financial report.

Contents

Pictured: Phil Kemp and Jasmina Moktan reviewing dam safety upgrade plans for Tinaroo Falls Dam on the Atherton Tablelands.

General information

This financial report covers both SunWater Limited as the parent entity and the consolidated entity consisting of SunWater Limited and its subsidiaries.

On 1 July 2008, SunWater transitioned to a Company Government Owned Corporation (GOC).

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

Level 10, 179 Turbot Street
BRISBANE QLD 4000

SunWater owns and operates bulk water supply and distribution infrastructure located throughout regional Queensland and provides water-related engineering and facilities management services. Water is supplied to mining companies, industrial companies, power stations, manufacturing companies, irrigators, water boards and local governments.

directors' report

Your directors present their report together with the financial report of SunWater Limited and its controlled entities ("SunWater") for the financial year ended 30 June 2009 and the auditor's report thereon.

Directors

The following persons were directors of SunWater Limited during the whole of the financial year and up to the date of this report:

Mr P Hennessy
Ms J Bertelsen
Mr T Connor
Mr J Gibson
Mr G Moynihan

Ms J Boyd was a director from the beginning of the financial year until her resignation on 30 September 2008.

Ms K Ferguson was appointed a director on 1 October 2008.

Mr N Turner was appointed a director on 1 October 2008.

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

Principal activity

SunWater's principal activity is the provision of water supply services to customers throughout Queensland including irrigators, mines, power generators and local governments.

Financial performance

The consolidated after tax profit for the financial year amounted to $85.979 million (2008: $17.848 million profit). Further details of SunWater's financial performance are provided in the "Financial Summary" section of the Annual Report.

Dividends

In respect of the financial year ending 30 June 2009, a dividend of $7.625 million was declared to the holders of fully paid ordinary shares (2008: $5.897 million declared for the full reporting period ending 30 June 2008 and paid in December 2008).

Review of operations

Information on the operations of SunWater and the results of such operations are detailed in the "Operational Performance" section of the Annual Report.

Significant changes in the state of affairs

On 1 July 2008, SunWater Limited was registered with the Australian Securities and Investments Commission as a public company. SunWater Limited is also a government owned corporation in accordance with section 24(b) of the *Government Owned Corporations Act 1993*.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

(a) SunWater's operations in future financial years,
(b) the results of those operations in future financial years, or
(c) SunWater's state of affairs in future financial years;

except as set out elsewhere in this report and the financial statements.

Likely developments

An outline of the likely developments in SunWater's operations is included in the "Operational Performance" section of the Annual Report.

Environmental regulation

SunWater's operations are subject to significant environmental regulation under both Commonwealth and State legislation. SunWater aims to achieve a high standard of care for the natural environment in all its activities. In order to achieve this goal, SunWater has implemented an Environmental Management System, consistent with the requirements of AS/NZS ISO14001:2004 and which is third party certified, across all levels and functions of the organisation.

The SunWater Environmental Management System covers the following:

- Development and ongoing management of SunWater's existing and future water supply schemes,
- Provision of strategic and routine operations and maintenance services to both internal SunWater clients and external water infrastructure owners,
- Planning and design of water distribution and supply infrastructure – this includes project planning, feasibility studies, geotechnical investigations, site surveys, facility design, development of project specifications and performance criteria, and project management,
- Refurbishment and construction of water distribution and supply infrastructure.

Further information about environmental issues is disclosed in the "Community and Environment" section and in note 29 to the financial statements.

Safety

SunWater's water infrastructure assets are located throughout Queensland. The increasing age profile of the assets continues to focus attention on the safety of SunWater's employees, customers and the public. During the year, SunWater's ongoing safety program included the commencement of construction of the Tinaroo Falls Dam upgrade, the development of a wide-ranging upgrade program for the safe operation of the assets and the continuation of a media campaign to encourage positive safety behaviours on and around SunWater's infrastructure by members of the public.

Insurance of officers

During the financial year, SunWater paid a premium of $72,265 (exclusive of GST) to insure the directors and secretaries of SunWater Limited and its wholly owned subsidiary companies, and the executive officers of SunWater.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as officers of entities in SunWater, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to SunWater. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out following this Directors' Report.

Rounding of amounts

The Corporation is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

The Auditor-General of Queensland continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

PA Hennessy
Chairman

JL Gibson
Director

Brisbane, Qld
26 August 2009

auditor's independence declaration

To the Directors of SunWater Limited

This audit 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 2009, 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.

Megan Maybury CA
As Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

25 August 2009

income statements

For the year ended 30 June 2009

	NOTES	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Revenue	4	259,724	190,575	259,341	183,147
Expenses excluding finance costs	5	(149,969)	(149,517)	(147,754)	(143,351)
Finance costs	6	(16,911)	(15,169)	(15,114)	(13,611)
Profit/(Loss) before income tax equivalents expense		**92,844**	**25,889**	**96,473**	**26,185**
Income tax equivalents expense/(income)	7	6,865	8,041	3,715	4,830
Profit/(loss) for the year		**85,979**	**17,848**	**92,758**	**21,355**

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

balance sheets

As at 30 June 2009

	NOTES	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
ASSETS					
Current assets					
Cash	8	135,101	40,049	120,316	24,575
Receivables	9	8,646	11,294	9,439	11,524
Inventories	10	2,639	2,444	2,639	2,444
Other current assets	11	19,252	17,805	19,104	11,991
		165,638	71,592	151,498	50,534
Non-current assets classified as held for sale	12	1,916	29,877	1,916	29,877
Total current assets		167,554	101,469	153,414	80,411
Non-current assets					
Receivables	9	110	214	2,666	214
Other financial assets	13	-	-	72,668	72,668
Property, plant and equipment	14	621,418	615,387	522,752	518,554
Intangible assets	15	56,772	56,229	7,085	5,680
Deferred tax assets	16	17,920	22,194	15,419	19,217
Total non-current assets		696,220	694,024	620,590	616,333
Total assets		**863,774**	**795,493**	**774,004**	**696,744**
LIABILITIES					
Current liabilities					
Payables	17	22,390	18,545	19,813	18,485
Provisions	18	12,513	11,517	12,513	11,517
Borrowings	19	3,557	1,420	11,003	8,087
Other	20	9,523	10,309	9,523	10,302
Total current liabilities		47,983	41,791	52,852	48,391
Non-current liabilities					
Provisions	18	1,161	1,154	1,161	1,154
Borrowings	19	245,311	264,173	230,273	245,562
Deferred tax liabilities	21	31,209	28,619	15,186	12,238
Total non-current liabilities		277,681	293,946	246,620	258,954
Total liabilities		**325,664**	**335,737**	**299,472**	**307,345**
Net assets		**538,110**	**459,756**	**474,532**	**389,399**
EQUITY					
Contributed equity	23	288,711	288,711	288,711	288,711
Retained profits	24	249,399	171,045	185,821	100,688
Total equity		**538,110**	**459,756**	**474,532**	**389,399**

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

statements of changes in equity

As at 30 June 2009

	NOTES	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Total equity at the beginning of the financial year		459,756	441,635	389,399	367,771
Profit/(loss) for the year		85,979	17,848	92,758	21,355
Contributions of equity	23	-	6,170	-	6,170
Dividends	25	(7,625)	(5,897)	(7,625)	(5,897)
Total equity at the end of the financial year		**538,110**	**459,756**	**474,532**	**389,399**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

statements of cash flows

For the year ended 30 June 2009

	NOTES	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Cash flows from operating activities					
Inflows:					
Receipts from customers (inclusive of GST and refunded GST)		208,745	194,003	186,654	177,270
Community service obligations		2,476	10,288	2,476	10,288
Interest received		269	250	269	250
Intercompany taxes received		-	-	2,802	554
Outflows:					
Payments to suppliers and employees (inclusive of GST)		(117,240)	(117,973)	(114,414)	(120,060)
Net cash inflow (outflow) from operating activities	26	94,250	86,568	77,787	68,302
Cash flows from investing activities					
Inflows:					
Proceeds from sale of property, plant and equipment	12	78,083	20	78,083	20
Proceeds from term debtors		94	237	94	237
Interest received		6,695	2,150	5,798	1,133
Dividends received		-	-	14,100	11,000
Outflows:					
Payments for property, plant and equipment		(45,584)	(46,874)	(44,138)	(41,918)
Net cash inflow (outflow) from investing activities		39,288	(44,467)	53,937	(29,528)
Cash flows from financing activities					
Inflows:					
Proceeds from borrowing		-	15,000	-	15,000
Government grant		680	318	-	-
Dividend re-investment		-	6,170	-	6,170
Outflows:					
Interest paid		(16,833)	(18,284)	(15,086)	(16,213)
Repayment of borrowings		(16,436)	(21,406)	(15,000)	(20,221)
Dividends paid		(5,897)	(6,170)	(5,897)	(6,170)
Net cash inflow (outflow) from financing activities		(38,486)	(24,372)	(35,983)	(21,434)
Net increase (decrease) in cash held		95,052	17,729	95,741	17,340
Cash at the beginning of the financial year		40,049	22,320	24,575	7,235
Cash at the end of the financial year		**135,101**	**40,049**	**120,316**	**24,575**

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

Note 1 Summary of significant accounting policies

The significant accounting policies that have been adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated. The financial report includes separate statements for SunWater (the parent entity) and the consolidated entity consisting of SunWater and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

The financial statements have been prepared on an accruals basis and are presented in Australian currency.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated and parent entity financial statements and notes of the consolidated entity and parent entity comply with International Financial Reporting Standards (IFRS).

Historic cost convention

The historic cost convention has been applied except where otherwise stated.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting assumptions. It also requires management to exercise its judgement in the process of applying SunWater's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in notes 3 and 14.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the parent entity as at 30 June 2009 and the financial results of all subsidiaries at that date. The parent entity and its subsidiaries together are referred to in this financial report as the consolidated entity. Subsidiaries are those entities over which the parent entity has the power to govern the financial and operating policies. SunWater wholly owns all its subsidiaries (refer note 13).

The balances and effects of all transactions between entities in the consolidated entity are eliminated in full. Where a subsidiary began or ceased to be controlled during the reporting period the results are included only from the date control commenced or up to the date control ceased. Accounting policies of all subsidiaries are consistent with the accounting policies of the parent entity.

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

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

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates, trade allowances and amounts collected on behalf of third parties.

Water revenue is recognised when water has been delivered to customers or, in cases where no water has been delivered, is accrued in accordance with contractual provisions.

Recognition of all other service revenue is based on work completed at the reporting date.

Electricity generation revenue is recognised on the amount of electricity generated at the reporting date.

Water allocations sales revenue is recognised at the point of sale.

Interest income is recognised as it accrues.

Realised gains on repayment of borrowings where market value is less than book value are recognised in revenue.

(d) Government grants

The parent entity received community service obligation (CSO) payments from the Queensland Government. The payments fund the Rural Water CSO in recognition of the current rural water pricing policies set by the government as well as certain other activities for which there are not any other revenue sources. These amounts are recorded as revenue from ordinary activities.

New rural water infrastructure assets or extensions to existing assets that are built by clear direction from government for other than commercial return may also incorporate a CSO component. These amounts are initially recorded as pre-paid revenue. Revenue is recognised on a systematic basis over the accounting periods in which the related assets' costs are recognised.

Water allocations are saleable rights that may be granted by the Crown, free of charge, in a Resource Operations Plan under the *Water Act 2000*. Interim water allocations (replacing water licences granted under previous legislation) and water allocations are recognised at nominal cost or deemed cost. All other water allocations granted free of charge are recognised, when granted, at fair value which is deemed to be cost.

(e) Income tax

SunWater is exempt from income tax under section 24AM of the *Income Tax Assessment Act* but, in accordance with part 2 of the Manual for the National Tax Equivalents Regime, is required to comply with the National Tax Equivalents Regime in relation to income tax.

Income tax equivalents expense (or income) for the period is the tax payable on the current period's taxable income adjusted by deferred tax expenses (or income) representing changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

SunWater and its wholly owned Australian-controlled subsidiaries have implemented the tax consolidation legislation as of 1 July 2003. Under that legislation, the head entity, SunWater, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax-consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, SunWater also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax-consolidated group.

Assets or liabilities arising under tax funding agreements with the tax-consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

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 subsidiaries in the case of a default by the head entity, SunWater. New subsidiaries will enter into a similar agreement as soon as practicable after acquisition.

SunWater and its subsidiaries have also entered into tax funding agreements under which the subsidiaries fully compensate SunWater for any current tax payable assumed and are compensated by SunWater for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SunWater under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the subsidiaries' financial statements.

Note 1 Summary of significant accounting policies (continued)

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from SunWater, which is issued as soon as practicable after the end of each financial year. SunWater may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (refer note 9).

(f) Leases

Leases of property, plant and equipment where SunWater or a subsidiary, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Neither SunWater nor any of its subsidiaries has entered into any finance leases.

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

Lease income from operating leases is recognised in revenue on a straight-line basis over the lease term.

(g) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the excess of fair value over cost is recognised directly in the consolidated income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(h) Impairment of assets

Goodwill, and intangible assets that have an indefinite useful life such as water allocations, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are assessed on an annual basis for indicators of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In the case of SunWater's water infrastructure assets, which are not traded in an active market, value-in-use is used as recoverable amount. For the purposes of assessing impairment, assets are grouped in cash generating units (CGU) which are the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Each of SunWater's water supply schemes is regarded as a cash-generating unit. Each hydro-electricity generating station is regarded as a cash-generating unit.

Non-financial assets (other than goodwill) that were impaired in a prior period are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Receivables

(i) Current receivables

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the invoice date. The collectibility of receivables is assessed at balance date with adequate provision made for doubtful debts. All known bad debts are written off. A provision for impairment of trade receivables is established when there is objective evidence that all amounts due according to the original terms of the receivables will not be able to be collected.

The amount of the impairment loss is recognised in the income statement. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the provision account. Subsequent recoveries of amounts previously written off are recognised in the income statement.

(ii) Term trade debtors

Term trade debtors represent the term sale of water allocations. Settlement on these debtors ranges from one to three years.

(k) Inventories

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

(l) Property, plant and equipment

Items of property, plant and equipment are carried at cost or deemed cost less accumulated depreciation and impairment losses. SunWater elected to exercise the option allowed under AASB 101 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to adopt the fair value of an item of property, plant and equipment as its deemed cost.

This means that all items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2005, the date of transition to AIFRS, were measured on the basis of deemed cost at that date. Subsequent acquisitions are carried at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items includes the direct cost of construction plus costs incidental to the construction, including all other costs incurred in preparing the assets ready for use, such as engineering design fees, an appropriate proportion of overheads and borrowing costs (refer note 1(q)). The cost also includes the initial estimate of the costs of decommissioning the items and restoring the site on which they are located where such estimate is relevant and reliable in the context of the very long life of most of these assets. Costs attributable to pre-feasibility activities and alternative approach assessments are expensed as incurred.

All items of property, plant and equipment acquired at a cost, or other value, in excess of $1,000 are capitalised in the year of acquisition. Assets under construction are recorded at cost and are not depreciated until they are completed and held ready for use.

No threshold is applied to items within the infrastructure class of assets as these types of assets form a network. Adjustments or additions to existing infrastructure assets that are not in the nature of enhancements or replacements do not satisfy asset recognition criteria and are expensed on completion.

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(m) Depreciation and amortisation

Depreciation and amortisation is calculated on a straight-line basis so as to write off the cost or deemed cost of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the entity. Useful life to the entity is determined after considering a number of factors such as manufacturer's specifications, engineering life, climatic and geographic conditions and contractual life.

Note 1 Summary of significant accounting policies (continued)

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

Asset class	Depreciation rates
Land	Land is not depreciated
Buildings and land improvements	1.25% to 20%
Plant and equipment	8% to 40%
Infrastructure	0.5% to 10%

(n) Non-current intangible assets

(i) Water allocations

Water allocations not held for sale are intangible assets that are valued at cost or deemed cost. SunWater elected to exercise the option allowed under AASB 101 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to adopt the fair value of an intangible asset as its deemed cost. This means that all water allocations that had been revalued to fair value on or prior to 1 July 2005, the date of transition to AIFRS, were measured on the basis of deemed cost at that date. Subsequent acquisitions are initially recognised at cost or at fair value where granted free of charge (note 1(d)).

After initial recognition, water allocations may be revalued at their fair value being market value as evidenced by comparable sales, or independent valuation, or, where no reliable market value exists, the present value of net cash flows.

Water allocations held for sale are recognised at the lower of cost and net realisable value.

Water allocations have an indefinite life and are not amortised but are reviewed annually for indications of impairment. No recognition threshold is applied.

(ii) Software

Software has a finite life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method. Amortisation rates for software vary from 20% to 33%.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of SunWater's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to that entity. Where goodwill is less than $50,000 it is expensed in the same period in which it arises.

(o) Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid on the establishment of loan facilities, which are not incremental costs relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

SunWater's borrowings are discrete to each project. Therefore the amount of interest capitalised is the actual interest cost incurred on each loan account.

(r) Provisions

Provisions are recognised when SunWater:

- has a present legal or constructive obligation as a result of past events; and
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(s) Refurbishment annuity

A refurbishment annuity forms part of the approved irrigation price path for each water supply scheme, and is billed to irrigation customers as part of the normal water billing process. Under the irrigation price path, SunWater is obliged to set apart the annuity for the sole purpose of applying the funds to refurbishment activities on each particular water supply scheme. To give effect to this requirement, SunWater accounts for the annuity as unearned revenue until the funds have been applied to refurbishment activities at which point revenue is recognised.

Expenditures applied to refurbishment activities are immediately matched by recognising available annuity (unearned revenue) as income for each water supply scheme. Any unspent annuity at year end (unearned revenue) is carried as a current liability on the balance sheet.

(t) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages, salaries and annual leave due but unpaid at the reporting date are recognised in payables at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, workers compensation premiums, long service leave levies and employer superannuation contributions.

(ii) Long service leave

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

No provision for long service leave entitlements is taken up in the financial statements as the liability is held on a whole-of-government basis.

(iii) Superannuation

Employer superannuation contributions are paid to Queensland Government superannuation schemes at rates determined by the State Actuary. Contributions are expensed in the period in which they are paid or payable. SunWater's obligation is limited to its contribution to the superannuation schemes. Therefore, no liability is recognised for superannuation benefits in these financial statements as the liability is held on a whole-of-government basis.

(u) Dividends

Provision is made for the amount of any dividend declared by the directors on or before the end of the financial year but not distributed at balance date.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST, unless GST is not recoverable from the Australian Taxation Office (ATO) in which case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flow.

(w) Rounding of amounts

Amounts in the financial report and these accompanying notes have been rounded to the nearest thousand dollars or in certain cases to the nearest dollar.

Note 1 Summary of significant accounting policies (continued)

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. SunWater's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8* (effective from 1 January 2009)

SunWater is not the type of entity to which this standard applies because its debt or equity instruments are not traded in a public market. Consequently, this standard will not impact SunWater's financial report.

(ii) Revised AASB 123 *Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123* (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and, when adopted, will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of SunWater, as SunWater already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 *Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. Under this standard, an impact may arise if SunWater, or one of its subsidiaries, makes a prior period adjustment or reclassifies items in the financial statements. If that occurs, the standard requires additional disclosures. SunWater will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations* (effective from 1 January 2009)

This standard does not impact SunWater because, as a government owned corporation, it is unable to make share-based payments to employees.

(v) Revised AASB 3 *Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. The standard requires all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to SunWater's current policy which is set out in note 1(g) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. SunWater does not currently have any transactions with non-controlling interests.

SunWater will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009 in the event that such transactions occur.

(vi) AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009)

The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* require that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. SunWater will apply the amendments prospectively from 1 July 2009.

(vii) AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 January 2009)

These amendments require that all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits. SunWater currently treats normal dividends from subsidiaries as revenue. Consequently, no impact is expected from the adoption of the amendments. The amendments will be adopted from 1 July 2009.

(viii) AASB Interpretation 15 *Agreements for the Construction of Real Estate* (effective 1 January 2009)

SunWater's scope of operations does not include the construction of real estate. Consequently, this interpretation does not impact SunWater.

(ix) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)

SunWater does not have any investments in foreign operations. Consequently, this interpretation does not impact SunWater.

(x) AASB 2008-8 Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* (effective 1 July 2009)

These amendments prohibit designating inflation as a hedgeable component of a fixed rate debt and also prohibit including time value in the one-sided hedged risk when designating options as hedges. SunWater does not have any of these financial instruments. Consequently, these amendments will not impact SunWater.

(xi) AASB Interpretation 17 *Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17* (effective 1 July 2009)

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. SunWater does not pay dividends in this way currently and it is not envisaged in the foreseeable future. Consequently, there is not expected to be any impact when the interpretation applies from 1 July 2009.

Note 2 Financial risk management

SunWater's activities may, at certain times, expose it to a variety of financial risks being market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. SunWater's overall risk management program focuses mainly on counterparty risks and the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The objective of SunWater's financial risk management policies is to minimise potential adverse effects on SunWater's financial performance. SunWater uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and aging analysis and counterparty risk analysis for credit risk. The Board has endorsed written principles for overall risk management, as well as policies covering specific areas, such as mitigating interest rate and credit risk, use of derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Although SunWater does not operate internationally, on infrequent occasions, SunWater may source plant and equipment or components of water infrastructure assets internationally and become exposed to foreign exchange risk. The SunWater Board has approved policies to manage foreign exchange risk. When required, SunWater hedges foreign exchange risk on exposures arising from future commercial transactions and recognised assets and liabilities using approved derivative risk instruments on advice from, and transacted by, Queensland Treasury Corporation.

During 2008-09, SunWater had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

Note 2 Financial risk management (continued)

(ii) Price risk

Commodity price risk arises when future commercial supply agreements are subject to fluctuations in price movements. During 2008-09, SunWater had no significant exposure to price risk.

(iii) Cash flow and fair value interest rate risk

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

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

FINANCIAL INSTRUMENTS	CARRYING AMOUNT $'000	2009 INTEREST RATE RISK -1% PROFIT $'000	-1% EQUITY $'000	+1% PROFIT $'000	+1% EQUITY $'000
Consolidated					
Cash	135,101	(1,286)	(1,286)	1,286	1,286
Queensland Treasury Corporation borrowings	248,868	2,458	2,458	(2,458)	(2,458)
Overall effect on profit and equity		**1,172**	**1,172**	**(1,172)**	**(1,172)**

FINANCIAL INSTRUMENTS	CARRYING AMOUNT $'000	2008 INTEREST RATE RISK -1% PROFIT $'000	-1% EQUITY $'000	+1% PROFIT $'000	+1% EQUITY $'000
Consolidated					
Cash	40,049	(283)	(283)	283	283
Queensland Treasury Corporation borrowings	265,593	2,315	2,315	(2,315)	(2,315)
Overall effect on profit and equity		**2,032**	**2,032**	**(2,032)**	**(2,032)**

(b) Credit risk

Credit risk largely arises from the potential failure of counterparties to meet their obligations under the respective contracts. Credit evaluations are performed on all customers requiring credit over a certain amount and on all counterparties to significant contracts. Exposure to credit risk is monitored on an ongoing basis. Cash is invested only with Queensland Treasury Corporation, a highly rated financial institution. During 2008-09, SunWater had no transactions involving derivative financial instruments.

At the balance sheet date there were no other significant concentrations of credit risk in respect to recognised financial instruments. The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as represented in the following table:

MAXIMUM EXPOSURE TO CREDIT RISK CATEGORY	NOTE	2009 $'000	2008 $'000
Consolidated			
Cash and cash equivalents	8	135,101	40,049
Receivables – current	9	8,646	11,294
Receivables – non-current	9	110	214
Advance to Burnett Dam Alliance	11	1,000	1,000
		144,857	**52,557**
Parent			
Cash and cash equivalents	8	120,316	24,575
Receivables – current	9	9,439	11,524
Receivables – non-current	9	2,666	214
		132,421	**36,313**

Collateral in the form of insurance bonds is held as security for the advance to Burnett Dam Alliance.

No financial assets and financial liabilities have been offset and presented net in the Balance Sheets.

The method for calculating any impairment for credit risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings.

(c) Liquidity risk

Liquidity risk management within SunWater ensures sufficient cash is available to meet short-term and long-term financial commitments. SunWater has policies in place to manage liquidity risk. SunWater manages liquidity risk by monitoring forecast cash flows to ensure that sufficient cash and short-term borrowing facilities are maintained, so that adequate funds are available at all times to meet SunWater's commitments as they arise.

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

2009	CARRYING AMOUNT $'000	LESS THAN 1 YEAR $'000	1 - 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CASH FLOWS (CONTRACTUAL) $'000
Consolidated					
Payables	22,390	22,390	-	-	22,390
Borrowings – Queensland Treasury Corporation	248,868	18,058	72,173	247,978*	338,209
Deposits payable	372	14	25	333	372
Other	11	11	-	-	11
	271,641	**40,473**	**72,198**	**248,311**	**360,982**
Parent					
Payables	19,813	19,813	-	-	19,813
Borrowings – Queensland Treasury Corporation	216,397	14,501	57,944	217,013*	289,458
Intercompany loan	24,879	11,003	13,876	-	24,879
Deposits payable	372	14	25	333	372
Other	11	11	-	-	11
	261,472	**45,342**	**71,845**	**217,346**	**334,533**

2008	CARRYING AMOUNT $'000	LESS THAN 1 YEAR $'000	1 - 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CASH FLOWS (CONTRACTUAL) $'000
Consolidated					
Payables	18,545	18,545	-	-	18,545
Borrowings – Queensland Treasury Corporation	265,593	19,407	77,615	267,238*	364,260
Deposits payable	367	77	25	265	367
Other	13	13	-	-	13
	284,518	**38,042**	**77,640**	**267,503**	**383,185**
Parent					
Payables	18,485	18,485	-	-	18,485
Borrowings – Queensland Treasury Corporation	231,686	15,706	62,880	231,687*	310,273
Intercompany loan	21,963	8,087	13,876	-	21,963
Deposits payable	360	70	25	265	360
Other	13	13	-	-	13
	272,507	**42,361**	**76,781**	**231,952**	**351,094**

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

Note 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

SunWater makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of assets

Key assumptions and estimates concerning the future are made when assessing the value-in-use of water infrastructure assets using the net present value of future cash flows derived from each cash-generating unit. Value-in-use is taken to be the recoverable amount in respect to cash-generating units comprising water infrastructure assets.

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

- SunWater applied its pre-tax weighted average cost of capital (WACC) as the discount rate. WACC includes a market-determined rate that reflects the risks associated with operating the business. The risk-free component of WACC takes into account the forward-looking long-term average expected gross domestic product growth, and the forward-looking long-term average expected inflation.
- As a natural monopoly, there is not an open market for the water infrastructure owned by SunWater.
- Water charges applied to irrigators are regulated by the Queensland Government which subsidises water prices by way of community service obligation payments for the regulated pricing shortfall incurred against forecast efficient costs of storage and distribution of water for irrigation purposes. As the regulated price does not provide for a commercial return on capital, the reduced cash flows substantially impact on the values assigned to the water infrastructure assets.
- The cash flow projections employ prices for irrigation in the medium to longer term based on the currently approved pricing arrangements and likely future pricing trends.
- The cash flow projections assume water availability equals expected customer usage over the long term.
- The cash flow projections anticipate that business efficiencies will be achieved over time to meet benchmarked costs and that future price paths will recover efficient costs.

(ii) Useful life of property, plant and equipment

Many of SunWater's water infrastructure assets have extremely long lives. Factors considered in estimating the useful life of assets are set out in note 1(m).

(iii) Non-current intangible assets

Under AASB 138 Intangible Assets, water allocations are assessed as having an indefinite life. In determining this position, SunWater has assumed that the current Resource Operations Licence conditions will continue in perpetuity.

Note 4 Revenue

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue from ordinary activities				
Industrial water charges	99,162	83,728	75,506	63,536
Irrigation water charges	42,782	39,880	41,963	39,157
Urban water charges	6,250	7,938	6,250	7,938
Drainage charges	1,251	1,202	1,251	1,202
Water allocations revenue	11,401	9,210	8,967	6,205
Consulting and facilities services revenue	24,402	30,516	37,784	37,125
Electricity generation	634	545	633	545
Community service obligation	3,174	10,370	3,174	10,370
Other fees and charges	502	574	502	574
Grants	482	748	482	748
Interest	6,976	2,372	6,079	1,354
Dividends received	-	-	14,100	11,000
Rent received	966	1,069	966	1,069
Other	586	758	528	659
	198,568	188,910	198,185	181,482
Other income				
Gain on disposal of non-current assets (refer note 12)	49,119	14	49,119	14
Gain on settlement of loan	289	903	289	903
Proceeds from bank guarantees (refer note 12)	11,500	-	11,500	-
Proceeds from insurance settlement (1)	248	748	248	748
	61,156	1,665	61,156	1,665
Total revenue	**259,724**	**190,575**	**259,341**	**183,147**

(1) Whilst insurance claims are yet to be finalised, the amount accrued in these financial statements represents the best information available at the date of this report. The final insurance settlement may differ from these amounts.

Note 5 Expenses excluding finance costs

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Depreciation and amortisation				
Land improvements and buildings	804	543	804	543
Plant and equipment	2,196	1,670	2,196	1,670
Water infrastructure	20,416	18,517	14,093	12,165
Software	1,017	1,965	1,017	1,965
Total depreciation and amortisation	24,433	22,695	18,110	16,343
Labour and on-costs	39,251	45,238	40,843	45,473
Contracted services	19,399	21,894	20,245	23,119
Electricity	14,549	14,976	13,837	14,370
Materials	5,249	4,685	9,932	4,870
Plant hire	4,946	5,323	4,971	5,341
Motor vehicle operating lease charges	2,484	2,352	2,484	2,352
IT charges	1,152	915	1,152	915
Bad and doubtful debts (1)	2	(608)	2	(608)
Loss on disposal of non-current assets	590	186	590	186
Travel	1,992	2,278	2,089	2,293
Accommodation	2,930	2,686	2,931	2,701
Insurance	4,979	4,117	4,627	3,819
Legal fees	2,569	795	1,574	1,001
Rates and land taxes	1,189	1,260	1,076	1,184
Telephone, facsimile and data lines	2,012	2,022	2,007	1,984
Remuneration of auditors (2)	123	82	107	68
Write off of inventories	72	102	72	36
Cost of water allocations sold	862	1,115	-	-
Impairment (refer notes 12, 14 & 15)	19,003	16,255	19,003	16,255
Other	2,183	1,149	2,102	1,649
Total expenses excluding finance costs	**149,969**	**149,517**	**147,754**	**143,351**

(1) Provision for doubtful debts no longer required was written back in 2008.

(2) Amounts received or due and receivable by the auditor of the consolidated entity related to the audit of the financial report of the parent entity and its subsidiaries. No other services were provided.

Note 6 Finance costs

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Interest and finance charges paid/payable	17,277	18,754	15,480	16,629
Amount capitalised	(366)	(3,585)	(366)	(3,018)
Finance costs expensed	**16,911**	**15,169**	**15,114**	**13,611**

Note 7 Income tax and income tax equivalents

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
(a) Income tax equivalents expense/(income)				
Current tax equivalents expense/(income)	10,625	7,068	7,593	7,206
Deferred tax equivalents (income)	2,347	973	2,229	(2,376)
Over-provided in prior years*	(6,107)	-	(6,107)	-
	6,865	8,041	3,715	4,830
Income tax equivalents expense/(income) is attributable to:				
Profit from continuing operations	6,865	8,041	3,715	4,830
Deferred tax equivalents expense/(income) included in income tax equivalents expense comprises:				
Decrease/(increase) in deferred tax assets (note 16)	(243)	5,162	(718)	893
(Decrease)/increase in deferred tax liabilities (note 21)	2,590	(4,189)	2,947	(3,269)
	2,347	**973**	**2,229**	**(2,376)**
(b) Numerical reconciliation of income tax equivalents expense to prima facie tax equivalents payable				
Profit from continuing operations before income tax equivalents expense	92,844	25,889	96,473	26,185
Tax at 30%	27,854	7,766	28,942	7,855
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment expenses	22	25	22	25
Disposal of assets to SEQWater	(14,664)	-	(14,664)	-
Dividends from subsidiaries	-	-	(4,230)	(3,300)
Sundry items	(203)	250	(211)	250
Prior year over provision	(6,107)	-	(6,107)	-
Investment allowance	(37)	-	(37)	-
Income tax equivalents expense	**6,865**	**8,041**	**3,715**	**4,830**

* On 15 September 2008, SunWater Limited received a positive ruling from the Australian Taxation Office. The ruling allows SunWater Limited as the head company of the SunWater group to be treated as an Irrigation Water Provider, and access the write-off under Subdivision 40-F, for capital expenditure on "water facilities" incurred "primarily and principally" for the supply of water to primary producers. The write-off allows eligible expenditure incurred after 1 July 2004 to be written-off pro-rata over three years. The additional deduction available to SunWater Limited for the 2005-2008 financial years is $16.2m.

Note 8 Cash and cash equivalents

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Cash on hand	18	17	18	17
Cash at bank	2,477	7,651	663	5,504
Deposits on call	116,732	32,381	103,761	19,054
Term deposits	15,874	-	15,874	-
	135,101	**40,049**	**120,316**	**24,575**

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Balances as per statement of cash flows	**135,101**	**40,049**	**120,316**	**24,575**

(b) Risk exposure

SunWater's risk exposure is discussed in note 2.

Note 9 Receivables

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Current				
Trade debtors	9,697	12,367	6,405	9,795
Term trade debtors	49	27	49	27
Intercompany receivables	-	-	801	-
Intercompany taxation receivables	-	-	3,284	2,802
	9,746	12,394	10,539	12,624
Less: Provision for impairment of receivables	1,100	1,100	1,100	1,100
	8,646	**11,294**	**9,439**	**11,524**
Non-current				
Term trade debtors	110	214	110	214
Intercompany receivables	-	-	2,556	-
	110	**214**	**2,666**	**214**

(a) Impaired receivables

The ageing of trade receivables is as follows:

CONSOLIDATED	GROSS 2009 $'000	IMPAIRMENT 2009 $'000	GROSS 2008 $'000	IMPAIRMENT 2008 $'000
Not past due	6,937	350	9,780	-
Past due 0 – 30 days	837	33	833	17
Past due 31 – 60 days	1,530	165	500	123
More than 60 days	552	552	1,495	960
	9,856	**1,100**	**12,608**	**1,100**

(b) Foreign exchange and interest rate risk

Information about SunWater's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is discussed in note 2.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. For more information on SunWater's risk management policies, refer to note 2.

Note 10 Inventories

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Materials and stores	**2,639**	**2,444**	**2,639**	**2,444**

Inventory expense

Inventories recognised as expense during the year ended 30 June 2009 amounted to $1.542 million (2008 – $1.415 million). There were no write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 (2008 - nil). There were no reversals of previous write-downs (2008: $0.006 million).

Note 11 Other current assets

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
GST receivable	1,562	1,079	1,401	969
Prepayments	1,167	830	1,167	830
Advance to Burnett Dam Alliance	1,000	1,000	-	-
Other debtors	50	55	50	55
Accrued revenue (1)	15,473	14,841	16,486	10,137
	19,252	**17,805**	**19,104**	**11,991**

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

Note 12 Non-current assets classified as held for sale

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Buildings and land improvements (2)	-	1,238	-	1,238
Plant and equipment (2)	-	282	-	282
Water infrastructure (see below) (1) (2)	1,916	24,699	1,916	24,699
Assets under construction (2)	-	1,700	-	1,700
Water allocations (2)	-	1,958	-	1,958
	1,916	**29,877**	**1,916**	**29,877**

(1) Sale of water infrastructure asset

SunWater constructed the Goondicum pipeline to provide water to a mining customer. During 2008-09, and prior to commissioning of the pipeline, the customer went into voluntary administration. SunWater signed a Pipeline Transfer Agreement on 1 May 2009 with another party who agreed to pay $2.5 million to SunWater on the later of 1 May 2013 and the date that the pipeline is legally transferred to them. Legal transfer of the pipeline, which is dependent upon the transfer and assignment of a number of titles, leases and easements, is anticipated in 2009-10 (also see note 14). At the time of signing the transfer agreement, SunWater collected $11.500 million in bank guarantees provided by the mining customer and recognised an impairment of the pipeline asset in the amount of $20.025 million.

(2) Transfer of assets

Under the *South East Queensland Water (Restructuring) Act 2007*, SunWater was directed by the Treasurer of Queensland to transfer certain water infrastructure, plant and equipment, buildings, land improvement assets and unsold water allocations to the Queensland Bulk Water Supply Authority on 1 July 2008. The proceeds of the transfer amounted to $77.693 million and a final accounting gain of $48.880 million was recognised. No tax applied as under the National Tax Equivalents Regime government imposed transfers are tax neutral.

Note 13 Other financial assets

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Shares in controlled entities – at cost	**-**	**-**	**72,668**	**72,668**

Information relating to the controlled entities is set out below.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2009 %	EQUITY HOLDING 2008 %
North West Queensland Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Eungella Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Burnett Water Pty Ltd	Australia	Ordinary	100	100

Note 14 Property, plant and equipment

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Land (1)	8,454	8,296	8,454	8,296
Buildings and land improvements (1)	14,274	13,290	14,274	13,290
Less: accumulated depreciation	2,702	2,231	2,702	2,231
Total buildings and land improvements	11,572	11,059	11,572	11,059
Plant and equipment (1)	17,607	12,126	17,605	12,124
Less: accumulated depreciation	7,909	7,611	7,909	7,611
Less: accumulated impairment	365	-	365	-
Total plant and equipment	9,333	4,515	9,331	4,513
Water infrastructure (1)	694,280	687,223	570,248	563,212
Less accumulated depreciation	66,318	45,957	37,367	23,330
Less: accumulated impairment	82,181	83,229	77,332	78,379
Total water infrastructure	545,781	558,037	455,549	461,503
Assets under construction (1), (2)	46,278	33,480	37,846	33,183
Total property, plant and equipment	**621,418**	**615,387**	**522,752**	**518,554**

(1) At cost or deemed cost.

(2) Includes the costs of investigating feasibilities associated with the development of business cases for proposed water infrastructure projects that, at commencement, were deemed more likely to proceed to construction. If circumstances arise in the future whereby any of the business cases are unsuccessful, an impairment loss will be recognised at that time. No such circumstances were known at 30 June 2009, and no impairment losses were recognised.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of 2008-09 are set out below.

	LAND $'000	BUILDINGS & LAND IMPROVEMENTS $'000	PLANT & EQUIPMENT $'000	WATER INFRASTRUCTURE $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL
Consolidated						
Carrying amount at 1 July 2008	8,296	11,059	4,515	558,037	33,480	615,387
Additions	241	1,538	7,472	31,030	53,295	93,576
Disposals	(83)	(221)	(93)	(1,980)	-	(2,377)
Transfer between classes	-	-	-	-	(40,497)	(40,497)
Transfer to non-current assets held for sale (note 12)	-	-	-	(1,916)	-	(1,916)
Depreciation expense (note 5)	-	(804)	(2,196)	(20,416)	-	(23,416)
Impairment loss (accumulated impairment) (note 5)	-	-	(365)	(22,055)	-	(22,420)
Impairment loss (non-current asset held for sale) (notes 5, 12)	-	-	-	(20,025)	-	(20,025)
Impairment losses reversed (note 5)	-	-	-	23,106	-	23,106
Carrying amount at 30 June 2009	**8,454**	**11,572**	**9,333**	**545,781**	**46,278**	**621,418**

Note 14 Property, plant and equipment (continued)

	LAND $'000	BUILDINGS & LAND IMPROVEMENTS $'000	PLANT & EQUIPMENT $'000	WATER INFRASTRUCTURE $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL
Parent						
Carrying amount at 1 July 2008	8,296	11,059	4,513	461,503	33,183	518,554
Additions	241	1,538	7,472	31,009	45,139	85,399
Disposals	(83)	(221)	(93)	(1,980)	-	(2,377)
Transfer between classes	-	-	-	-	(40,476)	(40,476)
Transfer to non-current assets held for sale (note 12)	-	-	-	(1,916)	-	(1,916)
Depreciation expense (note 5)	-	(804)	(2,196)	(14,093)	-	(17,093)
Impairment loss (accumulated impairment) (note 5)	-	-	(365)	(22,055)	-	(22,420)
Impairment loss (non-current asset held for sale) (notes 5, 12)	-	-	-	(20,025)	-	(20,025)
Impairment losses reversed (note 5)	-	-	-	23,106	-	23,106
Carrying amount at 30 June 2009	**8,454**	**11,572**	**9,331**	**455,549**	**37,846**	**522,752**

Impairment

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

	CONSOLIDATED LOSS $'000	CONSOLIDATED (REVERSED) $'000	PARENT LOSS $'000	PARENT (REVERSED) $'000
Goondicum pipeline	20,025	-	20,025	-
This CGU was a stand-alone pipeline operation (note 12). The impairment loss represents the difference between carrying amount and recoverable amount being fair value less costs to sell as determined by negotiated agreement.				
Bundaberg Water Supply Scheme	-	(5,729)	-	(5,729)
This CGU comprises all of the water infrastructure assets in the Bundaberg Water Supply Scheme. The reversal of previously recognised impairment losses arises mainly because revised future cash inflows are now expected to recover certain previously recognised future cash outflows. Recoverable amount is determined as value in use. The discount rate used was 10.8% (2008: 10.8%).				
Burdekin Haughton Water Supply Scheme	6,975	-	6,975	-
This CGU comprises all of the water infrastructure assets in the Burdekin Haughton Water Supply Scheme. The impairment loss mainly arises because additional future cash outflows related to safety improvement and refurbishment costs are expected to absorb currently forecast net cash inflows. Recoverable amount is determined as value in use. The discount rate used was 10.8% (2008: 10.8%).				
Dawson Valley Water Supply Scheme	-	(8,584)	-	(8,584)
This CGU comprises all of the water infrastructure assets in the Dawson Valley Water Supply Scheme. The reversal of previously recognised impairment losses largely arises because future cash inflows are forecast to increase following additional water entitlement sales and renegotiation of water supply contracts. Recoverable amount is determined as value in use. The discount rate used was 10.8% (2008: 10.8%).				
Nogoa MacKenzie Water Supply Scheme	7,513	-	7,513	-
This CGU comprises all of the water infrastructure assets in the Nogoa MacKenzie Water Supply Scheme. The impairment loss mainly arises because additional future cash outflows related to refurbishment costs have arisen that are expected to absorb currently forecast net cash inflows. Recoverable amount is determined as value in use. The discount rate used was 10.8% (2008: 10.8%).				

Note 15 Intangible assets

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Software [(1)]	13,704	11,625	13,704	11,625
Less accumulated amortisation	10,781	9,811	10,781	9,811
Less accumulated impairment	359	695	359	695
	2,564	1,119	2,564	1,119
Trade names	8	8	8	8
Water allocations [(1)]	54,200	55,102	4,513	4,553
	56,772	**56,229**	**7,085**	**5,680**

(1) At cost or deemed cost.

Reconciliations

Reconciliations of the carrying amounts of intangible assets at the beginning and end of 2008-09 are set out below.

	SOFTWARE $'000	TRADE NAMES $'000	WATER ALLOCATIONS $'000
Consolidated			
Carrying amount at 1 July 2008	1,119	8	55,102
Sales (note 5)	-	-	(862)
Additions – at cost	2,152	-	-
Disposals/retirements	(26)	-	(40)
Amortisation expense (note 5)	(1,017)	-	-
Impairment losses reversed (note 5)	336	-	-
Carrying amount at 30 June 2009 [(1)]	**2,564**	**8**	**54,200**

	SOFTWARE $'000	TRADE NAMES $'000	WATER ALLOCATIONS $'000
Parent			
Carrying amount at 1 July 2008	1,119	8	4,553
Additions – at cost	2,152	-	-
Disposals/retirements	(26)	-	(40)
Amortisation expense (note 5)	(1,017)	-	-
Impairment losses reversed (note 5)	336	-	-
Carrying amount at 30 June 2009 [(1)]	**2,564**	**8**	**4,513**

(1) Net of retirements (fully written down)

Note 16 Deferred tax assets

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
The balance comprises temporary differences attributable to:				
Provision for doubtful debts	330	330	330	330
Property, plant and equipment	2,485	2,977	-	-
Accrued payables	255	71	239	71
Accrued employee benefits	1,466	1,494	1,466	1,494
Revenue received in advance	1,006	-	1,006	-
Provision for lease make good	-	192	-	192
Provision for Rocklea land commitment	348	346	348	346
Unearned renewal annuity	2,741	2,978	2,741	2,978
Tax losses included in deferred tax assets	9,289	10,866	9,289	10,866
Balance before current year tax losses	17,920	19,254	15,419	16,277
Tax losses transferred in current year	-	2,940	-	2,940
Balance at 30 June	**17,920**	**22,194**	**15,419**	**19,217**

Note 16 Deferred tax assets (continued)

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Movements:				
Opening balance at 1 July	22,194	34,425	19,217	27,178
Credited/(charged) to the income statement	6,337	(5,162)	6,813	(893)
Losses utilised to offset current tax payable	(10,611)	(7,069)	(10,611)	(7,068)
Closing balance at 30 June	**17,920**	**22,194**	**15,419**	**19,217**
Deferred tax assets to be recovered after more than 12 months	15,869	20,107	13,384	17,322
Deferred tax assets to be recovered within 12 months	2,051	2,087	2,035	1,895
Closing balance at 30 June	**17,920**	**22,194**	**15,419**	**19,217**

Note 17 Payables

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Trade creditors	7,365	4,495	7,143	4,188
Intercompany taxation payables	-	-	252	2,940
Other creditors and accruals	15,025	14,050	12,418	11,357
	22,390	**18,545**	**19,813**	**18,485**

Note 18 Provisions

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Current				
Employee benefits (note 22)	4,888	4,980	4,888	4,980
Tenancy obligations	-	640	-	640
Dividends	7,625	5,897	7,625	5,897
	12,513	**11,517**	**12,513**	**11,517**
Non-current				
Land commitment [(1)]	1,161	1,154	1,161	1,154
	1,161	**1,154**	**1,161**	**1,154**

(1) By way of an agreement between the former State Water Projects and the Department of Natural Resources and Water, SunWater is required to settle with the department, the disposition of certain surplus land.

Movements in provisions

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

	TENANCY OBLIGATIONS $'000	LAND COMMITMENT $'000
Consolidated		
Carrying amount at 1 July 2008	640	1,154
Provisions added/(written back)	(216)	7
Payments made during the year	(424)	-
Carrying amount at 30 June 2009	**-**	**1,161**
Parent		
Carrying amount at 1 July 2008	640	1,154
Provisions added/(written back)	(216)	7
Payments made during the year	(424)	-
Carrying amount at 30 June 2009	**-**	**1,161**

Note 19 Borrowings

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Unsecured [1]				
Queensland Treasury Corporation loan	248,868	265,593	216,397	231,686
Intercompany loan	-	-	24,879	21,963
	248,868	265,593	241,276	253,649
Represented by:				
Current	3,557	1,420	11,003	8,087
Non-current	245,311	264,173	230,273	245,562
	248,868	265,593	241,276	253,649

[1] Borrowings by subsidiary company are secured by parent entity guarantee.

(a) Financing arrangements

The loans from Queensland Treasury Corporation (QTC) are interest bearing. The borrowing arrangements are subject to annual review. Subject to the annual approval of the Queensland Treasurer, borrowings are sourced from the SunWater Client Specific Pool, except in the case of borrowings by SunWater's subsidiary companies which borrow from QTC's generic debt pool. SunWater may draw up to the amount of the approved borrowing program (in 2009: nil). SunWater has a credit standby arrangement with QTC totalling $15 million. This facility was unused at 30 June 2009 (2008: unused).

(b) Fair value

	2009 CARRYING AMOUNT $'000	2009 FAIR VALUE $'000	2008 CARRYING AMOUNT $'000	2008 FAIR VALUE $'000
The carrying amounts and fair values of interest bearing liabilities at balance date are:				
Borrowings	248,868	253,077	265,593	256,326

Note 20 Other liabilities

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Deposits payable	372	367	372	360
Unearned annuity	9,140	9,929	9,140	9,929
Other	11	13	11	13
	9,523	10,309	9,523	10,302

Note 21 Deferred tax liabilities

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
The balance comprises temporary differences attributable to:				
Accrued interest receivable	5	93	5	66
Inventories	680	133	680	133
Accrued revenue	3,808	4,090	2,416	2,379
Water allocations	7,290	7,992	1,354	1,953
Property, plant and equipment	19,426	16,311	10,731	7,707
Closing balance at 30 June	31,209	28,619	15,186	12,238
Movements				
Opening balance at 1 July	28,619	32,808	12,238	15,507
Charged/(credited) to the income statement	2,590	(4,189)	2,948	(3,269)
Closing balance at 30 June	31,209	28,619	15,186	12,238
Deferred tax liabilities to be settled after more than 12 months	26,716	24,303	12,085	9,660
Deferred tax liabilities to be settled within 12 months	4,493	4,316	3,101	2,578
Closing balance at 30 June	31,209	28,619	15,186	12,238

Note 22 Employee benefits

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Employee benefits liability				
Provision for employee benefits (note 18)	4,888	4,980	4,888	4,980
Accrued salaries and wages (note 17)	16	1,105	16	1,105
Aggregate employee benefits liability	4,904	6,085	4,904	6,085
Employee numbers				
Full time equivalents excluding casuals				
Number of employees as at 30 June	562	573	562	573

Note 23 Contributed equity

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
(a) Share capital				
Issued and paid up capital:				
2 ordinary shares of $144.356 million each[1]	288,711	288,711	288,711	288,711

[1] Shares have no par value.

	NUMBER OF SHARES	CONTRIBUTION PER SHARE $'000	TOTAL $'000
(b) Movements in ordinary share capital			
Opening balance 1 July 2008	2	144,356	288,711
Equity injection		-	-
Closing balance 30 June 2009		144,356	288,711

(c) Capital risk management

SunWater's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

SunWater monitors capital on the basis of the market gearing ratio. This ratio is calculated as total borrowings divided by total capital. Total capital is calculated as total equity plus total borrowings.

During 2009, SunWater's strategy, which was unchanged from 2008, was to maintain a gearing ratio within a 40% upper limit. The market gearing ratios at 30 June 2009 and 30 June 2008 were as follows:

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Total borrowings	248,868	265,593	241,276	253,649
Total equity	538,110	459,756	474,532	389,399
Total capital	786,978	725,349	715,808	643,048
Market gearing ratio	32%	37%	34%	39%

Note 24 Retained profits

	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Movements:				
Balance 1 July	171,045	159,094	100,688	85,230
Net profit/(loss) attributable to members of SunWater	85,979	17,848	92,758	21,355
Dividends declared	(7,625)	(5,897)	(7,625)	(5,897)
Balance 30 June	249,399	171,045	185,821	100,688

Note 25 Dividends

	PARENT 2009 $'000	2008 $'000
Ordinary shares		
2008 first and final dividend of $2.9485 million per share declared (1)	-	5,897
2009 first and final dividend of $3.8125 million per share declared (1)	7,625	-
	7,625	**5,897**

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

Note 26 Reconciliation of profit after income tax equivalents to net cash inflow from operating activities

	CONSOLIDATED 2009 $'000	2008 $'000	PARENT 2009 $'000	2008 $'000
Profit for the year	85,979	17,848	92,758	21,355
Depreciation and amortisation	24,433	22,695	18,110	16,343
Impairment	19,003	16,255	19,003	16,255
Bad and doubtful debts	2	(608)	2	(608)
Net (gain)/loss on sale or disposal of non-current assets	(48,529)	172	(48,529)	172
Interest income	(7,179)	(2,150)	(5,798)	(1,133)
Interest paid	17,317	18,284	15,086	16,213
Gain on loan settlement	(289)	(903)	(289)	(903)
Dividends received	-	-	(14,100)	(11,000)
Change in assets and liabilities:				
(Increase)/decrease in inventories and intangibles	586	1,101	(276)	(79)
(Increase)/decrease in deferred tax assets	4,274	12,231	3,798	7,961
(Increase)/decrease in receivables	(1,479)	(6,789)	(532)	(1,451)
(Increase)/decrease in other assets	(7,103)	3,468	(7,431)	591
(Decrease)/increase in creditors	3,420	7,326	1,838	6,695
(Decrease)/increase in deferred revenue	1,225	1,827	1,199	1,160
(Decrease)/increase in income taxes payable	-	-	-	-
(Decrease)/increase in deferred tax liabilities	2,590	(4,189)	2,948	(3,269)
Net cash inflow from operating activities	**94,250**	**86,568**	**77,787**	**68,302**

Note 27 Commitments for expenditure

	CONSOLIDATED 2009 $'000	2008 $'000	PARENT 2009 $'000	2008 $'000
(a) Capital expenditure commitments				
Capital expenditure commitments (including GST) contracted for but not brought to account are as follows:				
ICT projects	161	178	161	178
Water infrastructure projects	17,238	8,299	13,576	8,299
	17,399	**8,477**	**13,737**	**8,477**
Payable:				
Not later than one year	**17,399**	**8,477**	**13,737**	**8,477**
(b) Non-cancellable operating lease expense commitments				
Future operating lease commitments (including GST) not brought to account and payable:				
Within one year	2,995	2,560	2,995	2,560
Later than one year but not later than five years	12,632	12,283	12,632	12,283
Later than five years	16,295	18,845	16,295	18,845
	31,922	**33,688**	**31,922**	**33,688**

Note 27 Commitments for expenditure (continued)

SunWater leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide SunWater with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based either on movements in the consumer price index or operating criteria.

Future projects and acquisitions

SunWater has been appointed by the State Government as proponent for the development of business cases for a range of water infrastructure projects. In addition, SunWater has made in-principle commitments to investigate certain major capital projects and acquisitions. However, these projects and acquisitions are at varying stages of completion and final costs cannot be accurately quantified at this time.

Details of SunWater's dam safety upgrade program are disclosed in note 31.

Note 28 Related parties disclosures

Key management personnel compensation

Director remuneration is approved by the Governor in Council in accordance with the requirements of the *Government Owned Corporations Act 1993*. The Board Remuneration Committee reviews the compensation and other terms of employment of senior executives having regard to government policy, relevant market comparatives and performance against goals set at the start of the year.

Key management personnel compensation disclosures by category

CATEGORY	2008-09 $'000	2007-08 $'000
Consolidated		
Short-term employee benefits	1,234	1,381
Post-employment benefits	146	158
Total	**1,380**	**1,539**
Parent		
Short-term employee benefits	1,186	1,350
Post-employment benefits	141	155
Total	**1,327**	**1,505**

Compensation – directors

	SHORT-TERM EMPLOYEE BENEFITS $'000	POST-EMPLOYMENT BENEFITS $'000	TOTAL $'000
Consolidated – 2009			
Name of director			
Phil Hennessy, Chair	58	5	63
Jane Bertelsen, Deputy Chair	40	3	43
Julie Boyd (retired 30 September 2008)	8	1	9
Tom Connor	31	3	34
John Gibson	40	3	43
Alan Millhouse (retired 30 June 2008)	2	-	2
Greg Moynihan	33	3	36
Kirstin Ferguson (commenced 1 October 2008)	21	2	23
Neil Turner (commenced 1 October 2008)	19	2	21
Consolidated – 2008			
Name of director			
Phil Hennessy, Chair	55	5	60
Jane Bertelsen, Deputy Chair	35	3	38
Julie Boyd	26	2	28
Tom Connor	28	3	31
John Gibson	32	3	35
Alan Millhouse	29	2	31
Greg Moynihan	22	2	24

	SHORT-TERM EMPLOYEE BENEFITS $'000	POST-EMPLOYMENT BENEFITS $'000	TOTAL $'000
Parent – 2009			
Name of director			
Phil Hennessy, Chair	50	5	55
Jane Bertelsen, Deputy Chair	32	3	35
Julie Boyd (retired 30 September 2008)	7	1	8
Tom Connor	27	3	30
John Gibson	36	3	39
Alan Millhouse (retired 30 June 2008)	2	-	2
Greg Moynihan	29	3	32
Kirstin Ferguson (commenced 1 October 2008)	18	2	20
Neil Turner (commenced 1 October 2008)	16	2	18
Parent – 2008			
Name of director			
Phil Hennessy, Chair	48	4	52
Jane Bertelsen, Deputy Chair	27	2	29
Julie Boyd	23	2	25
Tom Connor	25	2	27
John Gibson	28	3	31
Alan Millhouse	25	2	27
Greg Moynihan	20	2	22

Directors' remuneration excludes insurance premiums (exclusive of GST) of $72,265 (2008 – $65,970) paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers.

Compensation – executives

	SHORT-TERM EMPLOYEE BENEFITS $'000	POST-EMPLOYMENT BENEFITS $'000	TOTAL $'000
Parent 2009			
Title of executive			
Chief Executive Officer	366	46	412
General Manager, Corporate	238	29	267
General Manager, Water Services completed service 27/03/09	156	20	176
Acting General Manager, Water Services	15	2	17
General Manager, Asset Solutions	207	26	233
Parent 2008			
Title of executive			
Chief Executive Officer	320	38	358
Chief Operating Officer	233	28	261
General Manager, Corporate	204	23	227
General Manager, Water Services completed service 4/07/08	198	25	223
General Manager, Water Services appointed 21/05/08	20	2	22

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

Performance payments to employees

FINANCIAL YEAR	AGGREGATE AT-RISK PERFORMANCE REMUNERATION $'000	TOTAL FIXED SALARIES AND WAGES PAYMENTS $'000	EMPLOYEES RECEIVING PERFORMANCE PAYMENTS $'000
2008-09	72	984	3
2007-08	-	-	-

Note 28 Related parties disclosures (continued)

Transactions with director-related entities

(i) SunWater engaged the consulting services of KPMG, a firm of which Mr Phil Hennessy is a partner. Total value of the consulting services (inclusive of GST) was $278,461 (2008 – $168,377). The services were procured on a commercial basis in accordance with board-approved processes and the State Purchasing Policy.

(ii) SunWater provided consulting services and supplied office accommodation to Western Corridor Recycled Water Pty Ltd, a State of Queensland controlled company of which Mr Phil Hennessy was a director from May 2007 until 1 August 2008. SunWater entered commercial arrangements with Western Corridor Recycled Water Pty Ltd prior to the appointment of Mr Hennessy. Total value of goods and services provided by SunWater (inclusive of GST) was $6,572,093 (2008 – $10,344,069).

Transactions with subsidiaries

The parent entity within the group is SunWater. Interests in subsidiaries are set out in note 13. All transactions with subsidiaries are carried out under normal commercial terms and conditions or at cost. No transactions occurred between subsidiaries.

The following transactions occurred between the parent entity and its subsidiaries:

	2009 $'000	2008 $'000
Sales of water to subsidiaries	4,067	3,853
Sales of services to subsidiaries	13,388	6,611
Interest paid to subsidiaries	484	229
Current tax payable assumed from tax consolidated subsidiaries	3,284	2,802
Current tax losses assumed from tax consolidated subsidiaries	252	2,940
Dividends received from subsidiaries	14,100	11,000
Loan received from subsidiary	2,916	21,963

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

	2009 $'000	2008 $'000
Receivables (note 9)	4,085	2,802
Payables (note 17)	252	2,940

Transactions with entities subject to common control

All State of Queensland controlled entities are related parties for the purposes of AASB 124 *Related Party Disclosures*. In its normal commercial business activities, SunWater transacts with Queensland Government departments, statutory bodies, other GOCs and local government bodies. All material transactions are negotiated on terms equivalent to those that prevail in arm's length transactions or in accordance with government policy

The value of these related party transactions and balances, as reported in the financial statements, on an accruals basis, is:

FINANCIAL STATEMENT ITEM	NATURE OF TRANSACTION	2009 $'000	2008 $'000
Cash (note 8)	Deposits on call	132,606	32,381
Receivables (note 9)	Water sales	167	1,394
Receivables (note 9)	Consultancies	1,338	5,522
Receivables (note 9)	Sale of goods, rent	94	94
Borrowings (note 19)	QTC borrowings	248,868	265,593
Payables (note 17)	Electricity, regulatory charges	1,126	1,015
Contributed equity (note 23) from shareholders	Equity contributions	-	6,170
Dividends (note 25)	Dividends declared	7,625	5,897
Revenue – interest (note 4)	Interest received from QTC	6,574	1,891
Revenue – all other (note 4)	Water sales, CSO, grants	6,246	18,697
Revenue – consulting fees (note 4)	Consultancies	20,344	31,161
Revenue – other revenue (note 4)	Sale of goods, rent	564	564
Expense – interest (note 6)	Interest paid to QTC	16,788	18,360
Expense – all other (note 5)	Electricity, regulatory charges	33,526	34,610

Note 29 Contingencies

(a) In September 2008, the Wide Bay Burnett Conservation Council (WBBCC) commenced legal proceedings against Burnett Water Pty Ltd (BWPL), a wholly owned subsidiary of SunWater, in connection with the original design and subsequent operation of the upstream fish lift and the downstream fishway at Paradise Dam. In its Statement of Claim, the WBBCC alleges that the design and operation of the fish transfer devices are not in accordance with the Federal permit.

In denying the claims, BWPL is confident of its position and will defend the action. However, in so doing, BWPL's legal fees, experts' fees and other associated costs are estimated to be in the order of $3.0 million to $3.5 million in total, of which approximately $1.8 million is expected to be incurred in the 2009-10 financial year.

The trial has been set for September 2009 and, should BWPL be unsuccessful in defending the claims, it may be ordered to modify or enhance either or both of the fish transfer devices. Costs associated with any such order cannot be reliably estimated at this time, however a significant enhancement of the existing infrastructure could cost in the range of $10 million to $20 million depending on the order. In addition, costs may be awarded against the Company, which also cannot be reliably estimated at this time.

BWPL is in discussions with the Department of Employment, Economic Development and Innovation (DEEDI) which was the owner of BWPL at the time SunWater acquired it in December 2005 and, as such, was the owner at the time from which the claims relating to the design of the fishway transfer devices originate.

DEEDI has been made aware of the WBBCC claim and, whilst it is monitoring the progress of the legal proceedings, it has not acknowledged any responsibility to date. BWPL's position is that it will seek support and funding from DEEDI for all appropriate costs incurred, including costs in defending the action, and if ultimately ordered by the court to do so, the costs of any infrastructure works required to comply with that order. In acting to protect its position, the Company will investigate all commercial and legal options open to it.

At this time, no provision has been made in the financial statements for any costs associated with the legal proceedings as described above, nor has any allowance been made for any cost recoveries from other parties.

(b) During the 2008 year, an audit of Paradise Dam under the *Environment Protection and Biodiversity Conservation Act 1999* was carried out by the Department of the Environment, Water, Heritage and the Arts (DEWHA). The findings of the DEWHA report concluded that Paradise Dam was not fully compliant due to drought conditions which precluded the downstream fishway from becoming operational. SunWater is working with DEWHA to resolve the partial compliance finding. In the event that this finding is not resolved satisfactorily, DEWHA may take further legal action under the Act. No provision has been made in the financial statements for any costs associated with resolving the finding of partial compliance, or dealing with any subsequent DEWHA action.

(c) In November 2008, one of two fabridams mounted on top of Bedford Weir failed. In the ensuing unexpected release of a large volume of water downstream, a fatality occurred. The incident is the subject of a Workplace Health and Safety Queensland investigation and may be subject to a later enquiry by the Coroner. At the date of this report, both enquiries are ongoing and no provision has been made in the financial statements for any costs resulting from the fabridam failure.

(d) SunWater was directed by the Treasurer of Queensland under section 68 of the *South East Queensland Water (Restructuring) Act 2007* to indemnify the Queensland Bulk Water Supply Authority in relation to assets transferred on 1 July 2008. This indemnity may give rise to claims on SunWater if any of the conditions are triggered. At the date of this report, there are no known claims or circumstances which would give rise to a claim under the indemnity.

(e) At 30 June 2009, SunWater was engaged in commercial disputes under various contracts. None of those disputes has resulted in legal action at the date of this report, however it is not possible to reliably estimate the eventual outcome of these disputes or the financial consequences of thereof.

Note 30 Segment information

SunWater and its subsidiaries form a single business segment, providing a range of water-related services that are subject to similar risks and returns. SunWater operates predominantly in one geographic segment, being Queensland. Operations outside Queensland are not material.

Note 31 Dam safety upgrade program

SunWater has in place a comprehensive Dam Safety Program to ensure the continuing integrity of its referable dams. This program incorporates an ongoing series of inspections, engineering assessments, and comprehensive risk assessments for all referable dams, taking into account all relevant factors including changes in design standards, hydrologic data and methods, industry best practice and regulator requirements.

The dam safety program has previously identified the need to upgrade a number of dam spillways in response to spillway adequacy reviews. Spillway upgrades have been completed for Fred Haigh Dam (2006), Bjelke-Petersen Dam (2008), and Borumba Dam(1) (2009).

Whilst the initial program of safety upgrades was prioritised based on spillway adequacy, SunWater is progressively completing Comprehensive Risk Assessments (CRA) for all of its referable dams. The CRA considers a much broader range of risk factors, and therefore provides a more complete view of upgrade requirements for each dam.

As each CRA is completed, the priority of upgrades within the portfolio is assessed, and if necessary revised. The table below provides a summary of the current prioritisation and estimate of cost for each upgrade currently scheduled.

SAFETY UPGRADE	COMMENCEMENT OF WORKS	ESTIMATED COSTS
Tinaroo Falls Dam	July, 2008	$21.100 million
Burdekin Falls Dam	August, 2009	$148.000 million
Teemburra Dam	March, 2010	$4.150 million
Kinchant Dam	February, 2011	$43.000 million
Coolmunda Dam	February, 2012	$16.000 million

At this time, it is not possible to quantify the complete scope of works or the likely cost of the remainder of the safety upgrade program, and discussions with Government over funding support are continuing.

(1) Borumba Dam was transferred to Seqwater on 1 July 2008, with upgrade works completed by SunWater as a commercial contract to Seqwater.

Note 32 Subsequent events

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

directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 58 to 73 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their 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.

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

PA Hennessy
Chairman

JL Gibson
Director

Brisbane, Qld
26 August 2009

independent auditor's report

To the Members of SunWater Limited

Matters relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of SunWater Limited for the financial year ended 30 June 2009 included on SunWater Limited's website. The directors are responsible for the integrity of the SunWater Limited's website. I have not been engaged to report on the integrity of the SunWater Limited's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from SunWater Limited, to confirm the information included in the audited financial report presented on this website.

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

Report on the Financial Report

I have audited the accompanying financial report of SunWater Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility to express an opinion on the financial report based on the audit is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977*.

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of SunWater Limited on 25 August 2009, would be in the same terms if provided to the directors, as at the date of this auditor's report.

Auditor's Opinion

In my opinion –

(a) the financial report of SunWater Limited is in accordance with the *Corporations Act 2001*, including –

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date;and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Megan Maybury CA
As Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

28 August 2009