, analysed and two proponents were shortlisted.

Following an intensive 11-week interactive period, final proposals were received in April 2023. A dedicated evaluation team is assessing these proposals, and we expect to appoint the successful construction partner in the second half of 2023. Once the alliance construction partner is appointed, planning activities – including the further development of construction methods, schedules, and the project timeline – will be confirmed.

Sampling and testing of the existing concrete and the development of 2D and 3D hydraulic models have progressed project design in 2022–23. Geotechnical and material sourcing investigations, concrete mix trials and procurement for long lead items – including accommodation village buildings and batch plants – are also well underway.

Enabling works on the dam's outlet infrastructure commenced in April 2023 and design was developed for three road improvement packages. A cultural heritage survey was conducted along Paradise Dam Road in April 2023, for the first package of road works to be tendered in mid-2023.

Strong community and stakeholder engagement initiatives – including the PDRG (as outlined in section 2), Bundaberg Irrigation Advisory Committee, Bundaberg scheme-wide customer communications and other communication channels – are well established and will remain active throughout the life of the project.

The Paradise Dam Improvement Project is jointly funded by the Australian Government's National Water Grid Fund and the Queensland Government.

Callide Gates upgrade

In December 2022, we completed on-site works on gates at the Callide Dam to address intermittent vibrational issues and ensure ongoing dam safety and long-term water security.

The dam supports major industry in the Banana Shire, including coal mining, beef production, power generation, dryland cropping and irrigated cropping.

The \$13 million Callide Gates Project was funded by Callide Valley WSS customer annuities. It involved rigorous investigations to identify the cause of the issue, followed by work to strengthen each gate structure, upgrade the gate control system and replace gate seals. The upgraded control system has provided additional functionality, allowing a manual override of the automated system to raise and lower the gates as required.

Following approval from the Dam Safety Regulator, Callide Dam can now operate at the pre-project level, and the Operations Manual and Emergency Action Plan have been updated to reflect operational changes.

3. Our people

Team profile

Our workforce

To deliver our services efficiently and meet customer and stakeholder expectations, we employ staff with the relevant professional, trade and technical skills and competencies.

At 30 June 2023, Sunwater had a total workforce of 645.

Table 1 - Sunwater workforce

Employment category	2022-23 Actual	2022-23 Budget
Senior executive positions	7	7
Common law contract positions	41	44
General employee positions ¹	519	621
Casual positions	1	0
Total SCI 2022-23 ²	568	672
Additional workforce (non-permanent)		
Contractors ³	71	32
Apprentice/trainee positions	6	12
TOTAL WORKFORCE	645	716

1. Enterprise Agreement and Annualised Salary Arrangement employees.

2. Positions as outlined in Sunwater's SCI 2022-23, considering project lifecycles and changing requirements through the year.

3. Temporary positions for a defined period or project, including third-party contractors.

Staff turnover

Staff turnover in 2022-23 was 14.8 per cent compared to 16.3 per cent in 2021-22 and 9.7 per cent in 2020-21.

This change reflects a tightening of the employment market and changing conditions since COVID-19 lockdowns ceased.

Developing talent for the future

Sunwater is invested in developing career pathways for those interested in joining the water industry.

While apprentices and cadets make up just a small part of our workforce, they are an important part of the 'One Sunwater' team that delivers a safe, reliable and affordable water supply to our customers.

Our apprenticeship program provides participants with first-hand knowledge of processes and procedures across a range of Sunwater's operations, while completing an industry-recognised qualification. Sunwater committed to employing five apprentices, either directly or indirectly, throughout the life of our negotiated 2018-2022 Enterprise Agreement. We currently directly hire six apprentices across regional Queensland.

We have also employed three Cadet Operator Maintainers and one Cadet Draftsperson. These positions are based in Bundaberg, Chinchilla, Clare and Brisbane.

In 2023 we re-established the Sunwater Graduate Program, to attract the brightest and best and build a talent pipeline for the future. The two-year program exposes graduates to a range of different work experiences and teams within the organisation, supported by a network of leaders, mentors and a dedicated graduate coordination team. The current intake of graduates was drawn from across disciplines, including Mechanical, Civil, Electrical and Environment.

We are also employing undergraduates in the final year of their degree, to attract and retain talented students who want to contribute to the Queensland bulk water sector.

Industrial relations

Updating our Enterprise Agreement

In-principle support for the Enterprise Agreement 2023-25 was provided by bargaining representatives in early 2023. Sunwater is progressing the agreement to vote and implementation.

In developing the new agreement, our negotiations with unions and employee representatives have been conducted in good faith, guided by relevant government policies and guidelines.

Supporting union membership

We respect the rights 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.

No forced or voluntary redundancies

We remain committed to no forced redundancies, in line with current Queensland Government policy. In 2022–23, there were no voluntary redundancies.

Our leadership team

Guided by our board and headed by our Chief Executive Officer (CEO), Sunwater's Executive Leadership Team (ELT) is tasked with delivering on corporate objectives and strategic goals.

Sunwater operates under the organisational structure shown on page 26.

In 2022–23, there were no changes to the ELT, and the Sunwater Board underwent the following changes:

- Vanessa Sullivan's term as Non-Executive Director ended in September 2022
- Peter Scott joined the board as a Non-Executive Director in January 2023.

Sunwater Board

Dr Lisa Caffery | Chair

BA (QLD), GCBU (USQ) MPRL (USQ), PhD (CQU), GAICD

Lisa Caffery was appointed as Chair on 1 October 2021.

Lisa is a respected business and community engagement leader with more than 20 years' professional experience in regional Queensland.

Lisa is the founder and principal of an Environmental, Social and Governance (ESG) advisory firm based in Emerald, which utilises her strong background in stakeholder relations, strategy development and social research.

She is currently Deputy Chair of the Central Queensland Hospital and Health Services Board and has extensive governance expertise across a broad range of areas including resources, healthcare, government, social enterprise and the not-for-profit sectors.

Lisa holds undergraduate and postgraduate qualifications in communications from the University of Queensland and the University of Southern Queensland. She also received her PhD from Central Queensland University, which had a research focus on rural health equity and social impact. Lisa is a graduate of the Australian Institute of Company Directors (AICD).

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 Inc 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 Boggled Mate?, a charity addressing mental health impacts in regional and farming communities.

Leeha James | Director

BA(Hons), LLB

Leeha James was appointed as a Non-Executive Director on 1 October 2021.

Leeha has more than 25 years' experience as a lawyer, specialising in workplace health and safety, litigation, and compensation law.

As the founder and Director of specialist compensation law firm, James Law, Leeha has represented everyday people, organisations and their members across a range of industry sectors, including emergency and first responders, electrical, construction, health, mining, and the public service. She has had an active role in driving policy and legislative change in Queensland in workplace health, safety and compensation, and is a member of the Queensland Law Society Personal Injury and Torts Law Committee and the Professional Conduct Committee.

She has held the voluntary position of President of the Bayside Community Legal Service since 2019. Leeha holds a Bachelor of Laws degree from the Queensland University of Technology and a Bachelor of Arts in Humanities degree with Honours from Griffith University. She is also an Accredited Specialist in personal injuries law.

David Stewart | Director

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

David Stewart was appointed as a Non-Executive Director on 3 December 2015, re-appointed for a second term in 1 October 2018, and a third term on 1 October 2021.

David is a civil engineer with more than 40 years' experience in Australia and internationally, specialising in large dams, water supply, irrigation and other infrastructure projects. He has worked in the private sector with major engineering consulting firms and in the public sector with large water businesses.

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 ANCOLD.

He was recognised by Engineers Australia in 2009 as one of Australia's 100 most Influential Engineers and has been awarded the River Murray Water Medal by the Murray-Darling Basin Authority.

Peter Scott | Director

DipBus, BBus, MPA, MBA, FCPA, GAICD

Peter Scott was appointed as Non-Executive Director on 1 January 2023.

Peter has more than 25 years' experience in executive management in Local Government and the energy sectors.

Most recently, he served as the Chief Financial Officer, Executive General Manager Finance and acting CEO between June 2019 and March 2020 of Energy Queensland. He is also a Director of Energex Limited, Ergon Energy Corporation Limited, Ergon Energy Retail and four other Energy Queensland Limited subsidiaries.

Peter holds a Diploma of Business, Bachelor of Business, Master of Professional Accounting and Master of Business Administration.

He is a Fellow Certified Practising Accountant and is a Graduate of the AICD.

Jane Williams | Director

AICD

Jane Williams was appointed as a Non-Executive Director on 1 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 for more than 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 board member of Health and Wellbeing Queensland, as well as a Director of CheckUP Australia.

Vanessa Sullivan | Director

BecBEc (Hons), GradDip Finance and Investment, GAICD

Vanessa Sullivan was appointed as a Non-Executive Director on 15 December 2016 and re-appointed on 1 October 2019. Vanessa's term with the Sunwater Board ended on 30 September 2022.

Vanessa is an experienced board member for large corporations, driving market based ESG outcomes in energy, emission reduction and new industry developments such as low emission hydrogen and environmental credits.

Vanessa's board and executive experience demonstrate strong financial, commercial and strategic skills including both corporate and government experience in regulated and competitive markets.

Current Non-Executive Director roles are:

- AGL Energy, an ASX 100 integrated energy business
- Port of Townsville Limited, an eight berth, diverse trade port
- Niche Environment and Heritage, a privately owned biodiversity and cultural heritage advisor
- EcoMarkets Australia, the recently established environmental regulator of Reef Credits, which support a commercial framework to protect the Great Barrier Reef.

Vanessa is also the energy transition and water expert for the Queensland Government Hydrogen Taskforce.

Vanessa works in a number of pro bono roles including being on the advisory board of Centacare, a disability and domestic violence support provider in South East Queensland, and a Griffith University business school advisory board.

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 he served as a Colonel in the Royal Australian Engineers.

Erin Strang | Chief Financial Officer

Bcomm(Hons), MappFin

Erin Strang was appointed Chief Financial Officer on 8 November 2021.

She leads Sunwater's corporate services function, encompassing the finance, legal, risk, procurement, commercial customer and information, communication and technology teams.

Erin has more than 20 years' financial services experience across the finance, transport and infrastructure industries, working within both public and private sector entities.

She has previously held the roles of Chief Financial Officer of Banking and Wealth at Suncorp, and Treasurer VP Tax and Governance at Aurizon.

Erin has led teams through periods of substantial change, including business transformation and financial restructuring, and has extensive stakeholder management experience.

Colin Bendall | Executive General Manager Operations

AssocDip AppSc, CertTropAg

Colin Bendall was appointed Executive General Manager 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 graduate of the AICD.

Kellie Breen | Chief People Officer

Bbus (HRM) GAICD

Kellie Breen was appointed as Chief People Officer on 29 January 2018. Kellie provides strategic direction on best practice organisational strategies that ensure we recruit and retain talent, build business capability and deliver organisational change necessary to deliver the best possible business outcomes.

With more than 20 years' experience in human resources, Kellie delivers business 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

MBA, GCBA, Dip. Proj Mgt. Assoc Dip. Eng (Civil), AFIE Aust CengA, EngExec NER, IntETn (Aus), Reg PM-CPPP, MAICD, FAIPM

Mal Shepherd was appointed Chief Development Officer 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 sectors developing, designing and delivering more than \$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 as Executive General Manager Customer and Stakeholder Relations on 9 September 2019. 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.

Michael Kahler | Executive General Manager Engineering and Water Resources

Beng (Civil), Grad Dip Mun Eng, MengSc, GAICD, RPEQ

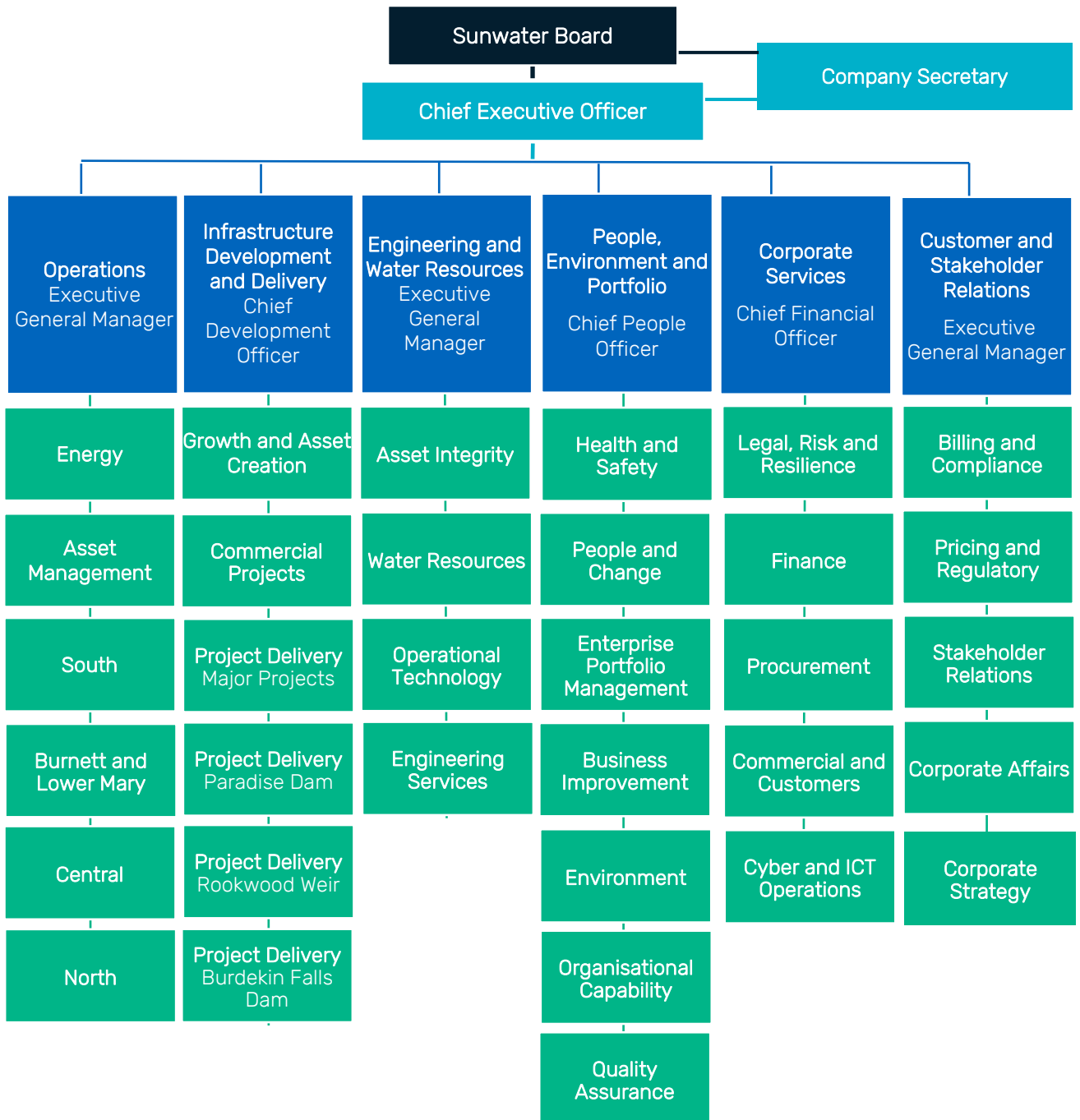
Michael Kahler was appointed Executive General Manager Engineering and Water Resources on 25 April 2022. Michael has 30 years' experience across asset management, infrastructure planning, design, construction and operations in the private and public sectors.

Prior to joining Sunwater, Michael led the development and implementation of an integrated planning and delivery model at Urban Utilities, which transformed the approach to capital investment and achieved industry leading performance.

He is a Registered Professional Engineer of Queensland and is a graduate of the AICD. He was formerly a president of the Institute of Public Works Engineers Australasia (IPWEA). Michael holds a Bachelor of Civil Engineering, a Graduate Diploma in Municipal Engineering, and a Masters in Engineering Science.

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

Organisational chart



4. Sustainability including ESG

In building a sustainable future, one that meets our customers' and stakeholders' changing needs, we aim to nurture trusted relationships, manage our assets efficiently and minimise the impact of our activities on the environment.

Our approach

Our approach to sustainability and ESG is underpinned by five key pillars, which guide us in responsibly delivering water today for a more prosperous tomorrow.

These pillars – People, Governance, Prosperity, Resilience and Reliability, and Planet – are supported by programs and initiatives that inform how we:

- manage relations with employees, suppliers, customers and local communities
- deal with leadership, audits, internal controls and shareholder expectations
- create value for our shareholders and communities
- rapidly adapt to changes in conditions and operate during adverse conditions
- measure how we perform as a steward of nature.

Environmental

We are an environmentally aware organisation committed to minimising environmental harm on the land, water and ecosystems we manage on behalf of our communities.

Our approach works towards government targets set out in the Queensland Climate Action Plan and align with other targets and requirements set out in the Reef 2050 Water Quality Improvement Plan, State Infrastructure Strategy 2022, and relevant Acts relating to water supply, river improvement and planning.

By carefully managing our environmental, social and financial demands we will continue to provide shared value to present customers and communities, without compromising the needs and expectations of future generations.

In protecting our environment and adapting to the challenges of climate change, we focus our efforts on the following seven key areas:

1. Flood risk

We undertake research to better understand the potential change in climatic conditions, using this data to assess any changes to flood risk and adjust our dam management practices as required.

2. Ecological footprint and biodiversity

We assess the ecological condition of Sunwater-owned land to identify any potential to improve land condition and biodiversity and achieve offsets.

3. Natural resource and land use

We manage, monitor and improve water quality through regular risk assessment and technical analysis of waterway condition. Our bank stability assessment program is helping identify areas of potential degradation that may impact water quality.

4. Infrastructure design

When designing infrastructure, we incorporate the best available climate change predictions to understand the impact of droughts and floods on proposed developments. We undertake sensitivity analysis within projects to ensure assets can perform over the long term.

5. Drought impacts

Climate change modelling helps us to understand the potential climate change impacts on annual rainfall and evaporation rates, and how they affect water resource security and/or reliability.

We also sponsor water security-focused climate research to better understand current water security risks.

6. Water security projects

We maintain a pipeline of work through a controlled project development approach to understand and inform future supply and demand parameters across our schemes.

7. Understanding our rivers

River monitoring is key to understanding and managing the river systems in which we operate. We are installing additional gauging infrastructure to better monitor water releases and distribution. Our pilot program in the Macintyre Brook WSS is increasing our riverine knowledge by trialling real time monitoring of water releases and water supply.

Social

We take our social responsibility seriously. In planning and delivering our services, we act in the best interests of our people, our stakeholders and the communities in which we live and operate.

People are key to our success at Sunwater. We genuinely care, and are building a culture that is diverse, inclusive and safe.

We are committed to engaging with our customers and communities in meaningful ways that:

- drive customer focused decision-making
- foster supportive, informed and engaged stakeholders
- build respectful community partnerships.

Our approaches are guided by our organisational purpose, strategy and values, and align with requirements set out in the *Water Supply (Safety and Reliability) Act, Human Rights Act 2019* (Qld) and the Queensland Government Sponsorship Policy.

To ensure we fulfill our social responsibility, we focus our efforts on the following six key areas:

1. Diversity and Inclusion

The Sunwater Diversity and Inclusion Strategy 2023–2035 is our roadmap for developing and managing a diverse workforce that is inclusive of ethnicity, gender and identity.

2. Health and safety and human rights

We provide training, policies, systems, assessments and tools that support the mental and physical health of our people and raise awareness of human rights.

3. Public safety engagement and communication program

We protect public safety through a range of awareness activities and initiatives that help people to interact safely with Sunwater assets and prepare for emergency and wet season events.

4. First Nations recognition

It is our commitment to recognise, respect and engage with Traditional Owners and the broader Aboriginal and Torres Strait Islander community beyond our compliance needs. In this regard we are guided by our First Nations Commitment Statement policy and our Aboriginal and Torres Strait Islander Recognition, Engagement and Participation Strategy. We also build our internal capability through cultural competence training provided by a First Nations facilitator.

5. Social license and community engagement

We actively engage with customers, stakeholders and the communities in which we operate to drive customer-informed decision making, build respectful partnerships, and foster supportive, informed and engaged shareholders.

6. Product and customer

Sunwater takes a transparent customer-centric approach to the way we provide services, share information, meet performance standards and interact with customers.

We adhere to the Water Trading Code of Conduct, publish Service Standards and Service and Performance Plans, and have a Hardship Policy in place to assist those experiencing financial difficulties.

Our well-established Community Reference Groups and Customer Advisory Committees allow customers and stakeholders to collaborate and consult with us on a range of matters relating to the management and maintenance of their service.

Governance

Strong corporate governance is an important foundation for fulfilling Sunwater’s purpose of delivering ‘water for prosperity’. We continue to evolve and strengthen our governance framework to enhance the operational efficiency of our assets and our business and meet the needs of all stakeholders.

Our 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*, the *Financial Accountability Act 2009* (Qld) and the Queensland Government’s Corporate Governance Guidelines for Government Owned Corporations.

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 Government Owned Corporations (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 Procedure (full review undertaken and approved by the board in March 2023) outline the roles and responsibilities of the board and matters that are delegated to the Sunwater ELT.

During the year the board undertook a realignment of board committees to link to core strategy and business functions to ensure appropriate governance oversight. The board has established three committees, which operate under their own charters, to assist with its role:

- Audit and Risk Committee (previously Audit Committee and Risk Committee)
- Safety, People and Environment Committee (previously Safety and Culture Committee)
- Project and Investment 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. The Sunwater Board is committed to regional employees and stakeholder engagement through two regional board meetings per year, with opportunities for Directors to travel with the CEO and executives to regions outside of these times.

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. These 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
- Senior executive and CEO remuneration is determined by the board in accordance with prescribed principles for GOCs and the CEO and Senior Executive Employment Arrangements Policy.

Principle 2: Structure the board to add value

The chair 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.

The board is focused on improving the management of conflicts of interest, through the following processes and initiatives:

- Register of Disclosures and Interests are included at each board meeting and the chair leads discussions and ensures there are clear expectations regarding the board and disclosers
- All conflict of interest management plans for board members are reviewed by the board, during the Directors' and Executives' Disclosure and Conflict agenda item
- A Conflict of Interest Management Options Flow Chart based on CCC and NSW ICAC joint publication, *Managing Conflicts of Interest in the Public Sector: Toolkit* is used to assist with COI Management Plans
- Prior to the release of the board papers an administrative review is undertaken of the Register of Disclosures and Interests to the board papers and matters identified are assessed for conflict of interest risks
- Annual training is embedded into the Directors' professional development annual timetable
- Update to Directors' and Executives' Conflict of Interest Procedure to include where potential or perceived conflict of interest is determined to not be a conflict.

All board Directors regularly evaluate the performance of the board, individual Directors, Chair and board committees, in accordance with the Board Performance Evaluation procedure.

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

An internal Board Performance Review was undertaken in July 2022 which included qualitative interviews and a quantitative survey. A board skills review was undertaken in May 2023. External evaluations are undertaken every three years and will be completed in 2024.

All Directors must maintain their skills and carry out professional development to enable them to meet their responsibilities. The Company Secretary assists to organise professional development opportunities for the board on a regular basis. 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 members' information needs. Details of Directors' terms of office, experience, expertise and attendance at board and committee meetings and remuneration are outlined on pages 42, 48 and 93 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 outline the practices needed to maintain stakeholder, industry and community confidence in the behaviour of all our people. A Trading in Securities Policy also applies where employees or contractors may have access to inside information about securities, or where dealings in securities 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, Chair 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.

The Sunwater Code of Conduct, Directors' Code of Conduct, Securities Trading Policy and Sunwater's Fraud and Corrupt Conduct, Whistleblower and Public Interest Disclosure policies and procedures are available on the Sunwater website under Governance.

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 2022–23 financial statements present a true and fair view and are in accordance with accounting standards. The Audit and Risk Committee (previously 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 four independent Non-Executive Directors who have appropriate financial experience and understand the water industry. The Chair of the board is a member of the Audit and Risk Committee and cannot be the Chair of the committee. During the financial year the board continued with the engagement of a qualified accountant as an Independent Advisor to the Audit Committee (now Audit and Risk Committee).

The engagement of the Independent Advisor ceased at 31 December 2022 due to the appointment of a qualified accountant to the board on 1 January 2023. Details of committee members, meetings and attendance are on pages 42 and 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 senior 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, conflict of interest policy and securities trading policies by Sunwater's board members, the CEO and senior 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. Our strategy around informing shareholding Ministers is to provide them with accurate and timely information so they can make informed assessments of Sunwater's operations and performance.

Regular communications with shareholding Ministers include the:

- five-year Corporate Plan, updated annually
- annual SCI which includes the annual budget
- annual report
- quarterly scorecards reporting on performance required under the SCI
- regular meetings.

Sunwater provides timely information to shareholding Ministers on any significant matter impacting on its ability to achieve the objectives of the SCI or Corporate Plan through submissions and briefing notes. The Shareholder Communication and Disclosure Policy is available on Sunwater's website under Governance.

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 the management and monitoring of changes to our strategic and operational risk profile throughout the year. This means risks facing the company are properly understood and appropriately managed.

The Sunwater Board, with advice from the management team, sets the risk appetite. Monitoring and reporting on enterprise risks is done through the CEO's monthly report. The board is updated on the material business risks monthly, including mitigation plans and actions. The Audit and Risk Committee (previously Audit Committee and Risk Committee) also assesses 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 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's people.

Principle 8: Remunerate fairly and responsibly

Sunwater's Safety, People and Environment Committee (formally the Safety and Culture Committee) meets at least four times a year to assist the board with organisational culture, CEO succession, executive appointments and performance, staff remuneration and employee relations, along with other matters.

The Committee considers and recommends remuneration rates and terms of employment for the CEO and senior executives and is directly involved in performance planning and review processes. It also oversees Sunwater Enterprise Agreement renewals, organisational culture and capability. Sunwater's remuneration strategy is assessed using community and industry standards and other external information. Information about committee members, meetings held and attendance are on page 42 and 47 of this report.

Remuneration: Directors and senior executives

Remuneration of board Directors is determined by the shareholding Ministers and does not include performance-based remuneration. Remuneration in Sunwater is overseen by the board's Safety, People and Environment Committee. The board sets remuneration levels for the CEO and senior executives in line with Queensland Government policy and external independent advice on position evaluation. Remuneration is fixed and includes all payments and benefits. All senior 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).

The board reviews eligibility for performance payments on an annual basis and approved entitlement to a performance-based payment in the 2021–22 performance period, which is included in the Executive Remuneration summaries on page 94.

Board remuneration is listed in the Notes to the Financial Statements on page 93 and that of senior executives is on pages 94 and 95 of this report.

Remuneration: staff

Remuneration for the majority of Sunwater staff is determined by the Sunwater Enterprise Agreement, in accordance with the Queensland Government approved bargaining framework. More on the current Enterprise Agreement can be found on page 21 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-senior executive employees.

Subsidiary reporting

Sunwater's subsidiaries, Burnett Water Pty Ltd, North West Queensland Water Pipeline Pty Ltd and Eungella Water Pipeline Pty Ltd are small proprietary companies that are not required to prepare separate special purpose financial statements. The subsidiaries entered into a deed of cross guarantee with Sunwater Limited in line with ASIC Corporation's (wholly owned companies) Instrument 2016/785 and are not required to prepare and lodge a separate audited financial report and Director's report. For reporting purposes, the subsidiaries are consolidated into Sunwater's Financial Report.

Government directions and notifications

In 2022–23, Sunwater received the following directions and notifications:

- 23 February 2023: notification was issued by shareholding Ministers under section 114 of the *GOC Act* regarding Sunwater applying Queensland's Ethical Supplier Mandate, as amended from time to time, from 31 March 2023
- 10 March 2023: Sunwater Irrigation Water Pricing Direction Notice (No.1) 2023 pursuant to the *Water Act 2000* (Qld) requiring Sunwater to comply with the notice when charging irrigation water prices and associated fees from 1 July 2023, superseding the 2021 notice.

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.

Referable dam safety

Sunwater has a comprehensive Dam Safety Management Program in place that:

- meets or exceeds guidelines set by the dam safety regulator (DRDMW)
- monitors dam safety as required by the *Water Supply (Safety and Reliability) Act 2008* (Qld) and in accordance with ANCOLD guidelines.

Annual and ad hoc updates to Sunwater's insurance broker ensure compliance with insurance policy disclosure requirements.

Sunwater is implementing a Dam Improvement Program in response to revised rainfall guidance, as well as ANCOLD and Queensland Government Regulatory Guidelines on associated acceptable flood capacities for dams. The program has been developed using a risk based decision-making methodology to optimise the reduction of safety risks and ensure value for money. Sunwater regularly reviews portfolio risks and the improvement program to ensure priorities are based on the most up-to-date information available.

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/.

Modern Slavery and Human Rights

Sunwater is committed to working with its employees and business partners to ensure that it has a positive impact on eliminating modern slavery practices in all forms within the local and global community.

Sunwater respects human rights and is embedding human rights considerations into decision-making process under the *Human Rights Act 2019* (Qld).

Sunwater continues to develop and implement guidance material, employee awareness, and updates to processes and procedures in relation to modern slavery and human rights, including in relation to the *Modern Slavery Act 2018* (Cth) and *Human Rights Act 2019* (Qld).

No human rights complaints were received during 2022–23.

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. In 2022–23, there was one material legal case in the New South Wales Court of Appeal – Sunwater Limited v Liberty Mutual Insurance Co & Ors.

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 2022–23, Sunwater's internal audits were performed in accordance with a co-source model between internal resources and an external accounting firm and, in some more technical cases, by independent external firms. Once completed, Audit Reports are submitted to the Audit and Risk Committee (formerly Audit Committee) for consideration and discussion.

The Audit and Risk Committee also monitors the implementation of agreed management actions arising from audits.

Infrastructure maintained to reflect customer and QCA requirements

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 customer engagement forums, including Network Service Plans.

Sunwater reviews and adjusts planned maintenance expenditure to ensure costs incurred are prudent, efficient and in line with QCA pricing principles. Sunwater has accreditation in Quality Environment AS/NZS 14001 and aligns with ISO 45001 standards (previously Safety AS/NZS 4801) and ISO 9001 Quality Management standards which provide 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 a reputable insurer.

Governance structure (30 June 2023)

Shareholding Ministers

The Honourable Cameron Dick, MP, Treasurer (11 May 2020 – ongoing) and Minister for Trade and Investment (7 October 2021 – 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.

Chair Dr Lisa Caffery	Director Stuart Armitage	Director Leeha James	Director Peter Scott	Director David Stewart	Director Jane Williams
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Establishes

Committees

Audit and Risk Committee – assists the board with oversight of quality, adequacy and integrity of Sunwater’s finance, audit (internal and external) and associated assurance practices and oversee all categories of risk, the risk appetite and an enterprise risk management framework that supports well planned and resilient business operations.

Safety People and Environment Committee – assists the board to create a positive workplace culture that lives values, takes care of people, remunerates its people fairly and transparently, considers the environment and sustainability and put customers at the centre of its decision.

Project and Investment Committee – assists the board with oversight for the way in which Sunwater achieves its objectives related to asset management, significant project delivery and end-to-end investment management in line with its corporate strategy.

Internal Audit	External Audit
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Appoints

Chief Executive Officer

Appoints

Executive Leadership Team

Chief Financial Officer Corporate Services	Executive General Manager Operations	Chief People Officer People, Environment and Portfolio	Executive General Manager Customer and Stakeholder Relations	Executive General Manager Engineering and Water Resources	Chief Development Officer Infrastructure Development and Delivery
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Establishes

Portfolios

Asset	Infrastructure	Technology	Sustainability
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5. Our performance

Key performance indicators – financial

Key performance indicator	Unit	Actual 2022-23	Budget 2022-23
Return on average assets (ROAA)	%	(14.9)	1.0
Return on average assets (ROAA) - excluding impairment	%	(0.8)	9.1
Equity shareholder value (ESV)	\$m	394.8	389.1
Total operating revenue	\$m	359.9	520.6
Total operating revenue (excluding Rookwood Weir)	\$m	355.5	361.8
Total operating costs	\$m	372.7	434.4
Total operating costs (excluding Rookwood Weir)	\$m	249.6	275.6
Operating profit (loss)	\$m	(12.8)	86.3
Operating profit (loss) (excluding Rookwood Weir)	\$m	104.2	86.3
Interest expense	\$m	15.1	15.0
Depreciation	\$m	47.9	49.6
Impairment – write down (write back)	\$m	132.4	77.3
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$m	40.7	136.2
Net profit after tax (NPAT)	\$m	(152.5)	(5.7)
Total assets	\$m	904.2	941.1
Total cash (including advance facility)	\$m	176.2	61.4
Debt	\$m	369.1	408.9
Shareholder's equity	\$m	146.1	285.0
EBITDA interest coverage	Times	2.7	9.1
Market gearing - debt / (debt + equity)	%	71.6	58.9

Results have been impacted by:

- Sunwater's net cash flows from operations being included in the impairment review, being affected by investment in the Dam Improvement Program. This has resulted in a higher impairment charge.
- An increase in the provision for the Rookwood Weir project for unavoidable costs to reach project completion. The \$117 million provision was a best estimate of these expected costs which have increased due to inundations, COVID-19 impacts (including a two-week site shut down) and escalating material, fuel and labour costs.

For further information and commentary about Sunwater's 2022-23 financial performance, refer to the financial statements.

Key performance indicators – non-financial

Key performance indicator	Actual 2022–23	Target 2022–23	Commentary
All injury frequency rate (AIFR) ¹	42.1	<35	Refer to Section 2 – Safe and engaged people
Total recordable injury frequency rate (TRIFR)	6.5	<5	Refer to Section 2 – Safe and engaged people
Lost time injury frequency rate (LTIFR)	0.5	<1	Refer to Section 2 – Safe and engaged people
Compliance with environmental standards and laws	No material breaches	No material breaches	
Employee engagement	80%	>65%	
FTE ²	597	622	
Customer complaints responded to within 10 business days	100%	100%	
Community events	2	2	Two open days were held in 2022–23 at Tinaroo Falls and Kinchant dams
Customer engagement/advocacy ³ – Irrigation	45.90	>15.81	
Customer engagement/advocacy ³ – Urban	68.96	>49.14	
Customer engagement/advocacy ³ – Industrial	46.15	>58.36	70 per cent of industrial customers said that Sunwater understood their business very or extremely well, up nearly 10 per cent from last year's survey

1. All injuries per million hours worked.

2. FTE includes permanent temporary employees and contractors engaged in roles "as if" they were part of the longer term Sunwater organisational structure. It does not include contractors engaged by third parties, alliance-related FTEs and Group Training Organisations (GTO).

3. The customer advocacy score is based on industry standard and is a measure of the net number of customers who have indicated that they would speak favourably about Sunwater less those who have indicated that they will not.

Customer, stakeholder and community engagement costs

The following table provides an overview of Sunwater’s sponsorship, advertising, donations, corporate entertainment and hospitality expenditure in 2022–23.

Activity	Actual	Budget
	2022–23	2022–23
	(\$)	(\$)
Industry and community support		
Australian National Committee on Large Dams (ANCOLD) conference	9,000	10,000
Industry ¹	29,023	30,000
Sponsorships	19,359	15,000
Total industry and community support	57,382	55,000
Corporate entertainment		
Employee (value improvement) awards ceremony ²	11,363	10,000
Office Christmas celebrations ³	27,559	34,320
Other	12,163	10,200
Total corporate entertainment	51,085	54,520
Strategic community and stakeholder engagement activities		
Emergency communication and education	93,227	140,000
Public safety program communication and education	169,620	200,000
Public safety campaign ⁴	250,503	250,000
School safety program	32,900	34,000
Total strategic community and stakeholder engagement activities	546,249	624,000
Total	654,716	733,520

1. Industry engagement in regional Queensland.

2. Recognition for Sunwater employees who have contributed to the business over and above their normal duties through the identification and implementation of initiatives that either achieve savings or improves efficiency within the business.

3. The Sunwater Christmas party is calculated based on \$55 per person.

4. A targeted, multi-channel public safety campaign undertaken every two years to promote appropriate interaction with Sunwater assets.

Directors' report

The Directors present their report for the financial year ended 30 June 2023, 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:

- Lisa Caffery
- Stuart Armitage
- Leeha James
- David Stewart
- Jane Williams
- Peter Scott, appointed 1 January 2023 to 30 September 2025
- Vanessa Sullivan, term concluded 30 September 2023.

Further information about Directors' qualifications, experience and terms of appointment is on pages 42 to 46 of this report.

2. Secretaries

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

- Julie Tealby
- Kate Wright (concluded 16 December 2022)
- Brie Weatherstone (from 23 May 2023).

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 SCI 2022–23. It considers the return its shareholding Ministers expect on the Queensland Government's investment.

On 8 May 2023, the Directors recommended no dividend to be paid due to a loss in 2022–23 given the large Dam Improvement Program costs expected in future years. The recommendation was accepted by shareholding Ministers on 29 June 2023.

No dividend has been provided in 2022–23.

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 significant changes in the group to the end of the 2022–23 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, that would require adjustment in the financial statements or disclosure, under AASB110 Events after the Reporting Period.

8. Likely developments and expected results of operations

Stakeholders are aware of likely developments in the operations of the Group in forthcoming periods after the end of the financial year, as follows:

- a) Sunwater will be engaged in the delivery of a Dam Improvement Program, a multi-year program of dam safety upgrades. These upgrades are not expected to deliver further revenues but will increase the resilience and safety of water systems and networks, while preserving the capability of the structure. This program will impact the availability of profits available for dividend in future years until full completion.
- b) Continuing construction activity and the transition to the operation of Rookwood Weir, an asset being delivered by Sunwater on behalf of the State of Queensland.

9. Environmental regulation

Sunwater's operations are subject to significant environmental regulation under Australian and Queensland legislation. Sunwater maintains a ISO14001 certified Environmental Management System (EMS) with yearly surveillance audits completed by SAI Global. The EMS includes a comprehensive Environmental Legal Obligations Register which links environmental processes to relevant legislation. Monthly health, safety and environment (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 \$0.49 million (excluding GST) to insure the Directors, Company Secretary and Executive Officers of Sunwater and its wholly owned subsidiaries.

This insurance was 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 subsidiaries

Sunwater and its wholly owned subsidiaries are parties to ASIC Corporations' (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 financial 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:



Lisa Caffery

Chair

Dated: 17 August 2023



Peter Scott

Director

Dated: 17 August 2023

Sunwater Board

Dr Lisa Caffery, Chair – Non-Executive

BA (QLD), GCBU (USQ) MPRL (USQ), PhD (CQU), GAICD

Appointment	Experience and expertise	Other current directorships	Former directorships in last three years	Special responsibilities
Appointed 1 October 2021 Term of appointment to 30 September 2025	Founder and principal of a regionally based Environmental, Social and Governance (ESG) advisory firm on stakeholder relations, performance management and social research with extensive governance expertise across a broad range of areas including resources, healthcare, government, social enterprise and the not-for-profit sectors.	Deputy Chair of Central Queensland Hospital and Health Service Board (Statutory Authority) Director of Central Highlands Community Services Ltd (Not for Profit) Director of Central Highlands Science Centre Inc (CHSC) (Not for Profit) Director of Aura Services Pty Ltd Director of Caffery Group Pty Ltd	Nil	Member of Audit and Risk Committee (formerly Audit Committee and Risk Committee) Member of Safety, People and Environment Committee (previously Safety and Culture Committee) Member of Project and Investment Committee (established 1 January 2023)

Stuart Armitage, Director – Non-Executive

Appointment	Experience and expertise	Other current directorships	Former directorships in last three years	Special responsibilities
Appointed 17 June 2021 Term of appointment to 31 May 2024	Darling Downs irrigation farmer and involved in various leadership positions across rural and agricultural industries including four years as President of Queensland Farmers' Federation. Awarded the Peter Kenny Medal in 2020 for ongoing contribution to improving and developing sustainable outcomes within the Queensland agriculture sector.	Chair of Are You Boggled Mate? Limited (Not for Profit) Food Leaders Australia - Toowoomba and Surat Basin Enterprise Limited (Not for Profit)	Director of Cotton Australia Limited	Member of Audit and Risk Committee Member of Audit Committee to 31 December 2022. Chair of Audit Committee 1 October – 31 December 2022

Leeha James, Director – Non-Executive

BA(Hons), LLB

Appointment	Experience and expertise	Other current directorships	Former directorships in last three years	Special responsibilities
Appointed 1 October 2021 Term of appointment to 31 May 2024	Lawyer specialising in workplace health and safety, litigation, and compensation law.	Director of James Law Pty Ltd	Nil	Chair of Safety People and Environment Committee (formerly Safety and Culture Committee)

David Stewart, Director – Non-Executive

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

Appointment	Experience and expertise	Other current directorships	Former directorships in last three years	Special responsibilities
Appointed 3 December 2015 Re-appointed 1 October 2018 Re-appointed 1 October 2021 Term of appointment to 30 September 2025	Civil engineer with experience in Australia and internationally, specialising in large dams, water supply, irrigation and other infrastructure projects. Recognised by Engineers Australia in 2009 as one of Australia's 100 most Influential Engineers and has been awarded the River Murray Water Medal by the Murray-Darling Basin Authority.	Director of Australian Dams & Water Consultants Pty Ltd Director of Eungella Water Pipeline Pty Ltd Director of North West Queensland Water Pipeline Pty Ltd	Nil	Chair of Project and Investment Committee (from 1 January 2023) Member of Audit and Risk Committee Chair of Risk Committee (to 31 December 2022)

Peter Scott, Director – Non-Executive

DipBus, BBus, MPA, MBA, FCPA, GAICD

Appointment	Experience and expertise	Other current directorships	Former directorships in last three years	Special responsibilities
Appointed 1 January 2023 Term of appointment to 30 September 2025	A financial expert with experience in executive management in local government and the energy sectors. Recent roles include Chief Financial Officer and Acting Chief Executive Officer.	Director of: LGIAsuper trustee, trading as Brighter Super Ergon Energy Corporation Limited Energex Limited Ergon Energy Queensland Pty Ltd Yurika Pty Ltd Metering Dynamics Pty Ltd Ergon Energy Telecommunications Pty Ltd Sparq Solutions Pty Ltd Varnsdorf Pty Ltd VH Operations Pty Ltd		Chair of Audit and Risk Committee (from 1 January 2023) Member of Project and Investment Committee (from 1 January 2023)

Jane Williams, Director – Non-Executive

AICD

Appointment	Experience and expertise	Other current directorships	Former directorships in last three years	Special responsibilities
Appointed 1 October 2020 Term of appointment to 30 September 2023	Experience working in rural and regional Queensland, and with strong qualifications and long-term experience in serving and leading boards.	<p>Chair of Central West Hospital and Health Service (Statutory Authority)</p> <p>Director of RFDS Foundation Limited</p> <p>Director of CheckUP Australia Limited (Not for Profit)</p> <p>Director of Health Workforce Qld Limited (Not for Profit)</p> <p>Director of Health and Wellbeing Qld (Statutory Body)</p> <p>Director of Burnett Water Pty Ltd</p>	Nil	Member of Safety, People and Environment Committee (formerly Safety and Culture Committee)

Vanessa Sullivan, Director – Non-Executive (to 30 September 2022)

BEd (Hons), GradDip (AppFin), GAICD

Appointment	Experience and expertise	Other current directorships	Former directorships in last three years	Special responsibilities
Appointed 15 December 2016	Experience in the water, energy, zero emissions and sustainability sectors at both board and executive levels.	Director of AGL Limited (from 1 March 2022)	Nil	Chair of Audit Committee (to 30 September 2022)
Re-appointed 1 October 2019		Director of Eco-Markets Australia Limited		Member of Risk Committee (to 30 September 2022)
Term of appointment concluded 30 September 2022	Climate change leader and a utilities leader for a big four professional services firm, founder of a renewable energy and storage development business, and a commercial and financial lead for significant market reforms in both the water and energy sectors.	Director of Niche Environment and Heritage Pty Ltd		
		Director of Essential Energy (Statutory Body)		
		Director of Bircher Capital Pty Ltd		

Sunwater

Secretaries

Julie Tealby (BBus, CPA, FGIA, FCIS, MAICD) was appointed Company Secretary on 30 January 2021 and was previously Alternative Secretary from 22 May 2018. 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.

Brie Weatherstone (LLB, BCom (Finance), MBA) was appointed Alternate Secretary on 23 May 2023. Brie is the General Counsel of Sunwater with oversight of legal, insurance, property, risk and resilience functions, and has been a member of the Sunwater team since 2015. Brie is an experienced legal practitioner with top tier private practice and in-house experience at two Queensland water entities. Brie has extensive experience in areas of law ranging from Australian and Queensland government advisory, corporate and commercial, property, construction, resources and infrastructure, and commercial litigation.

Kate Wright (LLB (Hons), Grad Dip Legal Prac, BA Arts) was appointed Alternate Secretary on 1 February 2021 and concluding on 16 December 2022. Kate was the General Counsel of Sunwater until 16 December 2022 and a member of the Sunwater legal team since 2013. Kate managed the 2011 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

Meetings of Directors

During the year the Sunwater Board undertook a realignment of board committees to link to core strategy and business functions to ensure appropriate governance oversight. The board has established three committees:

- Audit and Risk Committee (previously Audit Committee and Risk Committee)
- Safety, People and Environment Committee (previously Safety and Culture Committee)
- Project and Investment Committee.

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 and Risk Committee Meetings (previously Audit Committee and Risk Committee)		Safety, People and Environment Committee (previously Safety and Culture Committee)		Project Investment Committee	
	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾	Attended	Held ⁽¹⁾
Lisa Caffery	12	12	7	7	3	3	2	2
Peter Scott	6	6	2	2	-	-	2	2
Stuart Armitage	10 ⁽³⁾	12	4 ⁽³⁾	5	-	-		
Leeha James	11	12	-	-	3	3		
David Stewart	12 ⁽²⁾	12	5	5	-	-	2	2
Vanessa Sullivan	3	4	3	3	-	-		
Jane Williams	11	12	-	-	3	3		

- Not a member of the relevant committee.

(1) Number of meetings held during the time the Director held office or was a member of the committee during the year.

(2) The board meeting on 27 October 2022 had Agenda Items 1.1-8.3. David Stewart attended part of the meeting to Agenda Items 3.1.

(3) Stuart Armitage was an apology for the out of session Board and Audit Committee meetings held on 31 August 2023.

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 2022, 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.

Jacques Coetzee

Jacques Coetzee
as delegate of the Auditor-General
Queensland Audit Office Brisbane
17 August 2023

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 17.

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 2023

	Notes	2023 \$'000	2022 \$'000
Revenue from contracts with customers	1	358,565	351,410
Other income	2	6909	4010
Total revenue and other income		365,474	355,420
Expenses			
Operating expenditure	3A	(253,833)	(186,648)
Employee benefits	3B	(71,034)	(60,028)
Depreciation and amortisation	10,11,12	(47,880)	(45,704)
Impairment of assets	10,11	(132,386)	(64,217)
Loss on disposal of assets		(29)	(1)
Operating (loss)/profit		(139,688)	(1,178)
Finance costs		(15,099)	(12,688)
Profit/(loss) before income tax		(154,787)	(13,866)
Income tax credit	4	2260	31,952
Profit/(loss) for the year		(152,527)	18,086
Other comprehensive income		-	-
Total comprehensive income/(expense) for the year		(152,527)	18,086

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 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	50,374	56,577
Trade and other receivables	6	166,754	126,943
Inventories	25	3,473	3,335
Assets held for distribution	25	244	282
Total current assets		220,845	187,137
Non-current assets			
Property, plant and equipment	10	653,549	734,059
Right-of-use assets	12	20,086	19,451
Intangible assets	11	9,774	28,370
Total non-current assets		683,409	781,880
Total assets		904,254	969,017
LIABILITIES			
Current liabilities			
Trade and other payables	7	49,346	37,376
Provisions	14	147,540	74,347
Lease liabilities	12	4,903	4,338
Other current liabilities	13	50,423	35,017
Total current liabilities		252,212	151,078
Non-current liabilities			
Provisions	14	1,680	8,617
Borrowings	8	369,053	369,071
Lease liabilities	12	19,325	19,050
Other non-current liabilities	13	115,867	123,077
Total non-current liabilities		505,925	519,815
Total liabilities		758,137	670,893
Net assets		146,117	298,124
EQUITY			
Contributed equity	16	236,867	236,347
Retained earnings		(90,750)	61,777
Total equity		146,117	298,124

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 2023

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2021		236,347	43,691	280,038
Total comprehensive expense for the year		-	18,086	18,086
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	15	-	-	-
Balance at 30 June 2022		236,347	61,777	298,124
Total comprehensive income for the year		-	(152,527)	(152,527)
Transactions with owners in their capacity as owners:				
Equity funding		520	-	520
Dividends provided for or paid	15	-	-	-
Balance at 30 June 2023		236,867	(90,750)	146,117

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 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		341,533	364,479
Payments to suppliers and employees		(267,225)	(474,322)
Net receipts		74,308	(109,843)
Rookwood Weir project funding		10,001	8398
Government grants		11,440	13,242
Community service obligations received		24,405	21,788
Interest received		162	113
Income taxes received/(paid)		(2,996)	35,590
GST recovered		18,142	10,768
Net cash inflow from operating activities	5	135,462	(19,944)
Cash flows from investing activities			
Payments (to)/from advance facility	6	(51,559)	25,017
Payments for property, plant and equipment		(75,485)	(50,162)
Interest received		4603	626
Proceeds from sale of property, plant and equipment		149	64
Net cash (outflow) from investing activities		(122,292)	(24,455)
Cash flows from financing activities			
Dividends paid		-	(10,405)
Drawdown of borrowings	8	-	85,000
Equity funding		520	-
Interest paid	8	(13,233)	(11,059)
Principal elements of lease payments	12	(5462)	(4278)
Interest paid on leasing liabilities	12	(1180)	(1031)
Repayments of borrowings	8	(18)	213
Net cash (outflow) from financing activities		(19,373)	58,440
Net (decrease) increase in cash and cash equivalents		(6203)	14,041
Cash and cash equivalents at the beginning of the financial year		56,577	42,536
Cash and cash equivalents at the end of the financial year	5	50,374	56,577

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 2023

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 Group 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 2022, except for if there is a practical impediment, in which case management will provide further disclosure.

Going concern

Having reviewed 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 to 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 18 months from the signing of the financial statements.

To assist Sunwater in managing its going concern assumption, on 5 June 2023, Queensland Treasury Corporation (QTC) provided Sunwater with a limited waiver letter in respect of its performance ratio, maintenance of a ratio of earnings before interest, tax, amortisation and impairment (EBITDA(I)) to Interest. This waiver will remain in place until 1 July 2024 unless otherwise agreed to in writing between the parties.

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 to the financial statements.

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. Significant judgements include:

- Recovery of deferred tax assets – refer note 4
- Key assumptions in impairment testing – refer note 10
- Indefinite lives of intangible assets – refer note 11
- Recognition of provisions – refer note 14.

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:

Table 1.1. Revenue for major business activities

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 offtake.	Recognised over time as water is delivered.
Irrigation water distribution services	Delivery of water through water supply scheme assets to a customer's offtake.	Recognised 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.	Permanent allocation sales are recognised at a point-in-time on completion and execution of a contract. Leased or Term allocations are recognised over the water year evenly as the water is made available. All other water allocations granted free of charge are recognised, when granted, at fair value which is nominal cost (\$1).
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.
Rookwood Weir project funding	Specific obligations, where Sunwater is acting as principal contractor, as outlined in a funding arrangement for it to carry out design, development, construction and commissioning.	Falls within scope of AASB 15 Revenue from Contracts with Customers and recognised over time, reflecting the pattern of costs incurred.
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.

	2023	2022
	\$'000	\$'000
Revenue from contracts with customers		
Industrial water distribution services	222,355	226,163
Irrigation water distribution services ⁽¹⁾	49,224	42,304
Urban water distribution services	15,276	14,266
Drainage	1,094	1,051
Water allocations revenue	25,645	21,720
Consulting and facilities services revenue	5,720	3,895
Rookwood Weir project funding ⁽²⁾	4,409	3,448
Grants	11,440	13,242
Community service obligation - irrigation	16,800	18,996
Community service obligation - urban (Cloncurry)	6,602	6,325
Total revenue from contracts with customers	358,565	351,410

(1) Irrigation revenue reflects the Queensland Government's price direction. Any difference between cost-reflective and irrigation prices set by the Queensland Government via the Rural Water Pricing Direction Notice will be made up by the Queensland Government via a Community Service Obligation (CSO) payment.

(2) Rookwood Weir project funding is to Sunwater, acting in its capacity as principal to the delivery of the Rookwood Weir project. Revenue is in respect of specific activities to undertake design and construction of the weir and ancillary works near Rockhampton. The funding is received at development milestones and revenue is recognised over time, reflecting the pattern of costs incurred. Revenue is not recognised in respect of weir construction, as Sunwater is acting as an agent of the Queensland Government for that element of the project, except for when Sunwater is providing a service.

Table 1.2. Disaggregation of revenue from contracts with customers

	Industrial customers	Irrigation customers	Urban water	Drainage	Water allocations	Consulting and facilities services revenue	Government (Rookwood Weir, grants and CSOs)	Total
2023								
Timing of revenue recognition:								
At a point-in-time	44,998	7,583	3,257	-	7,283	5,720	-	68,841
Over time	177,357	41,641	12,019	1,094	18,362	-	39,251	289,724
Total	222,355	49,224	15,276	1,094	25,645	5,720	39,251	358,565
Number of customer contracts	533	4,409	146	122	78	37	6	5,331
2022								
Timing of revenue recognition:								
At a point-in-time	59,834	3,008	2,770	-	5,223	3,895	-	74,730
Over time	166,329	39,295	11,496	1,051	16,498	-	42,011	276,680
Total	226,163	42,303	14,266	1,051	21,721	3,895	42,011	351,410
Number of customer contracts	502	4,512	143	128	75	35	2	5,397

Note 2: Other income

	2023	2022
	\$'000	\$'000
Proceeds from insurance	-	980
Interest income	5179	740
Rent received	72	141
Gain on disposal of non-current assets	149	64
Fees and other income	1509	2085
Total other income	6909	4010

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

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

Note 3: Expenses

A. Operating expenditure

	2023	2022
	\$'000	\$'000
Contracted services	184,655	113,060
Electricity	23,710	23,675
Insurance	14,337	12,983
Materials, plant hire and fleet	11,252	8754
Legal services	1962	2011
Telephone and data lines	1986	2392
Travel and accommodation	3321	1699
Rates and land tax	3030	2514
ICT equipment and software	10,550	7604
Corporate and administrative expenses	(970)	11,956
Total operating expenditure	253,833	186,648

Contracted services include an increase in the provision of \$117.4 million for the Rookwood Weir project (2022 - \$66.4 million) (refer note 14).

Corporate and administrative services include the reversal of a provision against invoiced trade receivables of \$7.6 million that was taken up in 2022.

B. Employee benefits

	2023	2022
	\$'000	\$'000
Salaries and allowances	49,540	42,977
Annual leave, banked time and time off in lieu (TOIL)	6075	4804
Long service leave expenses	1522	1220
Employer superannuation contribution	7635	5586
<i>Employee-related expenses</i>		
Workers' compensation premium	233	417
Payroll tax	3517	2977
Other employee-related expenses	2512	2047
Total employee benefits	71,034	60,028

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 to employees 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.

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 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 recognised for deductible temporary differences and unused tax losses only when sufficient future taxable profits will probably be available to use for 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

	2023 \$'000	2022 \$'000
Income tax equivalents (credit)/expense		
Current tax equivalents expense	-	2260
Adjustments of current tax for prior periods*	(2260)	(34,212)
	(2260)	(31,952)
Income tax equivalents (credit)/expense is attributable to:		
Profit from continuing operations	(2260)	(31,952)

**Adjustments for prior years*

During 2022–23, Sunwater identified an unclaimed Division 40F deduction in relation to its irrigation assets. Sunwater will amend its NTER returns for the year ended 30 June 2019, 30 June 2020 and 30 June 2021, which will generate tax losses to be claimed in income year ended 30 June 2022, effectively reversing the income tax expense raised in the previous year.

In January 2022, the Australian Tax Office made an amendment to the temporary loss carry back rules and their application was extended to the National Tax Equivalent Regime (NTER) corporate tax entities, allowing NTER entities to choose to carry back a tax loss incurred in the year ended 30 June 2021 against an income tax liability for the income year ended 30 June 2019 and/or 30 June 2020 to generate a refundable tax offset.

Sunwater elected to apply the loss carry-back offset in the income tax return for the year ended 30 June 2021, resulting in a refundable loss carry-back offset of \$34.21 million in financial year 2022.

(ii) Reconciliation of income tax expense

	2023 \$'000	2022 \$'000
Loss before income tax	(154,787)	(13,866)
Tax expense at the Australian rate of 30% (2022:30%)	(46,436)	(4160)
Non-deductible entertainment	10	8
Sundry items	20	12
Non-deductible provisions	-	21
Prior year (over) provision	(2260)	-
Previously unrecognised tax losses now recouped	(1677)	(48,295)
De-recognition of temporary differences	48,083	20,462
	(2260)	(31,952)
Income tax (credit)/expense		
Current tax	(2260)	(31,952)
Deferred tax	-	-
	(2260)	(31,952)

(iii) Movement in deferred tax balances

	Net balance at 1 July \$'000	Adjustments*	Adjusted 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
2023							
Employee benefits	1677	-	1677	173	1850	1850	-
Property, plant and equipment	10,615	(6759)	3856	29,852	33,708	33,708	-
Provisions	22,982	-	22,982	18,153	41,135	41,135	-
Leases	1182	-	1182	60	1242	1242	-
Other	(1911)	35	(1876)	(156)	(2032)	21	(2053)
Tax losses	-	4464	4464	(1677)	2787	2787	-
Deferred tax assets/ (liabilities) before set off	34,545	(2260)	32,285	46,405	78,690	80,743	(2,053)
Set off DTL against DTA	-	-	-	-	-	(2053)	2053
De-recognition	(34,545)	2260	(32,285)	(46,405)	(78,690)	(78,690)	-
Net Tax Assets	-	-	-	-	-	-	-

*Adjustment to opening balance primarily relate to amendments to be lodged to prior year returns in respect of unclaimed irrigation water provider deductions.

	Net balance at 1 July \$'000	Adjustments*	Adjusted 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
2022							
Employee benefits	1501	-	1501	176	1677	1677	-
Property, plant and equipment	4799	1156	5955	4660	10,615	10,615	-
Provisions	7208	67	7275	15,707	22,982	22,982	-
Leases	1105	(57)	1048	134	1182	1182	-
Other	(1720)	24	(1,696)	(215)	(1911)	50	(1961)
Deferred tax assets/ (liabilities) before set off	12,893	1190	14,083	20,462	34,545	36,506	(1961)
Set off DTL against DTA	-	-	-	-	-	(1961)	1961
De-recognition	(12,893)	(1,190)	(14,083)	(20,462)	(34,545)	(34,545)	-
Net Tax Assets	-	-	-	-	-	-	-

*Adjustment to opening balance is to adjust for a true up that was processed through the income tax expense in 2021 but did not get disclosed in 2021 movement in deferred tax balances below.

(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.

	2023	2023	2022	2022
	\$'000	\$'000	\$'000	\$'000
	Gross Amount	Tax effect	Gross Amount	Tax effect
Deductible temporary differences	253,011	75,903	115,149	35,545
Unused tax losses	9290	2787	-	-
	262,301	78,690	115,149	35,545

Unused tax losses can be recovered against future taxable income and 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.

	2023	2022
	\$'000	\$'000
Cash at bank and on hand	9484	25,880
Deposits at call	16,239	16,482
Cash at bank and on deposit	25,723	42,362
Cash held as security	24,651	14,215
Cash and cash equivalents	50,374	56,577

Deposits at call is surplus cash of the Group's subsidiaries held with Queensland Treasury Corporation in Cash Funds and is available for withdrawal at call subject to notification requirements. Sunwater's surplus cash is held in the Queensland Government's cash pooling arrangement, the GOC Advance Facility (refer note 6), which at 30 June 2023 held \$125.83 million (2022 - \$74.27 million).

Cash held as security is subject to repayment on call by customers, subject to meeting the obligations under their respective agreements (refer note 13), and therefore is not available for general use by the Group.

At 30 June 2023, the Group held cash of \$4.62 million in relation to the Rookwood Weir water sales (2022 - \$4.50 million for water sales and \$89.66 million in relation to the Rookwood Weir construction project which has been fully utilised during 2023). This cash has been determined to be held on trust for the Queensland Government and has therefore not been recognised in these financial statements as cash at bank and in hand.

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

	2023	2022
	\$'000	\$'000
Profit/(loss) for the year	(152,527)	18,086
Depreciation and amortisation	47,880	45,704
Impairment of assets	132,386	64,217
Bad and doubtful debts	(7500)	7545
Net (gain)/loss on disposal of non-current assets	(121)	(63)
Interest received	(5018)	(626)
Interest paid	13,233	11,060
Interest on lease liabilities	1180	1031
Change in assets and liabilities:		
(Increase) in inventories	(138)	(645)
(Increase)/decrease in deferred tax assets	(1219)	905
Decrease in receivables and other assets	9610	31,403
Increase/(decrease) in trade and other payables	22,414	(243,575)
Increase in provisions	68,590	45,481
Increase/(decrease) in deferred revenue	7807	(1896)
(Decrease)/increase in income tax payable	(2334)	2,334
Increase/(decrease) in deferred tax liabilities	1219	(905)
Net cash inflow from operating activities	135,462	(19,944)

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.

	2023	2022
	\$'000	\$'000
Trade receivables		
Trade receivables	11,231	28,074
Accrued revenue	24,104	28,892
Loss provision	(655)	(8,155)
	34,680	48,811
Other receivables		
Advance facility	125,830	74,271
Prepaid income tax	2922	-
GST receivable 'net'	3054	2964
Pre-payments	268	897
	132,074	78,132
Trade and other receivables	166,754	126,943

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 reflects water delivered to 30 June 2023 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. Where there is a specific risk, the Group has reviewed the possible outcomes and applied an expected value to the likely credit position.

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:

	2023	2022
	\$'000	\$'000
At 1 July	8155	610
Allowances reversed	(7600)	-
Allowances added	100	7545
Carrying amount at 30 June	655	8155

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. 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 Corporation (QTC). QTC pays interest on these advances at the QTC Cash Fund rate which averaged 3.35 per cent in 2022-23 (0.64 per cent 2022).

During 2022-23 \$51.56 million cash was advanced to the facility (2022 - \$25.02 million drawn) 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.

	2023	2022
	\$'000	\$'000
Trade creditors	6448	4616
Other creditors and accruals	42,898	32,760
	49,346	37,376

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 2023 (2022 - \$nil capitalised). Other borrowing costs are expensed.

	2023	2022
	\$'000	\$'000
Unsecured		
QTC loan	369,053	369,071
	369,053	369,071
Represented by:		
Current	-	-
Non-current	369,053	369,071
	369,053	369,071

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 approved borrowing program. No borrowings were drawn during the year (2022 - \$85 million) from the approved state borrowing program for 2022-23 of \$40 million (2022 - \$105 million).

The Group monitors capital on the basis of agreed financial covenants (EBITDA Debt Service Coverage Ratio and Total Debt to Total Capital Ratio). During 2023, QTC provided Sunwater with a limited waiver letter in respect of one of its covenant performance ratios. The waiver will remain in place until 1 July 2024 unless otherwise agreed in writing between the parties.

The Group 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 2023 (2022 - 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

	2023		2022	
	Carrying amount \$000	Fair value \$000	Carrying amount \$'000	Fair value \$000
Borrowings	369,053	343,465	369,071	348,246

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 (including currency risk, interest rate risk and price risk), credit 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 2022–23, the Group had no significant exposure to foreign exchange risk and did not enter any derivative contracts to hedge its foreign exchange risk exposure.

Price risk

During 2023, the Group had exposure to price risk due to sharp fluctuations in commodity prices across the world due to supply chain disruption, inflation and material shortages which have put pressure on prices and have directly impacted the cash flows of the major projects of the Group.

The Group is also exposed to pricing risk due to regulated water prices that are set by the Queensland Government. This risk is managed through an impact assessment when prices change, which is then discussed with the Queensland Government.

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	2023 interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and advance facility	176,204	(1498)	(1498)	1498	1498
QTC borrowings	369,053	3546	3546	(3546)	(3546)
Overall effect on profit and equity		2048	2048	(2048)	(2048)

Financial Instruments

	Carrying amount \$'000	2022 interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Cash and advance facility	130,848	(1439)	(1439)	1439	1439
QTC borrowings	369,071	2864	2864	(2864)	(2864)
Overall effect on profit and equity		1425	1425	(1425)	(1425)

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 arrangements (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 over 180 days which is greater than 90 per cent of the total balance due, 100 per cent expected credit loss is provided across all ageing brackets.

No provision is taken up for government customers unless there is no reasonable expectation of a full recovery.

Historic default rates are applied to the remainder of balances.

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 over an extended period. On the above basis the expected credit loss for trade receivables as at 30 June 2023 and 30 June 2022 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	8983	709	37	197	225	1200	11,351
Amount provided at 100%	4	8	3	5	22	609	651
Remaining carrying value of trade receivables	8979	701	34	192	203	591	10,700
Expected credit loss rate	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%
Amount provided	-	2	-	-	1	1	4
Total provided 30 June 2023	4	10	3	5	23	610	655
Carrying value of trade receivables	24,388	374	275	14	218	2821	28,090
Amount provided at 100%	3	8	2	2	6	526	547
Amount provided at 50%	7600	-	-	-	-	-	7600
Remaining carrying value of trade receivables	16,785	366	273	12	212	2295	19,943
Expected credit loss rate	0.59%	0.59%	0.59%	0.59%	0.59%	0.59%	
Amount provided	-	2	1	-	2	3	8
Total provided 30 June 2022	7603	10	3	2	8	529	8155

In 2022–23, 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 2023 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	2023 \$'000	2022 \$'000
Cash at bank and at call invested in Australian institutions rated AA- or higher *	5	50,373	56,576
Other cash and cash equivalents	5	1	1
Receivables – current	6	34,680	48,811
		85,054	105,388

**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 always available to meet commitments.

The Group had an approved borrowing program of \$40 million, of which it drew down \$nil in the year. Access to this approved borrowing program continues to be made available by QTC and drawdowns are determined through the State Borrowing Program and adherence to covenant requirements. In 2023, the Group has a rolling working capital facility of \$50 million with QTC. This facility was not drawn on during 2023 (2022 – \$nil) but operates as an overdraft used to cover temporary funding shortfalls, and is repayable on demand. On 30 June 2023, the Group received approval from QTC to increase the working capital facility by \$100 million in financial year 2024.

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.

	Carrying amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000	Total cash flows (contractual) \$'000
2023					
Payables	49,346	49,346	-	-	49,346
Borrowings*	369,053	11,993	48,240	368,147	428,380
Leases	24,228	5,992	17,708	3,826	27,526
Deposits payable	24,652	18,348	6,304	-	24,652
	467,279	85,679	72,252	371,973	529,904
2022					
Payables	37,376	37,376	-	-	37,376
Borrowings*	369,071	11,267	45,001	368,147	424,415
Leases	23,388	5,317	15,634	5,869	26,820
Deposits payable	14,215	7,911	6,304	-	14,215
	444,050	61,871	66,939	374,016	502,826

**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 based on 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, however they are subject to impairment testing.

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

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 such as manufacturer's specifications, engineering life, climatic conditions, geographic conditions and contractual life. Many of the Group's water infrastructure assets have very long design lives.

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

Asset class	Depreciation rate
Land	Land is not depreciated
Buildings and land improvements	0.67 to 20 per cent [5 – 150 years]
Plant and equipment	6.67 to 33.33 per cent [3 – 15 years]
Water infrastructure	0.5 to 10 per cent [10 – 200 years]

Impairment of property, plant and equipment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, including assets under construction to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated using a value in use calculation to determine the extent of the impairment loss (if any). Where the individual asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Determination of cash-generating units

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 and pipelines are regarded as a cash generating unit. Each hydro-electricity generating station is regarded as a cash generating unit.

Circumstances that have led to the recognition and reversal of impairment losses

In assessing the value-in-use (recoverable amount) of the water infrastructure assets, the net present value of future cash flows is determined for each cash generating unit, requiring key estimates and assumptions to be made about the future.

The Group does not recover its full costs under the Queensland 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.

Additionally, the Dam Improvement Program is a significant investment in the assets of the Group. Cashflows have been included that represent the ongoing cost of delivering these projects, leading to value in use calculations for those assets being negative, resulting in impairment of the carrying value of assets and allocated corporate assets in those schemes.

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

Input	Impact of asset valuation	Infrastructure CGUs 30 June 2023	Infrastructure CGUs 30 June 2022
Discount rate	Value in use would be expected to increase as the discount rate decreases	Pre-tax WACC range between 6.1 and 10.3 per cent	Pre-tax WACC 8.9 per cent
CPI rate	Value in use would increase as CPI increases	Long term RBA published CPI	Long term RBA published CPI
Cash-flow period	Value in use would increase as period of discounting increases	5 years (with an estimate of terminal value)	Ranges between 10 and 25 years
Cash flows		Cash flows are sourced from the board approved five-year Corporate Plan	Cash flows are sourced from the board approved five-year Corporate Plan
Regulated revenue	Value in use would increase if future regulated revenue increases	QCA irrigation cost-reflective pricing including any additional discounts set by Queensland Government	QCA irrigation cost-reflective pricing including any additional discounts set by Queensland Government
Community Service Obligation (CSO)	Value in use would increase if future CSO increases	CSO agreement to continue in perpetuity	CSO recognised for period of agreement

Significant inputs to impairment testing

The significant judgement and key estimate assumptions and inputs in the Group's discounted cashflow model are tabled below.

Key estimates and judgments

Management uses five-year cash flows which they believe reflect the operational and capital requirements of the business. Within those cash flows there are significant assumptions about activities and their related cash flows, both revenue and cost. Material changes in those assumptions – e.g. Sunwater has included community service obligations in the perpetuity calculation – would have a reasonably significant impact on the impairment outcome.

Cashflows for a five-year period are used, which is a change from previous periods. Management is of the opinion that the longer periods used did not materially improve the outcome of the impairment test and increased risk due to the inherent risk of forecasting for longer time horizons.

Management selects a pre-tax WACC rate that reflects the funding profile and the risks related to the business – a significant change in that assumption would have an impact on the Value in Use. This is reflected in the sensitivity analysis following.

The terminal value, calculated using the Gordon growth model, contributes a material proportion of the value in use of cash generating units. Management have selected growth rates that do not exceed long-term inflation growth for its irrigation assets, and for pipelines have selected a growth rate of zero. The lower growth rate reflects that these assets tend to have lower growth potential due to their customer base. An indication of sensitivity to changes in growth rates follows.

Sensitivity Analysis

Sensitivity analysis is undertaken on the impact of changes in the significant factors and key assumptions, including weighted average cost of capital (WACC) on the impairment charge.

Nogoa Mackenzie Water Supply system is the most sensitive to changes in all assumptions. It offers an impairment range of positive \$14.8 million to negative \$8.8 million for a change of +/- 1% in WACC, and negative \$5.9 million to positive \$2.6 million for a change of +/- in terminal growth rate.

No other cash generating unit is sensitive to movements of WACC or terminal growth rate that would impact impairment.

An increase in the terminal growth rate in respect of pipelines by 1% leads to an increase of \$371 million in the Value in Use of those assets.

Movements

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

	Land \$'000	Buildings and improvements \$'000	Plant and equipment \$'000	Water infrastructure \$'000	Work in progress \$'000	Total PPE \$'000
At 1 July 2021						
Cost	7084	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	7084	11,784	2765	703,498	70,182	795,313
Year ended 30 June 2022						
Additions	-	-	-	-	56,435	56,435
Disposals	-	-	-	(1)	-	(1)
Transfer between classes	-	151	1278	36,967	(38,396)	-
Transfer to intangibles	-	-	-	-	(9344)	(9344)
Transfer to P&L expense*	-	-	-	-	(6842)	(6842)
Assets held for distribution	-	-	-	(92)	-	(92)
Depreciation expense	-	(446)	(974)	(35,888)	-	(37,308)
Impairment (loss)	-	-	-	(39,521)	(24,581)	(64,102)
At 30 June 2022						
Cost	7,084	17,174	15,891	1,491,663	208,074	1,739,886
Accumulated depreciation	-	(5685)	(12,301)	(439,482)	-	(457,468)
Accumulated impairment	-	-	(522)	(387,218)	(160,619)	(548,359)
Net book amount	7,084	11,489	3,068	664,963	47,455	734,059
Year ended 30 June 2023						
Additions	-	-	-	-	75,204	75,204
Disposals	(2)	(56)	(29)	(2)	-	(89)
Transfer between classes	1868	101	1693	104,064	(107,726)	-
Transfer to intangibles	-	-	-	-	(20)	(20)
Assets held for distribution	-	-	-	38	-	38
Depreciation expense	-	(444)	(1141)	(36,487)	-	(38,072)
Impairment (loss)	-	-	(3591)	(16,247)	(97,733)	(117,571)
Transfer between classes (impairment)	-	-	-	(98,861)	98,861	-
At 30 June 2023						
Cost	8950	17,219	17,559	1,595,670	175,531	1,814,929
Accumulated depreciation	-	(6129)	(13,446)	(475,875)	-	(495,450)
Accumulated impairment	-	-	(4113)	(502,326)	(159,491)	(665,930)
Net book amount	8,950	11,090	-	617,469	16,040	653,549

**In 2022, the Group reviewed all cloud-based arrangements held as PPE and de-recognised any configuration or customisation expenditure. In addition, some work in progress projects were reviewed and expensed.*

Impairment: Cash-generating units

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

	2023 Loss/ (Reversed) \$000	2023 Recoverable amount \$000	2022 Loss/ (Reversed) \$000	2022 Recoverable amount \$000
Nogoa Mackenzie Water Supply Scheme	(69)	42,805	6,347	40,502
This CGU includes Fairbairn Dam and Blackwater Pipeline. No material impact in 2023				
Boyne River and Tarong Water Supply Scheme	9678	4393	3446	8343
This CGU includes all the water infrastructure assets in the scheme, including Boondooma Dam and Tarong Pipeline. This is driven by the allocation of corporate assets to this scheme and higher expected renewals expenditure.				
Mareeba-Dimbulah Water Supply Scheme*	2628	-	32,548	-
Bundaberg Water Supply Scheme*	4252	-	494	-
Upper Condamine Water Supply Scheme*	5853	-	(5002)	6238
Burdekin Haughton Water Supply Scheme*	5452	-	686	-
*The impairment write down is primarily due to impairing current year capital expenditure and allocated corporate assets. This occurs on schemes where water charges are at a lower bound price and are not sufficient to hold the carrying value of the scheme assets.				
Other cash generating units	7183	-	1002	-
Total	34,977		39,521	

Impairment: Work in progress

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

	Loss/(Reversed)	Recoverable amount
	\$'000	\$'000
At 30 June 2023		
Paradise Dam improvements	34,300	-
Burdekin Falls Dam improvements	1015	-
Burdekin Falls Dam raise	27,657	-
Corporate assets allocated to work in progress	20,663	-
Other asset under construction projects	14,098	-
Total	97,733	-

The impairments reflected above are due to the investment that Sunwater must make in its named infrastructure assets to ensure that it meets current safety requirements.

Other asset under construction projects include schemes where the revenue water charges are at a lower bound price which is not sufficient to hold the carrying value of the scheme assets.

The carrying value of corporate assets has been allocated across all cash generating units and where the value in use calculation does not support that carrying value the allocated assets have been impaired. This is consistently used in water supply and distribution systems.

	Loss/(Reversed)	Recoverable amount
	\$'000	\$'000
At 30 June 2022		
Paradise Dam improvements	22,774	-
Burdekin Falls Dam improvements	4282	-
Coolmunda Dam improvements*	(962)	-
Leslie Dam improvements	22	-
Teemburra Dam improvements*	(1535)	-
Total	24,581	-

**Coolmunda and Teemburra dam improvement works were impaired in previous years. However, in 2021-22 these impairments were reversed and the work in progress balances resulting were expensed to the income statement.*

Note 11: Intangible assets

Accounting policy

Software

Software is a combination of acquired and developed software 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 10 years.

Software as a Service (SaaS)

The purchase of a cloud-based software, where there is a contractual right to take possession of the software at any time within the hosting period and it is feasible to run the software on Sunwater's own hardware, is treated as an intangible asset.

The purchase of a cloud-based software under a hosting arrangement, where there are no contractual or legal rights to the specific asset and the rights are to access the supplier's application, are treated as an operating expense.

Configuration and customisation of the SaaS product – which may involve significant custom coding, setting of various flags or switches, or defining parameters within the application software's existing code to function in a specified way – is treated as an operating expense.

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 at 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 by Queensland Government.

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 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 at 1 July 2021	13,580	8	9,225	22,813
Movements in financial year				
Transfer from work in progress	9343	-	-	9,343
Amortisation expense	(3671)	-	-	(3671)
Impairment (loss)	-	-	(115)	(115)
At 30 June 2022				
Cost	54,582	8	58,147	112,737
Accumulated amortisation	(34,970)	-	-	(34,970)
Accumulated impairment	(359)	-	(49,038)	(49,397)
Net book amount at 30 June 2022	19,253	8	9109	28,370
Movements in financial year				
Transfer from work in progress	20	-	333	353
Amortisation expense	(4134)	-	-	(4134)
Impairment gain/(loss)	(15,139)	-	324	(14,815)
At 30 June 2023				
Cost	54,602	8	58,480	113,090
Accumulated amortisation	(39,104)	-	-	(39,104)
Accumulated impairment	(15,498)	-	(48,714)	(64,212)
Net book amount at 30 June 2023	-	8	9766	9774

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:

- Recognises 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.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statement of Comprehensive Income.
- Separates the total amount of cash paid into the principal portion and interest in the Consolidated Statement of Cashflow.
- Recognises 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 \$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 properties from which it operates, including the head and regional offices. 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 2023	No. of right-of-use assets leased	Range of terms	Average remaining lease term	Extension options
Brisbane head office	3	4 to 10 years	5.2 years	Yes
Regional offices and premises	7	4 to 11 years	4.4 years	Yes
Light and heavy fleet	192	1 to 7 years	1.5 years	Modifiable
Plant and equipment	1	3 years	2.3 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 2021				
Additions	2932	2939	-	5871
Disposals	-	(5)	-	(5)
Depreciation expense	(2040)	(2579)	(106)	(4725)
At 30 June 2022				
Cost	21,162	9,910	354	31,426
Accumulated depreciation	(5910)	(5746)	(319)	(11,975)
Net book amount	15,252	4164	35	19,451
At 1 July 2022				
Additions	2310	3796	257	6363
Disposals	(51)	(3)	-	(54)
Depreciation expense	(2656)	(2926)	(92)	(5674)
At 30 June 2023				
Cost	23,080	12,682	257	36,019
Accumulated depreciation	(8225)	(7651)	(57)	(15,933)
Net book amount	14,855	5031	200	20,086

Lease liabilities

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

	2023	2022
	\$'000	\$'000
Current	4903	4338
Non-current	19,325	19,050
	24,228	23,388

The total cash outflow for leases during 2022–23 was \$6.64 million (2021–22 \$5.29 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

	2023	2022
	\$'000	\$'000
Interest on lease liabilities	1180	1031
Expenses relating to short-term leases and low value assets	3069	2712
	4249	3743

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.

	2023 \$'000	2022 \$'000
Current		
Income received in advance	32,026	27,063
Deposits payable	18,348	7911
Other	49	43
	50,423	35,017
Non-current		
Income received in advance	109,564	116,773
Deposits payable	6303	6304
	115,867	123,077

Deposits payable

Deposits payable are securities paid by customers for supply contracts with Sunwater and are refundable at the completion of the contract (refer note 5).

Income received in advance

Income received in advance consists of advance payments of \$141.59 million, split between current and non-current and being amortised over the life of the contracts to which they relate.

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 constructive obligation resulting from a past event; and
- there is a probable outflow of resources required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Where there is uncertainty around the timing or amount, the matter 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 beyond one year.

	2023 \$'000	2022 \$'000
Current		
Compensation for handover of assets	6600	6591
Contract provision	134,384	59,416
Employee benefits	6437	5590
Income tax	-	2334
Legal costs	119	416
	147,540	74,347
Non-Current		
Bridge demolition	1500	1500
Contract provision	-	6937
Make good commitments on leases at the end of their term	180	180
	1680	8617

Compensation for handover of assets

Sunwater is working through specific arrangements to transfer the ownership of some of its assets (Fairbairn Dam recreation facility and LN1 drain in Central Queensland) to another local government entity. This transfer will be accompanied by a payment to compensate for required works to bring the assets up to a standard to be set out in the agreement reached.

Contract provision

A provision has been recognised for the best estimate of unavoidable costs in respect of the Group's contract obligations resulting from the Rookwood Weir project. The provision represents management's assessment of the costs that will be required to fulfil the contract, which exceed the remaining economic benefits that the contract will generate. The remaining activities in the contract are expected to be delivered within the next 12 months. The remaining costs to complete have been determined from detailed project forecasts reviewed by management and include an allowance for risks inherent in a project of this type. This represents Sunwater's best estimate of the total costs to completion. Economic benefits have been determined from the remaining funding – either held as a contract liability (income received in advance) or to be received from the Queensland Government – and represents the unrecognised value of the agreed funding for the project.

During the year, events, recognised as possible in the previous financial year 2022–23, have occurred. These events have had a material impact on the project, resulting in reduced in-river activity during periods of water inundation due to significantly higher rainfall levels than were expected. Additionally, the economic environment has proven challenging in the year, with price escalation of both contractor staff and materials and the impacts of COVID-19 continuing to be a factor. Consequently, the combination of project schedule and cost has resulted in the provision being increased by \$117 million in 2022–23 to \$134 million. While major elements of the project are nearing completion, there remains a risk that similar events may cause the timing, as well as the amount of the provision, to change.

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 2022, while the river levels were low, the bridge and infrastructure were safely removed. The Group re-assessed its estimate to complete the remaining work. Timing of the works are unknown due to water height impacting access..

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.

Make good commitment

Provision is made to restore leased premises back to an agreed standard at the end of the lease term.

Movements in provisions

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

	Compensation for handover of assets	Bridge demolition	Contract provision	Employee benefits	Legal costs	Make good
	\$000	\$000	\$000	\$000	\$000	\$000
Carrying amount at 1 July 2022	6591	1500	66,353	5590	416	180
Provisions added	9	-	117,418	847	-	-
Provisions released to income statement	-	-	-	-	-	-
Payments made during the year	-	-	(49,387)	-	(297)	-
Carrying amount at 30 June 2023	6600	1500	134,384	6437	119	180
Represented by:						
Current	6600	-	134,384	6437	119	-
Non-current	-	1500	-	-	-	180

Key estimates and judgements

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, a provision is raised if there 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. Management reviews all information that is available to them and applies judgement based on experience and expected outcomes to determine the quantum of any provision to be recognised. Additionally, events after the balance sheet date are reviewed to determine if further information has become available that changes a condition that existed at the balance sheet date.

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 and maintain an optimal capital structure to reduce the cost of capital, subject to government's policy and directives. This means it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group monitors capital based on its market gearing ratio, which is calculated as total borrowings divided by total capital. Total capital is calculated as total equity plus total borrowings.

The Rookwood Weir project provision recognised this year has caused the relationship between debt and equity to change in the year, resulting in a higher market gearing ratio. The increase to gearing has lifted the hurdle above which the financial covenant (EBITDA/Interest) should be maintained.

Management believe that the increase has not significantly changed the risk profile and the organisation's ability to manage capital in support of its objectives.

The Group maintained an investment-grade credit rating:

	2023 \$'000	2022 \$'000
Total borrowings	369,053	369,071
Total equity	146,117	298,124
Total capital	515,170	667,195
Market gearing ratio	72%	55%

The Group's current ratio at 30 June 2023 was 0.88 (2022 - 1.24).

Loan covenant

The Group monitors capital on the basis of agreed financial covenants (EBITDA Debt Service Coverage Ratio and Total Debt to Total Capital Ratio). During 2023, QTC provided Sunwater with a limited waiver letter in respect of its covenant performance ratio. The Group provided QTC with forecasts of future cash-flows and how it expected to remedy the matter. The driver resulting in the waiver was the increase in the provision for the Rookwood Weir project, an occurrence expected to be limited to 2022-23. It is not expected that there will be any further impact to future annual covenant measurement periods. The waiver will remain in place until 1 July 2024 unless otherwise agreed in writing between the parties.

The higher market gearing ratio results in a step up in the value at which the financial covenant should be maintained.

Dividends

Accounting policy

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

	2023 \$'000	2022 \$'000
Ordinary shares		
2023 first and final dividend of \$nil (2022 - \$nil) per share declared at 30 June	-	-
	-	-

(a) Dividends paid

In the prior year, the Sunwater Board recommended a 2021–22 dividend of \$nil which was accepted by shareholding Ministers considering the significant capital programs the Group will be undertaking in future periods.

(b) Dividends declared

In June 2023, the Sunwater Board recommended no dividend to be paid given the net loss expected in the year and this recommendation has been accepted by shareholding Ministers (2021–22 - \$ nil).

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.

Share capital	2023	2022
Issued and paid-up capital:	\$'000	\$'000
Two ordinary shares of \$118.433 million each	236,867	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 is able to affect those returns through its power to direct the activities of the entity. Subsidiaries are 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	Equity holding
			2023	2022
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 if 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:

	2023	2022
	\$'000	\$'000
Information Communication Technology projects	767	1890
Water infrastructure projects	56,147	39,717
	<hr/>	<hr/>
	56,914	41,607
Payable:		
Within one year	56,914	41,607

Dam Improvement Program

The Group has a significant commitment to a Dam Improvement Program in the coming years. Two Dam Improvement Program projects that are currently in progress with future committed costs are:

Paradise Dam

Sunwater is progressing planning activities for the Paradise Dam Improvement Project (PDIP) in parallel with developing a detailed business case assessment and cost estimate to support a final investment decision. Works currently under way and committed include progressing geotechnical investigations and design (updating reference design for issue for construction proposals), environmental and cultural heritage assessment and approvals, and planning for early contractor procurement and engagement processes and enabling works.

Burdekin Falls Dam

Sunwater is progressing planning activities for the Burdekin Falls Dam Improvement Project, with works currently under way for the EIS, geotechnical and topography investigations, cultural heritage, key major procurement planning, preliminary design and detailed design procurement. Engagement with the local community and other key stakeholders is also under way through the Burdekin Falls Dam Community Reference Group.

Note 19: Contingencies

The Group had the following contingent assets and liabilities at 30 June 2023:

Contingent liabilities

- Sunwater received in 2020–21 an informal notification of a potential Class Action in relation to the integrity of, and resulting actions in relation to, the lowering of the Paradise Dam wall. No formal action has been launched, any basis for such an action is unknown and no further communication has been received to date.
- Sunwater has taken up a provision for the unavoidable costs related to the Group's contractual obligations in relation to the completion of the Rookwood Weir project. Sunwater's liability is contingent on relevant contractual processes and further events that could cause the amount of the provision to change, examples of which are: the economic environment and further rain events that may lead to contract delivery delays.
- At 30 June 2023, the Group is dealing with various commercial and legal disputes that occur as a normal part of its business operations. At the date of this report, it is not possible to reliably estimate the merit of or the eventual outcome of these disputes, or the financial consequences of them.

Contingent assets

- a. Sunwater holds bank guarantees in the event of non-payment by its customers in relation to services provided.
- b. There are unresolved claims in respect of the recovery of COVID-19 expenses incurred, these are in progress and need agreement and approval before any payment is made to Sunwater. It is expected that any outcome will crystallise in the coming year. These items are not virtually certain and have therefore not been recognised in the financial statements.

Note 20: Subsequent events

To the date of the signing by the board of these Financial Statements on 17 August 2023, except as detailed elsewhere in the Financial Statements, no events have occurred subsequent to the Statement of Financial Position since that dated 30 June 2023, 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 \$199,100 (2022 - \$204,500) 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 2023 owned 100 per cent (2022 - 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 2023, the following significant transactions occurred between the Group and other State of Queensland-controlled entities.

	2023	2022
	\$'000	\$'000
Interest received from QTC	3660	581
Water sales, CSO, grants received	54,109	48,281
Rookwood Weir project funding received	10,001	8398
Consultancy and other income	12,687	11,314
Interest paid to QTC	13,233	11,060

(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:

Chair

- Lisa Caffery

Non-Executive Directors

- Stuart Armitage
- Leeha James
- David Stewart
- Jane Williams
- Peter Scott (appointed 1 January 2023)
- Vanessa Sullivan (term concluded 30 September 2022)

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 2023	Term of appointment	Appointment expiry date
Lisa Caffery	4 years	30 September 2025
David Stewart	4 years	30 September 2025
Peter Scott	2 years 9 months	30 September 2025
Stuart Armitage	3 years	31 May 2024
Leeha James	3 years	31 May 2024
Jane Williams	3 years	30 September 2023
Vanessa Sullivan	3 years	30 September 2022

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
Erin Strang	Chief Financial Officer
Colin Bendall	Executive General Manager, Operations
Kellie Breen	Executive General Manager, People, Environment and Portfolio
Cameron Milliner	Executive General Manager, Customer and Stakeholder Relations
Mal Shepherd	Chief Development Officer
Michael Kahler	Executive General Manager, Engineering and Water Resources

iv. Shareholding Ministers

The GOC's shareholding Ministers are identified as part of its key management personnel and as 30 June 2023, these Ministers were the Honourable Cameron Dick MP, Treasurer and Minister for Trade and 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	2023 \$'000	2022 \$'000
Short-term employee benefits – cash salary	3178	2915
Short-term employee benefits – cash bonus	305	-
Post-employment benefits – superannuation	206	201
Total	3689	3116

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

vi. Compensation – Directors

Director's remuneration	Short term benefits Directors' fees		Post-employment benefits Superannuation		Total	
	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Dan Hunt, Interim Chair	-	18	-	2	-	20
Lisa Caffery, Chair	88	65	9	6	97	71
David Stewart	50	49	5	5	55	54
Vanessa Sullivan	12	48	1	5	13	53
Jane Williams	46	48	5	5	51	53
Leeha James	43	32	5	3	48	35
Stuart Armitage	42	40	4	4	46	44
Peter Scott	15	-	2	-	17	-
Total	296	300	31	30	327	330

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$486,100 (2021-22 - \$443,325) 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

2023	Short term benefits		Post-employment benefits		Total
	Cash Salary	Cash bonus	Superannuation	Termination benefits	
Name and title of executive	\$000	\$000	\$000	\$000	\$000
Glenn Stockton, Chief Executive Officer	662	85	25	-	772
Erin Strang, Chief Financial Officer	424	34	25	-	483
Colin Bendall, Executive General Manager, Operations	324	44	25	-	393
Kellie Breen, Executive General Manager, People, Environment and Portfolio	331	44	25	-	400
Cameron Milliner, Executive General Manager, Customer and Stakeholder Relations	314	38	25	-	377
Mal Shepherd, Chief Development Officer	474	60	25	-	559
Michael Kahler, Executive General Manager, Engineering and Water Resources	353	-	25	-	378
Total	2882	305	175	-	3362

2022	Short term benefits		Post-employment benefits		Total
	Cash Salary	Cash bonus ¹	Superannuation	Termination benefits	
Name and title of executive	\$000	\$000	\$000	\$000	\$000
Glenn Stockton, Chief Executive Officer	633	-	24	-	657
Erin Strang, Chief Financial Officer ²	256	-	17	-	273
Colin Bendall, Executive General Manager, Operations	334	-	24	-	358
Kellie Breen, Executive General Manager, People and Transformation	307	-	24	-	331
Cameron Milliner, Executive General Manager, Customer and Stakeholder Relations	286	-	24	-	310
Simon Ellinor, Chief Financial Officer ³	49	-	5	-	54
Mal Shepherd, Chief Development Officer	447	-	24	-	471
Michael Kahler, Executive General Manager, Engineering and Water Resources ⁴	63	-	5	-	68
James Stuart, Executive General Manager, Water Resources and Dam Safety ⁵	240	-	24	-	264
Total	2615	-	171	-	2786

1. No bonuses were given based on performance to 30 June 2021 during 2021–22.

2. Erin Strang was appointed as Chief Financial Officer on 8 November 2021.

3. Mr Simon Ellinor resigned as Chief Financial Officer on 20 August 2021.

4. Michael Kahler was appointed as Executive General Manager, Engineering and Water Resources, on 26 April 2022.

5. James Stuart resigned as Executive General Manager, Water Resources and Dam Safety, on 30 June 2022.

viii. Executive employment contracts

The Safety, People and Environment 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 2022–23 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.

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 are disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements 2022–23, which are published as part of Queensland Treasury's Report on State Finances.

x. Other transactions with key management personnel

There were no other related party transactions of key management personnel to report in 2022–23.

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

There are no other standards that are not yet effective 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: Climate-related Risk

The International Sustainability Standards Board (ISSB) was formed in November 2021 to establish a standardised framework of sustainability reporting standards for global corporate reporting. On 26 June 2023, the ISSB issued its first standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, and IFRS S2 Climate-related Disclosures.

The Commonwealth Treasury and Australian Accounting Standards Board (AASB) are currently developing the regulatory framework and application guidance for adoption of ISSB Standards in Australia in future years.

The Queensland Government publishes an annual Queensland Sustainability Report (QSR) that sets out how the government has established its priorities for, and approach to, managing sustainability risks and it provides information on key policies being implemented and reports against performance measures. As the QSR is updated annually, it will continue to reflect emerging best practice reporting on sustainability – both within Australia and internationally – to meet future reporting and disclosure expectations. In line with its public ownership status, Sunwater will follow Queensland Government's approach to managing sustainability risks and opportunities and the framework for Sustainability Reporting as it develops, for future financial reports.

The Group considers climate-related risks when assessing material accounting judgements and estimates used in preparing its financial report. Key estimates and judgements identified include the potential for changes in asset useful lives, changes in the fair value of assets, impairment of assets, the recognition of provisions or the possibility of contingent liabilities.

No adjustments to the carrying value of assets were recognised during the financial year because of climate-related risks impacting current accounting estimates and judgements. No other transactions have been recognised during the financial year specifically due to climate-related risks impacting the Group.

Note 25: 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 2023, the Group is working through a specific arrangement for 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 arrangement. The carrying value of the assets has been transferred to assets held for distribution.

	2023	2022
	\$'000	\$'000
Fairbairn Dam recreation facility and LN1 drain assets	244	282
	244	282

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 51 to 97 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 2023 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.



Lisa Caffery
Chair

Brisbane
17 August 2023



Peter Scott
Director

Brisbane
17 August 2023

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 2022, and its financial performance and cash flows for the year then ended
- b) complies with the *Corporations Act 2001*, the *Corporations Regulations 2001* and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2022, 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*, and confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

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

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

Refer to note 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 2022 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.

Jacques Coetzee

Jacques Coetzee
as delegate of the Auditor-General
Queensland Audit Office Brisbane
18 August 2023

Sunwater

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