FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

The financial statements include both SunWater Limited (ACN 131 034 985) as the parent entity and the consolidated entity consisting of SunWater Limited and its subsidiaries.

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

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

Level 10, 179 Turbot Street
BRISBANE QLD 4000

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

		CONSOLIDATED		PARENT	
	NOTES	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue from continuing operations	4	246,356	227,447	280,376	208,701
Other income	5	16,871	532	16,871	532
Expenses from continuing operations:					
Employee benefits expense		(38,513)	(39,643)	(38,510)	(39,640)
Depreciation and amortisation expense	13, 14	(27,486)	(23,695)	(22,833)	(19,045)
Impairment expense	13	(8,999)	(12,832)	(8,999)	(12,832)
Contracted services expense		(29,145)	(41,830)	(61,795)	(22,490)
Electricity expense		(32,312)	(23,459)	(31,102)	(21,920)
Materials expense		(3,206)	(9,589)	(3,911)	(9,096)
Plant hire expense		(3,244)	(5,291)	(3,382)	(5,250)
Motor vehicle operating leases expense		(1,982)	(1,798)	(1,982)	(1,798)
IT charges		(1,381)	(994)	(1,381)	(994)
Loss on disposal of assets		(1,066)	(278)	(1,066)	(278)
Travel expense		(1,183)	(1,890)	(1,187)	(1,887)
Accommodation expense		(2,697)	(2,738)	(2,697)	(2,738)
Insurance expense		(13,044)	(8,842)	(11,726)	(8,324)
Legal expense		(912)	(1,845)	(1,014)	(1,687)
Rates and land tax expense		(1,870)	(1,778)	(1,700)	(1,618)
Telephone, facsimile and data lines expense		(1,164)	(1,308)	(1,161)	(1,306)
Cost of water allocations sold		-	(100)	-	-
Other expenses		(6,296)	(4,961)	(5,876)	(4,097)
Finance costs	6	(21,147)	(17,598)	(20,105)	(17,420)
Profit before income tax equivalents		**67,580**	**27,510**	**76,820**	**36,813**
Income tax equivalents expense	7	(14,954)	(6,602)	(11,838)	(9,393)
Profit for the year		**52,626**	**20,908**	**64,982**	**27,420**
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		**52,626**	**20,908**	**64,982**	**27,420**

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

BALANCE SHEETS
AS AT 30 JUNE 2014

	NOTES	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
ASSETS					
Current assets					
Cash	8	149,227	338,818	139,528	327,628
Receivables	9	14,112	26,865	15,746	30,887
Inventories	10	2,419	2,273	2,419	2,273
Other current assets	11	31,086	22,576	32,356	23,881
Total current assets		**196,844**	**390,532**	**190,049**	**384,669**
Non-current assets					
Receivables	9	-	-	5,541	10,541
Other financial assets	12	-	-	97,296	81,296
Property, plant and equipment	13	996,896	778,166	886,500	675,836
Intangible assets	14	71,230	72,237	22,939	23,947
Deferred tax assets	15	11,957	20,912	9,067	11,688
Total non-current assets		**1,080,083**	**871,315**	**1,021,343**	**803,308**
Total assets		1,276,927	1,261,847	1,211,392	1,187,977
LIABILITIES					
Current liabilities					
Payables	16	19,578	77,159	26,331	78,798
Provisions	17	66,677	60,308	60,920	33,911
Borrowings (including bridging loans)	18	211,428	189,781	221,210	231,666
Other	19	7,447	6,061	7,447	6,061
Total current liabilities		**305,130**	**333,309**	**315,908**	**350,436**
Non-current liabilities					
Provisions	17	1,220	1,210	1,220	1,210
Borrowings	18	268,492	238,480	248,878	217,501
Other	19	1,086	1,397	1,086	1,397
Deferred tax liabilities	20	23,350	20,328	10,851	6,866
Total non-current liabilities		**294,148**	**261,415**	**262,035**	**226,974**
Total liabilities		599,278	594,724	577,943	577,410
Net assets		677,649	667,123	633,449	610,567
EQUITY					
Contributed equity	22	380,269	380,269	380,269	380,269
Retained earnings		297,380	286,854	253,180	230,298
Total equity		677,649	667,123	633,449	610,567

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	CONTRIBUTED EQUITY $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Consolidated				
Balance at 1 July 2012		380,269	278,816	659,085
Total comprehensive income for the year		-	20,908	20,908
Transactions with owners as owners				
Dividends	23	-	(12,870)	(12,870)
Balance at 30 June 2013		380,269	286,854	667,123
Total comprehensive income for the year		-	52,626	52,626
Transactions with owners as owners				
Dividends	23	-	(42,100)	(42,100)
Balance at 30 June 2014		**380,269**	**297,380**	**677,649**
Parent				
Balance at 1 July 2012		380,269	215,748	596,017
Total comprehensive income for the year		-	27,420	27,420
Transactions with owners as owners				
Dividends	23	-	(12,870)	(12,870)
Balance at 30 June 2013		380,269	230,298	610,567
Total comprehensive income for the year		-	64,982	64,982
Transactions with owners as owners				
Dividends	23	-	(42,100)	(42,100)
Balance at 30 June 2014		**380,269**	**253,180**	**633,449**

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 2014

	NOTES	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST and refunded GST)		335,631	240,166	339,321	208,020
Government grant received		8,713	6,338	8,713	6,338
Community service obligations received		12,948	9,754	7,806	4,718
Interest received		1,644	1,045	1,343	1,016
Intercompany taxes received/(paid)		-	-	4,860	8,242
Payments to suppliers and employees (inclusive of GST)		(227,758)	(120,909)	(225,567)	(105,509)
Income taxes paid		(12,281)	(21,947)	(12,294)	(21,947)
Net cash inflow (outflow) from operating activities	25	**118,897**	**114,447**	**124,182**	**100,878**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		58	708	58	708
Proceeds from term debtors		30	29	30	29
Repayments of intercompany borrowings		-	-	5,467	7,888
Interest received		6,860	9,706	6,734	10,135
Dividends received		-	-	24,000	-
Payments for property, plant and equipment		(333,493)	(142,622)	(320,848)	(141,758)
Net cash inflow (outflow) from investing activities		**(326,545)**	**(132,179)**	**(284,559)**	**(122,998)**
Cash flows from financing activities					
Proceeds from external borrowings [1]		110,000	188,100	110,000	188,100
Proceeds from intercompany borrowings		-	-	21,000	5,000
Interest/market realisation fee paid		(20,732)	(17,264)	(19,820)	(17,080)
Repayments of borrowings		(58,341)	(2,071)	(110,033)	(2,431)
Intercompany equity injection		-		(16,000)	-
Dividends paid		(12,870)	-	(12,870)	-
Net cash inflow/(outflow) from financing activities		**18,057**	**168,765**	**(27,723)**	**173,589**
Net increase (decrease) in cash and cash equivalents		**(189,591)**	**151,033**	**(188,100)**	**151,469**
Cash and cash equivalents at the beginning of the financial year		338,818	187,785	327,628	176,159
Cash and cash equivalents at the end of the financial year	8	**149,227**	**338,818**	**139,528**	**327,628**

[1] *During 2014, an interest free bridging loan of $30.000M (2013: $188.100M) was received from a customer to part fund the construction of the Woleebee Pipeline and deposited into a separate account. Withdrawals from this account were only made to pay for construction expenditure and were only made with the approval of the customer. The account was not available on demand and was not available to meet SunWater's short-term cash commitments. During the year, the total borrowings were used to fund the construction of the Woleebee pipeline with the exception of $10.000M which was returned to the customer as per contractual obligations.*

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 Limited, being the parent entity, and the consolidated entity consisting of SunWater Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations, the *Corporations Act 2001* (Cth) and the provisions of the *Government Owned Corporations Act 1993* (Qld) *(GOC Act)*.

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

Compliance with IFRS

The consolidated financial statements of SunWater and the separate financial statements of SunWater Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historic cost convention

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

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting assumptions. It also requires management to exercise its judgement in the process of applying SunWater's accounting policies. 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 note 3.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the parent entity as at 30 June 2014 and the financial results of all subsidiaries for the year then ended. The parent entity and its subsidiaries together are referred to in this financial report as the consolidated entity. Subsidiaries are those entities over which the parent entity has the power to govern the financial and operating policies. SunWater wholly owns all of its subsidiaries (refer note 12).

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) Segment reporting

Neither SunWater Limited nor any of its subsidiaries are included in the scope of Accounting Standard AASB 8 *Operating Segments*. Also, SunWater and its subsidiaries form a single business segment, providing a range of water-related services that are subject to similar risks and returns. SunWater operates predominantly in one geographic segment, being Queensland. Operations outside Queensland are not material. Consequently, no segment information is presented in these general purpose financial statements.

(d) 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. Revenue from water operations is recognised when water has been delivered to customers or, in cases where no water has been delivered, is accrued in accordance with contractual provisions. Recognition of all other service revenue is based on work completed at the reporting date. Revenue from electricity generation is recognised on the amount of electricity generated and measured at the reporting date. Water allocations sales revenue is recognised at the point of sale. Interest income is recognised as interest accrues. Lease income from operating leases is recognised in revenue on a straight-line basis over the lease term. Proceeds of insurance claims are recognised upon receipt.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Government grants

(i) Community service obligation (CSO) payments

The consolidated entity receives 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, urban water deliveries to a local council, and certain other activities for which there are no other revenue sources. As these are subsidies from the Queensland Government, no conditions (apart from normal commercial considerations in maintaining water deliveries) are required to be met. These amounts are recorded as revenue.

(ii) Grants

New rural water infrastructure assets or extensions to existing assets that are built by clear direction from government for other than commercial return may also incorporate a grant component. These amounts are initially recorded as unearned revenue. Revenue is recognised on a systematic basis over the accounting periods in which the consumption of the asset is recognised (in the case of assets which generate no revenue, revenue is recognised when the asset is commissioned and impaired).

(iii) Water allocations

Water allocations are saleable rights that may be granted by the Crown, free of charge, in a Resource Operations Plan under the *Water Act 2000* (Qld). Interim water allocations (replacing water licences granted under previous legislation) and water allocations are recognised at nominal cost or deemed cost (refer note 1(o)(i)). All other water allocations granted free of charge are recognised, when granted, at fair value which is nominal cost ($1) (note 1 (o)(i)).

(f) Income tax

SunWater is exempt from income tax under section 24AM of the *Income Tax Assessment Act 1997* (Cth) but, in accordance with part 2 of the Manual for the National Tax Equivalents Regime, is required to comply with the National Tax Equivalents Regime in relation to income tax.

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

Deferred tax assets and liabilities are recognised for temporary differences at the 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.

Tax consolidation legislation

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

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

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

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned subsidiaries in the case of a default by the head entity, SunWater. New subsidiaries will enter into a similar agreement as soon as practicable after acquisition.

SunWater and its subsidiaries have also entered into tax funding agreements under which the subsidiaries fully compensate SunWater for any current tax payable assumed and are compensated by SunWater for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SunWater under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the subsidiaries' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from SunWater, which is issued as soon as practicable after the end of each financial year. SunWater may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables (refer notes 9 and 16).

Investment allowances and similar tax incentives

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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 (refer note 26(b)). 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.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, SunWater recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) 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. All other assets are assessed on an annual basis for indicators of impairment.

Where an indicator of impairment exists, an estimate of the recoverable amount of the asset is undertaken. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In the case of SunWater's water infrastructure assets, which are not traded in an active market, value-in-use is applied in estimating the recoverable amount. An impairment loss is recognised immediately in the statements of comprehensive income.

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. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which cannot exceed the original cost or deemed cost of that asset. A reversal of an impairment loss is recognised in the statements of comprehensive income.

For the purposes of assessing impairment, assets are grouped in cash generating units (CGU) which are the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Each of SunWater's water supply schemes is regarded as a cash-generating unit. Each hydro-electricity generating station is regarded as a CGU.

(j) Cash and cash equivalents

For statements of cash flow 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 twelve months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) 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. Collectibility of receivables is assessed at balance date. All known bad debts are written off. An allowance for impairment of trade receivables is established when there is objective evidence that all amounts due according to the original terms of the receivables will not be able to be collected. The amount of the impairment loss is recognised in the statements of comprehensive income. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the statements of comprehensive income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

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

(m) Property, plant and equipment

Items of property, plant and equipment are carried at cost or deemed cost less accumulated depreciation and impairment losses. SunWater elected to exercise the option allowed under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to adopt the fair value of an item of property, plant and equipment as its deemed cost.

This means that all items of property, plant and equipment that had been revalued to fair value on or prior to 1 July 2005, the date of transition to AIFRS, were measured on the basis of deemed cost at that date. Subsequent acquisitions are carried at cost less accumulated depreciation and impairment 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(r)). 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 (including repairs) or additions to existing infrastructure assets that are not in the nature of enhancements or replacements do not satisfy asset recognition criteria and are expensed on completion.

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

(n) Depreciation and amortisation

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

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

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

(o) Non-current intangible assets

(i) Water allocations

Water allocations are intangible assets that are valued at cost or deemed cost. SunWater elected to exercise the option allowed under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to adopt the fair value of an intangible asset as its deemed cost. This means that all water allocations that had been revalued to fair value on or prior to 1 July 2005, the date of transition to AIFRS, were measured on the basis of deemed cost at that date. Subsequent acquisitions are recognised at cost which is a nominal amount ($1) when water allocations are granted free of charge (note 1(e)).

After initial recognition, all water allocations are carried at cost less any accumulated impairment losses. Water allocations have an indefinite life and are not amortised but are tested annually for impairment by comparing their carrying amounts with their recoverable amounts. 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 12.5% to 33%.

(p) 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Any fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) 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.

(s) 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 for certain types of repairs, legal costs and restructuring are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(t) 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 recognised as a current liability on the balance sheet.

(u) Employee benefits

(i) Wages, 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.

Liabilities for wages, salaries and annual leave are shown as current liabilities as SunWater does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(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) Sick leave

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Superannuation

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

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of SunWater, on or before the end of the reporting period but not distributed at balance date.

(w) Goods and Services Tax (GST)

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

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

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

(x) 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.

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. SunWater's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9* and *Transition Disclosures* (effective from first full reporting period after 1 January 2017).

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. The mandatory application of this standard may be further deferred once the IASB has agreed on a mandatory date for the equivalent international standard.

SunWater is yet to assess its full impact and has not yet decided when to adopt AASB 9. However, a preliminary view is that when adopted, the standard is not expected to significantly affect the group's accounting for its financial assets and liabilities.

(ii) AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (effective from first full reporting period after 1 January 2014).

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* addresses the revised disclosure requirements for cash generating units.

SunWater is yet to assess its full impact. However, a preliminary view is that when adopted, the standard is likely to result in additional disclosures in the financial statements.

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. The objectives of SunWater's financial risk management policies are to focus primarily on counterparty risks and the unpredictability of the financial markets and to seek to minimise potential adverse effects on the financial performance of the consolidated entity. SunWater uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and ageing analysis and counterparty risk analysis for credit risk. The Board has endorsed written principles for overall risk management, as well as policies covering specific areas, such as mitigating interest rate and credit risk, use of derivative financial instruments and investment of liquid assets.

(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 occasion, SunWater may source plant and equipment or components of water infrastructure assets internationally and become exposed to foreign exchange risk. The SunWater Board has approved policies to manage foreign exchange risk. SunWater may elect to hedge foreign exchange risk on exposures arising from future commercial transactions and recognised assets and liabilities using approved derivative risk instruments on advice from, and transacted by, Queensland Treasury Corporation (QTC).

During 2013–14, SunWater had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

(ii) Price risk

During 2013–14, 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 QTC in accordance with policies approved by the SunWater Board. Interest rate risk is measured monthly through the monitoring of changes in yields over the debt duration profile.

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

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

CONSOLIDATED		2013 INTEREST RATE RISK			
		–1%		+1%	
FINANCIAL INSTRUMENTS	CARRYING AMOUNT $'000	PROFIT $'000	EQUITY $'000	PROFIT $'000	EQUITY $'000
Cash	338,818	(2,106)	(2,106)	2,106	2,106
QTC borrowings	240,161	2,770	2,770	(2,770)	(2,770)
Overall effect on profit and equity		**664**	**664**	**(664)**	**(664)**

Note: The bridging loan received from a customer during 2013 to part fund construction of the Woleebee Pipeline is not included in this sensitivity analysis as it is interest free.

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

(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 under the following approved policy conditions:

1. Deposits up to $25M may be invested with an Australian institution that has a current credit rating of A- to A+, up to an aggregate cap of $75M for all institutions in this rating category.
2. Deposits up to a cap of $50M may be invested with an Australian institution that has a current credit rating of AA- or higher.
3. Deposits up to $50M may be invested with Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation.
4. Deposits of any amount may be invested with QTC.

During 2013–14, 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	2014 $'000	2013 $'000
Consolidated			
Cash at bank and at call invested in Australian institutions rated AA- or higher*	8	33,211	172,401
Held-to-maturity investments in Australian institutions rated A- to A+*	8	55,340	50,256
Held-to-maturity investments in Australian institutions rated AA- or higher*	8	60,671	116,156
Other cash and cash equivalents	8	5	5
Receivables – current	9	14,112	26,865
		163,339	365,683
Parent			
Cash at bank and at call invested in Australian institutions rated AA- or higher*	8	23,512	161,211
Held-to-maturity investments in Australian institutions rated A- to A+*	8	55,340	50,256
Held-to-maturity investments in Australian institutions rated AA- or higher*	8	60,671	116,156
Other cash and cash equivalents	8	5	5
Receivables – current	9	15,746	30,887
Receivables – non-current	9	5,541	10,541
		160,815	369,056

** Inclusive of accrued interest.*

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

No financial assets and financial liabilities have been offset and presented net in the balance sheets.

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

(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.

SunWater had an approved borrowing program of $130.86M during 2013–14 ($80.00M drawn). This facility is reviewed and renewed annually. SunWater has a rolling $50M working capital facility with QTC. This facility (undrawn during 2013–14) operates as an overdraft arrangement which is used to cover temporary funding shortfalls. The facility is repayable on demand.

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

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.

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

2013	CARRYING AMOUNT $'000	LESS THAN 1 YEAR $'000	1 – 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL CASH FLOWS (CONTRACTUAL) $'000
Consolidated					
Payables	90,029	90,029	-	-	90,029
Borrowings – QTC	240,161	18,467	73,909	229,846*	322,222
Borrowings – bridging loan	188,100	188,100	-	-	188,100
Deposits payable	578	39	38	501	578
	518,868	296,635	73,947	230,347	600,929
Parent					
Payables	91,669	91,669	-	-	91,669
Borrowings – QTC	217,501	15,005	60,061	215,536*	290,602
Borrowings – bridging loan	188,100	188,100	-	-	188,100
Intercompany loan	43,566	43,566	-	-	43,566
Deposits payable	578	39	38	501	578
	541,414	338,379	60,099	216,037	614,515

** Cash flows over five 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 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

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

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

- Water charges applied to irrigators are regulated by the Queensland Government which subsidises water prices by way of community service obligation payments for the forecast shortfall between revenue raised in accordance with the regulated charges and the estimated efficient costs of storage and distribution of water for irrigation purposes. As the regulated price does not provide for a commercial return on capital, the reduced cash flows substantially impact on the values assigned to the water infrastructure assets.
- The Queensland Competition Authority (QCA), appointed to conduct an independent review and make recommendations to government on future irrigation water pricing, handed down its final report *SunWater Irrigation Price Review: 2012–17* in May 2012. In June 2012, SunWater's shareholding Ministers directed SunWater to charge its irrigation customers the final recommended prices as defined in this report for the period commencing 1 July 2012 and ending 30 June 2017.
- The cash flow projections used in SunWater's model are based on these approved irrigation pricing arrangements and likely future pricing trends.
- SunWater applied its pre-tax weighted average cost of capital (WACC) as the discount rate. WACC includes a market-determined rate that reflects the risks associated with operating the business. The risk-free factor, used in the calculation of WACC, is based on a 20 day moving average of the daily risk-free rate.
- There is no open market for the sale of water infrastructure assets owned by SunWater.
- The cash flow projections anticipate that business efficiencies will be achieved over time to meet QCA determined efficient costs and that future price paths will recover efficient costs.

(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(n).

(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 Operating Plan conditions will continue in perpetuity.

NOTE 4 REVENUE

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue from continuing operations				
Industrial water charges	129,660	119,019	102,272	90,540
Irrigation water charges	55,738	47,159	54,789	46,213
Urban water charges	9,579	9,225	9,103	8,872
Drainage charges	1,478	1,407	1,478	1,407
Water allocations revenue	14,333	12,323	14,204	11,931
Consulting and facilities services revenue	12,398	12,368	56,917	28,480
Electricity generation	268	489	268	489
Community service obligation – irrigation	7,417	8,997	7,417	8,997
Community service obligation – urban	5,147	5,037	-	-
Other fees and charges	130	279	130	279
Interest	7,691	9,851	7,264	10,251
Dividends received	-	-	24,000	-
Rent received	340	458	340	458
Other	2,177	835	2,194	784
Total revenue from continuing operations	**246,356**	**227,447**	**280,376**	**208,701**

NOTE 5 OTHER INCOME

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Other income				
Gain on disposal of non-current assets	41	474	41	474
Government grants [1]	16,854	27	16,854	27
Proceeds from insurance settlement	(24)	31	(24)	31
Total other income	**16,871**	**532**	**16,871**	**532**

[1] Government grants related to the construction of the Kinchant Dam safety upgrade were received or receivable during the year. There are no unfulfilled conditions or other contingencies attaching to these grants. As this dam safety upgrade will not generate any additional revenue for the group, the costs of construction have been included in "impairment expense" in the statements of comprehensive income.

NOTE 6 FINANCE COSTS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Interest and finance charges paid/payable	21,305	17,598	20,263	17,420
Amount capitalised	(158)	-	(158)	-
Finance costs expensed	**21,147**	**17,598**	**20,105**	**17,420**

NOTE 7 INCOME TAX AND INCOME TAX EQUIVALENTS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a) Income tax equivalents expense				
Current tax equivalents expense	4,654	10,982	6,910	6,122
Deferred tax equivalents expense/(credit)	11,977	(2,853)	6,606	4,798
Research and development tax credit	(1,037)	(575)	(1,037)	(575)
Prior year amendment refund	(659)	-	(659)	-
Prior year (over)/under provision	19	(952)	18	(952)
	14,954	**6,602**	**11,838**	**9,393**
Income tax equivalents expense is attributable to:				
Profit from continuing operations	14,954	6,602	11,838	9,393
Deferred tax equivalents expense/(credit) included in income tax equivalents expense comprises:				
Decrease/(increase) in deferred tax assets (note 15)	8,955	(5,362)	2,621	878
Increase in deferred tax liabilities (note 20)	3,022	2,509	3,985	3,920
	11,977	**(2,853)**	**6,606**	**4,798**

NOTE 7 INCOME TAX AND INCOME TAX EQUIVALENTS (continued)

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(b) Numerical reconciliation of income tax equivalents expense/(credit) to prima facie tax equivalents payable				
Profit/(loss) from continuing operations before income tax equivalents expense	67,580	27,510	76,820	36,813
Tax at 30%	20,274	8,253	23,046	11,044
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Entertainment expenses	16	20	16	20
Non deductible payment	33	33	33	33
Non taxable dividends	-	-	(7,200)	-
Sundry items	(95)	(177)	(95)	(177)
Unbilled income adjustment	(3,597)	-	(2,285)	-
Research and development tax credit	(1,037)	(575)	(1,037)	(575)
Prior year amendment refund	(659)	-	(659)	-
Prior year (over)/under provision	19	(952)	19	(952)
Income tax equivalents expense/(credit)	**14,954**	**6,602**	**11,838**	**9,393**

NOTE 8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash on hand	5	5	5	5
Cash at bank	791	130,036	495	129,733
Deposits on call	32,420	42,365	23,017	31,478
Term deposits	116,011	166,412	116,011	166,412
	149,227	**338,818**	**139,528**	**327,628**

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

The above figures reconcile 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	**149,227**	**338,818**	**139,528**	**327,628**

(b) Risk exposure

SunWater's risk exposure is set out in note 2.

NOTE 9 RECEIVABLES

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Trade debtors	15,532	29,065	10,884	24,637
Term trade debtors	57	85	57	85
Other debtors	23	-	23	-
Intercompany receivables	-	-	200	667
Intercompany taxation receivables	-	-	6,082	7,783
	15,612	29,150	17,246	33,172
Allowance for impairment of receivables	(1,500)	(2,285)	(1,500)	(2,285)
	14,112	**26,865**	**15,746**	**30,887**
Non-current				
Intercompany receivables	-	-	5,541	10,541
	-	**-**	**5,541**	**10,541**

NOTE 9 RECEIVABLES (continued)

(a) Impaired receivables

The ageing of trade receivables is as follows:

	GROSS RECEIVABLE 2014 $'000	IMPAIRMENT 2014 $'000	GROSS RECEIVABLE 2013 $'000	IMPAIRMENT 2013 $'000
Consolidated				
Not past due	13,362	103	20,570	217
Past due 0 – 30 days	453	102	1,277	262
Past due 31 – 60 days	38	36	1,408	148
More than 60 days	1,679	1,259	5,810	1,658
	15,532	1,500	29,065	2,285

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

	2014 $'000	2013 $'000
At 1 July	2,285	1,500
Allowances added/(written back)	(785)	785
Carrying amount at 30 June	1,500	2,285

The credit to the allowance for impairment of receivables has been offset by a bad debt write-off of equal value.

(b) Foreign exchange and interest rate risk

Information Information about SunWater's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is set out in note 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		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Materials and stores	2,419	2,273	2,419	2,273

Inventory expense

Inventories recognised as expense during the year ended 30 June 2014 amounted to $1.872M (2013: $1.618M). There were no write-downs of inventories to net realisable value charged as an expense during the year ended 30 June 2014 (2013: nil). Inventory to the value of $0.017M was written off during the year (2013: $0.001M). There were no reversals of previous write-downs (2013: nil).

NOTE 11 OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
GST receivable	2,375	2,544	1,971	2,315
Prepayments	1,895	693	1,895	690
Prepaid income tax	9,323	1,706	9,323	1,706
Accrued revenue[1]	17,493	17,633	19,167	19,170
	31,086	22,576	32,356	23,881

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

NOTE 12 OTHER FINANCIAL ASSETS

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Shares in controlled entities – at cost	-	-	97,296	81,296

Information relating to the controlled entities is set out below.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING 2014 %	EQUITY HOLDING 2013 %
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 13 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Land [1]	**7,987**	**7,987**	**7,987**	**7,987**
Buildings and land improvements [1]	20,525	19,802	20,491	19,768
Accumulated depreciation	(4,560)	(4,072)	(4,549)	(4,061)
Total buildings and land improvements	**15,965**	**15,730**	**15,942**	**15,707**
Plant and equipment [1]	19,752	19,058	19,739	19,045
Accumulated depreciation	(13,499)	(12,101)	(13,495)	(12,097)
Accumulated impairment	(522)	(365)	(522)	(365)
Total plant and equipment	**5,731**	**6,592**	**5,722**	**6,583**
Water infrastructure [1]	909,408	870,842	752,481	715,411
Accumulated depreciation	(166,073)	(143,841)	(111,958)	(94,379)
Accumulated impairment	(175,133)	(183,141)	(168,775)	(176,784)
Total water infrastructure	**568,202**	**543,860**	**471,748**	**444,248**
Assets under construction [1] [2]	415,862	203,997	401,952	201,311
Accumulated impairment	(16,851)	-	(16,851)	-
	399,011	**203,997**	**385,101**	**201,311**
Total property, plant and equipment	996,896	778,166	886,500	675,836

[1] *At cost or deemed cost.*

[2] *Includes the costs of investigating feasibilities associated with the development of business cases for proposed water infrastructure projects that, at commencement, were deemed more likely to proceed to construction. If circumstances arise in the future whereby any of the business cases are unsuccessful, any underwritten costs are recovered from the customer and any unrecoverable value is written off at that time.*

(a) Reconciliations

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

	LAND $'000	BUILDINGS & LAND IMPROVEMENTS $'000	PLANT & EQUIPMENT $'000	WATER INFRASTRUCTURE $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL $'000
Consolidated						
Year ended 30 June 2014						
Carrying amount at 1 July 2013	7,987	15,730	6,592	543,860	203,997	778,166
Additions	-	723	1,086	40,028	255,249	297,086
Disposals	-	-	(14)	(1,069)	-	(1,083)
Transfer between classes	-	-	-	-	(43,384)	(43,384)
Depreciation expense	-	(488)	(1,776)	(22,626)	-	(24,890)
Impairment loss	-	-	(157)	8,009	(16,851)	(8,999)
Carrying amount at 30 June 2014	7,987	15,965	5,731	568,202	399,011	996,896

NOTE 13 PROPERTY, PLANT AND EQUIPMENT (continued)

	LAND $'000	BUILDINGS & LAND IMPROVEMENTS $'000	PLANT & EQUIPMENT $'000	WATER INFRASTRUCTURE $'000	ASSETS UNDER CONSTRUCTION $'000	TOTAL $'000
Year ended 30 June 2013						
Carrying amount at 1 July 2012	7,653	12,697	7,525	514,410	143,442	685,727
Additions	395	3,764	1,161	60,187	141,806	207,313
Disposals	(61)	(175)	(44)	(230)	-	(510)
Transfer between classes	-	-	-	-	(78,779)	(78,779)
Depreciation expense	-	(556)	(2,050)	(20,147)	-	(22,753)
Impairment loss	-	-	-	(10,360)	(2,472)	(12,832)
Carrying amount at 30 June 2013	**7,987**	**15,730**	**6,592**	**543,860**	**203,997**	**778,166**
Parent						
Year ended 30 June 2014						
Carrying amount at 1 July 2013	7,987	15,707	6,583	444,248	201,311	675,836
Additions	-	723	1,086	38,533	242,529	282,871
Disposals	-	-	(14)	(1,069)	-	(1,083)
Transfer between classes	-	-	-	-	(41,888)	(41,888)
Depreciation expense	-	(488)	(1,776)	(17,973)	-	(20,237)
Impairment loss	-	-	(157)	8,009	(16,851)	(8,999)
Carrying amount at 30 June 2014	**7,987**	**15,942**	**5,722**	**471,748**	**385,101**	**886,500**
Year ended 30 June 2013						
Carrying amount at 1 July 2012	7,653	12,673	7,517	410,150	141,715	579,708
Additions	395	3,764	1,160	60,186	140,847	206,352
Disposals	(61)	(175)	(44)	(230)	-	(510)
Transfer between classes	-	-	-	-	(78,779)	(78,779)
Depreciation expense	-	(555)	(2,050)	(15,498)	-	(18,103)
Impairment loss	-	-	-	(10,360)	(2,472)	(12,832)
Carrying amount at 30 June 2013	**7,987**	**15,707**	**6,583**	**444,248**	**201,311**	**675,836**

NOTE 13 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Impairment

Cash generating units

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

	CONSOLIDATED		PARENT	
	LOSS $'000	(REVERSED) $'000	LOSS $'000	(REVERSED) $'000
Lower Fitzroy Water Supply Scheme This CGU comprises all of the water infrastructure assets in the Lower Fitzroy Water Supply Scheme. The impairment loss mainly arises because additional future cash outflows are expected to fully absorb currently forecast cash inflows. Recoverable amount is determined as value in use. The discount rate used was 9.7% (2013: 9.4%).	5,819		5,819	
Nogoa Mackenzie Water Supply Scheme This CGU comprises all of the water infrastructure assets in the Nogoa Mackenzie Water Supply Scheme. The reversal of previously recognised impairment losses arises mainly because revised cash inflows are now expected to recover certain previously recognised future cash outflows Recoverable amount is determined as value in use. The discount rate used was 9.7% (2013: 9.4%).		(9,350)		(9,350)
Proserpine Water Supply Scheme This CGU comprises all of the water infrastructure assets in the Proserpine Water Supply Scheme. The reversal of previously recognised impairment losses arises mainly because revised cash inflows are now expected to recover certain previously recognised future cash outflows Recoverable amount is determined as value in use. The discount rate used was 9.7% (2013: 9.4%).		(5,482)		(5,482)
Other cash generating units – individually not significant. Recoverable amount is determined as value in use. The discount rate used was 9.7% (2013: 9.4%).	7,129	(5,968)	7,129	(5,968)
Total	**12,948**	**(20,800)**	**12,948**	**(20,800)**

Assets under construction

Assets under construction against which significant impairment losses were recognised (or reversed) during the financial year are:

	CONSOLIDATED		PARENT	
	LOSS $'000	(REVERSED) $'000	LOSS $'000	(REVERSED) $'000
Kinchant Dam Safety Upgrade	16,851	-	16,851	-

In accordance with the Dam Safety Programme, SunWater is in the process of upgrading Kinchant Dam. At 30 June 2014, the project was well advanced. As the dam safety upgrade will not generate any additional revenue for SunWater, it is considered to be impaired. The above costs represent the amount incurred as at 30 June 2014, Government grants that fully offset this impairment have been received or are receivable (note 5). Refer to note 29 for further information regarding SunWater's Dam Safety Upgrade programme.

NOTE 14 INTANGIBLE ASSETS

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Software [1]	31,282	29,702	31,282	29,702
Accumulated amortisation	(17,850)	(15,255)	(17,850)	(15,255)
Accumulated impairment	(359)	(359)	(359)	(359)
	13,073	14,088	13,073	14,088
Trade names	8	8	8	8
Water allocations [1]	58,149	58,141	9,858	9,851
	71,230	**72,237**	**22,939**	**23,947**

[1] *At cost or deemed cost.*

Reconciliations

Reconciliations of the carrying amounts of intangible assets at the beginning and end of each period are set out below.

	SOFTWARE $'000	TRADE NAMES $'000	WATER ALLOCATIONS $'000
Consolidated			
Year ended 30 June 2014			
Carrying amount at 1 July 2013	14,088	8	58,141
Additions – at cost	1,581	-	8
Disposals/retirements	-	-	-
Amortisation expense	(2,596)	-	-
Carrying amount at 30 June 2014	**13,073**	**8**	**58,149**
Year ended 30 June 2013			
Carrying amount at 1 July 2012	1,759	8	57,958
Additions – at cost	13,271	-	283
Disposals/retirements	-	-	(100)
Amortisation expense	(942)	-	-
Carrying amount at 30 June 2013	**14,088**	**8**	**58,141**
Parent			
Year ended 30 June 2014			
Carrying amount at 1 July 2013	14,088	8	9,851
Additions – at cost	1,581	-	7
Disposals/retirements	-	-	-
Amortisation expense	(2,596)	-	-
Carrying amount at 30 June 2014	**13,073**	**8**	**9,858**
Year ended 30 June 2013			
Carrying amount at 1 July 2012	1,759	8	9,568
Additions – at cost	13,271	-	283
Disposals/retirements	-	-	-
Amortisation expense	(942)	-	-
Carrying amount at 30 June 2013	**14,088**	**8**	**9,851**

NOTE 15 DEFERRED TAX ASSETS

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
The balance comprises temporary differences attributable to:				
Allowance for impairment of receivables	450	685	450	685
Property, plant and equipment	1,156	1,299	-	-
Accrued payables	33	179	27	173
Accrued employee benefits	1,208	1,338	1,208	1,338
Revenue received in advance	378	2,098	378	2,098
Provision for Rocklea land commitment	366	363	366	363
Unearned renewal annuity	1,782	1,545	1,782	1,545
Rent incentive	419	512	419	512
Provision for natural disaster repairs	4,715	11,175	3,438	3,622
Provision for legal fees	45	368	37	323
Provision for repairs Paradise Dam	443	321	-	-
Provision for restructuring	962	1,029	962	1,029
Balance at 30 June	**11,957**	**20,912**	**9,067**	**11,688**

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Movements:				
Opening balance at 1 July	20,912	15,550	11,688	12,566
Credited/(charged) to the income statement	(8,955)	5,362	(2,621)	(878)
Losses utilised to offset current tax payable	-	-	-	-
Closing balance at 30 June	**11,957**	**20,912**	**9,067**	**11,688**
Deferred tax assets to be recovered after 12 months	10,267	19,395	7,382	9,492
Deferred tax assets to be recovered within 12 months	1,690	1,517	1,685	2,196
Closing balance at 30 June	**11,957**	**20,912**	**9,067**	**11,688**

NOTE 16 PAYABLES

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Trade creditors	3,912	30,847	3,881	30,844
Intercompany taxation payables	-	-	8,338	2,923
Other creditors and accruals	15,666	46,312	14,112	45,031
	19,578	**77,159**	**26,331**	**78,798**

NOTE 17 PROVISIONS

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Current				
Employee benefits (note 21) [1]	4,028	4,462	4,028	4,462
Natural disaster repairs[2]	15,713	37,251	11,459	12,075
Legal costs [3]	150	1,225	125	1,075
Paradise Dam repairs [4]	1,478	1,071	-	-
Restructuring [5]	3,208	3,429	3,208	3,429
Dividends	42,100	12,870	42,100	12,870
	66,677	60,308	60,920	33,911
Non-current				
Land commitment [6]	1,220	1,210	1,220	1,210
	1,220	1,210	1,220	1,210

[1] The current provision for employee benefits includes accrued annual leave, banked time and time off in lieu (TOIL). The entire amount of the provision is presented as current since SunWater does not have an unconditional right to defer settlement of any of these obligations.

[2] SunWater's water infrastructure suffered damage in late 2010, early 2011 and early 2013 due to the impact of widespread flooding and cyclones. The provision represents management's estimate of the amount of damage incurred but not rectified as at 30 June 2014. Remedial works are expected to be carried out within the next financial year.

[3] The provision represents management's estimate of the costs associated with certain legal proceedings. (Refer also to note 28).

[4] Agreement was reached between SunWater (on behalf of Burnett Water Pty Ltd) and the Burnett Dam Alliance (BDA) during 2012 over the amount payable by the BDA to rectify agreed defects associated with the construction of Paradise Dam. Remedial works are expected to be carried out within the next financial year.

[5] In April 2013, the Commission of Audit recommended, and the Queensland Government accepted, that:

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

The provision represents management's estimate of the present obligation required to implement this recommendation. (Refer also to Note 30).

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

Movements in provisions

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

	NATURAL DISASTER REPAIRS $'000	LEGAL COSTS $'000	PARADISE DAM REPAIRS $'000	RESTRUCTURING $'000	INCOME TAX $'000	LAND COMMITMENT $'000
Consolidated						
Carrying amount at 1 July 2013	37,251	1,225	1,071	3,429	-	1,210
Provisions added/(written back)	16,450	(661)	-	1,479	-	10
Payments made during the year	(37,988)	(414)	407	(1,700)	-	-
Carrying amount at 30 June 2014	**15,713**	**150**	**1,478**	**3,208**	**-**	**1,220**
Parent						
Carrying amount at 1 July 2013	12,075	1,075	-	3,429	-	1,210
Provisions added/(written back)	10,605	(536)	-	1,479	-	10
Payments made during the year	(11,221)	(414)	-	(1,700)	-	-
Carrying amount at 30 June 2014	**11,459**	**125**	**-**	**3,208**	**-**	**1,220**

NOTE 18 BORROWINGS

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Unsecured [1]				
QTC loan	271,820	240,161	250,649	217,501
Bridging loan	208,100	188,100	208,100	188,100
Intercompany loans	-	-	11,339	43,566
	479,920	428,261	470,088	449,167
Represented by:				
Current	211,428	189,781	221,210	231,666
Non-current	268,492	238,480	248,878	217,501
	479,920	428,261	470,088	449,167

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

(a) Financing arrangements

The loans from QTC are interest bearing. Parent entity non-current borrowings have no fixed repayment date. The terms of the facilities are reviewed by QTC annually. Subject to the annual approval of the Queensland Treasurer, borrowings are sourced from the SunWater Client Specific Pool, except in the case of borrowings by SunWater's subsidiary companies which borrow externally through QTC's generic debt pool. SunWater may draw up to the amount of the approved borrowing program of $130.86 million in 2014 (2013: $305.00 million). $80.00 million of this facility was used at 30 June 2014 (2013: nil).

SunWater has maintained the financial covenant as required under its borrowing facilities during the 2014 and 2013 reporting period – refer to note 22(c).

SunWater has a rolling $50.00 million working capital facility with QTC. This facility, which is repayable on demand, operates as an overdraft arrangement which is used to cover temporary funding shortfalls. The facility was undrawn as at 30 June 2014 (2013: undrawn).

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

(b) Fair value

	CONSOLIDATED 2014 CARRYING AMOUNT $'000	CONSOLIDATED 2014 FAIR VALUE $'000	CONSOLIDATED 2013 CARRYING AMOUNT $'000	CONSOLIDATED 2013 FAIR VALUE $'000
The carrying amounts and fair values of interest bearing liabilities at balance date are:				
Borrowings	271,820	298,249	240,161	261,085

	PARENT 2014 CARRYING AMOUNT $'000	PARENT 2014 FAIR VALUE $'000	PARENT 2013 CARRYING AMOUNT $'000	PARENT 2013 FAIR VALUE $'000
The carrying amounts and fair values of interest bearing liabilities at balance date are:				
Borrowings	250,649	273,221	217,501	234,780

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

NOTE 19 OTHER LIABILITIES

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Current				
Deposits payable	873	578	873	578
Unearned annuity [(1)]	5,938	5,150	5,938	5,150
Rent incentive	310	310	310	310
Other	326	23	326	23
	7,447	6,061	7,447	6,061
Non-current				
Rent incentive	1,086	1,397	1,086	1,397
	1,086	1,397	1,086	1,397

[(1)] *The level of expenditure required to maintain the serviceability and integrity of the asset portfolio can vary significantly from year to year. To even out the effect of expenditure peaks and troughs in irrigation prices, SunWater utilises an annuity approach for the irrigation sector. The following table shows the movement during the financial year for all water supply and distribution schemes.*

	OPENING BALANCE $'000	ANNUITY REVENUE $'000	REFURBISHMENT EXPENDITURE $'000	INTEREST $'000	MOVEMENT $'000	CLOSING BALANCE $'000
Consolidated						
Year ended 30 June 2014						
Water Supply Scheme						
Barker Barambah Supply	780	(171)	461	52	342	1,122
Bowen Broken Supply	453	(3)	2	4	3	456
Boyne Supply	(314)	(1)	137	6	142	(172) *
Bundaberg Supply	1,484	(468)	4,009	120	3,661	5,145
Burdekin Supply	(1,179)	(305)	217	(128)	(216)	(1,395) *
Callide Supply	323	(34)	229	5	200	523
Chinchilla Weir Supply	(17)	-	-	-	-	(17) *
Cunnamulla Weir Supply	(5)	(6)	15	-	9	4
Dawson Supply	(1,572)	31	218	(90)	159	(1,413) *
Eton Supply	379	(448)	46	28	(374)	5
Lower Fitzroy Supply	108	(1)	16	10	25	133
Lower Mary Supply	(121)	(36)	8	(6)	(34)	(155) *
Macintyre Brook Supply	1,730	(214)	298	116	200	1,930
Maranoa Supply	(12)	(5)	-	(1)	(6)	(18) *
Mareeba Supply	(1,787)	(50)	96	(82)	(36)	(1,823) *
Nogoa Supply	952	(217)	73	62	(82)	870
Pioneer Supply	2,444	(190)	102	138	50	2,494
Proserpine Supply	102	(58)	24	3	(31)	71
St George Supply	884	(617)	458	75	(84)	800
Tarong Pipelines	-	(63)	196	10	143	143
Three Moon Creek Supply	173	(29)	414	10	395	568
Upper Burnett Supply	547	(60)	23	6	(31)	516
Upper Condamine Supply	734	-	-	-	-	734

NOTE 19 OTHER LIABILITIES (continued)

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

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

	OPENING BALANCE $'000	ANNUITY REVENUE $'000	REFURBISHMENT EXPENDITURE $'000	INTEREST $'000	MOVEMENT $'000	CLOSING BALANCE $'000
Consolidated						
Year ended 30 June 2013						
Water Supply Scheme						
Barker Barambah Supply	808	(171)	89	54	(28)	780
Bowen Broken Supply	452	(3)	1	3	1	453
Boyne Supply	(464)	(1)	158	(7)	150	(314) *
Bundaberg Supply	1,079	(458)	773	90	405	1,484
Burdekin Supply	(1,090)	(300)	332	(121)	(89)	(1,179) *
Callide Supply	306	(34)	48	3	17	323
Chinchilla Weir Supply	(23)	-	6	-	6	(17) *
Cunnamulla Weir Supply	1	(6)	-	-	(6)	(5) *
Dawson Supply	(1,587)	71	34	(90)	15	(1,572) *
Eton Supply	574	(442)	204	43	(195)	379
Lower Fitzroy Supply	-	97	1	10	108	108
Lower Mary Supply	(94)	(36)	13	(4)	(27)	(121) *
Macintyre Brook Supply	1,769	(213)	55	119	(39)	1,730
Maranoa Supply	(7)	(5)	-	-	(5)	(12) *
Mareeba Supply	(1,771)	(50)	115	(81)	(16)	(1,787) *
Nogoa Supply	842	(212)	268	54	110	952
Pioneer Supply	2,215	(186)	295	120	229	2,444
Proserpine Supply	146	(57)	7	6	(44)	102
St George Supply	683	(608)	749	60	201	884
Tarong Pipelines	16	(16)	-	-	(16)	-
Three Moon Creek Supply	108	(62)	122	5	65	173
Upper Burnett Supply	508	(27)	59	7	39	547
Upper Condamine Supply	772	(60)	13	9	(38)	734

NOTE 19 OTHER LIABILITIES (continued)

	OPENING BALANCE $'000	ANNUITY REVENUE $'000	REFURBISHMENT EXPENDITURE $'000	INTEREST $'000	MOVEMENT $'000	CLOSING BALANCE $'000
Consolidated						
Year ended 30 June 2013						
Distribution System						
Bundaberg Distribution	(195)	(1,427)	1,493	(14)	52	(143) *
Burdekin Distribution	3,167	(2,410)	2,481	230	301	3,468
Dawson Distribution	1,198	(89)	379	87	377	1,575
Emerald Distribution	2,235	(604)	771	168	335	2,570
Eton Distribution	1,194	(511)	569	88	146	1,340
Lower Mary Distribution	759	(448)	191	57	(200)	559
Mareeba Distribution	2,257	(1,724)	460	166	(1,098)	1,159
St George Distribution	1,319	(402)	311	99	8	1,327
Total	**17,177**	**(10,394)**	**9,997**	**1,161**	**764**	**17,941**

* *Only negative balances totalling $5.150 million (where amounts received from irrigation customers are in excess of expenditure as at the end of the financial year) are recognised.*

NOTE 20 DEFERRED TAX LIABILITIES

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
The balance comprises temporary differences attributable to:				
Inventories	618	574	618	574
Accrued revenue	-	1,338	-	726
Water allocations	7,122	7,122	1,354	1,354
Property, plant and equipment	15,610	11,294	8,879	4,212
Closing balance at 30 June	**23,350**	**20,328**	**10,851**	**6,866**
Movements				
Opening balance at 1 July	20,328	17,819	6,866	2,946
Charged/(credited) to the income statement	3,022	2,509	3,985	3,920
Closing balance at 30 June	**23,350**	**20,328**	**10,851**	**6,866**
Deferred tax liabilities to be settled after 12 months	22,732	18,416	10,233	5,566
Deferred tax liabilities to be settled within 12 months	618	1,912	618	1,300
Closing balance at 30 June	**23,350**	**20,328**	**10,851**	**6,866**

NOTE 21 EMPLOYEE BENEFITS

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Employee benefits liability				
Provision for employee benefits (note 17)	4,028	4,462	4,028	4,462
Aggregate employee benefits liability	**4,028**	**4,462**	**4,028**	**4,462**
Employee numbers				
Number of employees (full time equivalents excluding casuals) as at 30 June	**418**	**498**	**418**	**498**

NOTE 22 CONTRIBUTED EQUITY

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
(a) Share capital				
Issued and paid up capital:				
2 ordinary shares of $190.1345M each[(1)]	**380,269**	**380,269**	**380,269**	**380,269**

[(1)] *Shares have no par value.*

	NUMBER OF SHARES $'000	CONTRIBUTION PER SHARE $'000	TOTAL $'000
(b) Movements in ordinary share capital			
Closing balance 30 June 2013	2	190,134	380,269
Closing balance 30 June 2014	**2**	**190,134**	**380,269**

(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 2014, SunWater's strategy was to maintain a market gearing ratio with a 50% upper limit (2013: 50%). The market gearing ratios at 30 June 2014 and 30 June 2013 were as follows:

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
Total borrowings [(1)]	479,920	428,261	470,088	449,167
Total equity	677,649	667,123	633,449	610,567
Total capital	**1,157,569**	**1,095,384**	**1,103,537**	**1,059,734**
Market gearing ratio	41%	39%	43%	42%

[(1)] *Includes interest free customer bridging loan (Refer note 18).*

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

Loan covenant

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

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

The group has complied with this covenant throughout the reporting period. As at 30 June 2014, the EBITDA Interest Coverage was 5.95 times (2013: 4.72 times).

NOTE 23 DIVIDENDS

	PARENT 2014 $'000	PARENT 2013 $'000
Ordinary shares		
2013 first and final dividend of $6.435M per share declared and provided for but not paid as at 30 June 2013 [(1)(2)]		12,870
2014 first and final dividend of $21.050M per share declared and provided for but not paid as at 30 June 2014 [(1)(2)]	42,100	
	42,100	**12,870**

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

[(2)] *Dividend declared in accordance with s131 of the* Government Owned Corporations Act 1993 *and provided for as disclosed in note 17.*

NOTE 24 REMUNERATION OF AUDITORS

During the year, fees of $0.156M (2013: $0.156M) were paid or payable for services provided by the auditor of the consolidated entity in relation to the audit of the financial report of the parent entity and its subsidiaries.

No other services were provided.

NOTE 25 RECONCILIATION OF PROFIT AFTER INCOME TAX EQUIVALENTS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Profit/(loss) for the year	52,626	20,908	64,982	27,420
Depreciation and amortisation	27,486	23,695	22,833	19,045
Impairment	8,999	12,832	8,999	12,832
Bad and doubtful debts	10	854	10	854
Net (gain)/loss on sale or disposal of non-current assets	1,026	(197)	1,026	(197)
Interest received	(6,860)	(9,706)	(6,734)	(10,134)
Interest paid	20,732	17,264	19,819	17,079
Dividends received	-	-	(24,000)	-
Change in assets and liabilities:				
(Increase)/decrease in inventories and intangibles	(155)	(232)	(155)	(332)
(Increase)/decrease in deferred tax assets	8,955	(5,362)	2,621	878
(Increase)/decrease in receivables	12,415	(19,381)	12,888	(18,883)
(Increase)/decrease in other assets	(1,403)	(5,047)	2,155	(4,695)
(Decrease)/increase in creditors	6,211	62,284	30,085	38,948
(Decrease)/increase in deferred revenue	(6,550)	26,519	(6,715)	26,635
(Decrease)/increase in income taxes payable	(7,617)	(12,492)	(7,617)	(12,492)
(Decrease)/increase in deferred tax liabilities	3,022	2,508	3,985	3,920
Net cash inflow from operating activities	**118,897**	**114,447**	**124,182**	**100,878**

NOTE 26 COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(a) Capital expenditure commitments				
Capital expenditure commitments (including GST) contracted for but not brought to account are as follows:				
ICT projects	542	287	542	287
Water infrastructure projects	29,341	285,568	29,341	285,487
	29,883	**285,855**	**29,883**	**285,774**
Payable:				
Not later than one year	**29,883**	**285,855**	**29,883**	**285,774**
(b) Non-cancellable operating lease expense commitments				
Future operating lease commitments (including GST) not brought to account and payable:				
Within one year	3,205	3,286	3,205	3,286
Later than one year but not later than five years	12,948	14,645	12,948	14,645
Later than five years	-	2,649	-	2,649
	16,153	**20,580**	**16,153**	**20,580**

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.

NOTE 26 COMMITMENTS FOR EXPEDITURE (continued)

Future projects and acquisitions

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

Details of SunWater's dam safety upgrade program are disclosed in note 29.

NOTE 27 RELATED PARTIES DISCLOSURES

Key management personnel compensation

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

Key management personnel compensation disclosures by category

CATEGORY	2014 $'000	2013 $'000
Consolidated		
Short-term employee benefits – cash salary	1,468	1,657
Short-term employee benefits – cash bonus	166	138
Post-employment benefits - superannuation	134	154
Termination benefits	152	-
Total	**1,920**	**1,949**
Parent		
Short-term employee benefits – cash salary	1,445	1,623
Short-term employee benefits – cash bonus	166	138
Post-employment benefits – superannuation	131	152
Termination benefits	152	-
Total	**1,894**	**1,913**

Compensation – directors

	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	
NAME OF DIRECTOR	CASH SALARY $'000	CASH BONUS $'000	SUPERANNUATION $'000	TOTAL $'000
Consolidated 2014				
Ross Dunning, Chair (appointed 12 December 2013)	39	-	4	43
Greg Moynihan	50	-	5	55
Tom Connor (retired 31 December 2013)	17	-	1	18
Kirstin Ferguson	37	-	3	40
Alan Millhouse (retired 30 September 2013)	11	-	1	12
William Wild	36	-	3	39
Larry Anthony (appointed 12 December 2013)	18	-	2	20
Rachel Fennell (appointed 12 December 2013)	17	-	2	19
Consolidated 2013				
Greg Moynihan, Chair	39	-	3	42
Will Siganto, Chair (retired 28 June 2013)	55	-	5	60
Tom Connor	32	-	3	35
John Gibson (retired 30 September 2012)	12	-	1	13
Kirstin Ferguson	36	-	3	39
Alan Millhouse	43	-	4	47
Anthony Mooney (retired 19 December 2012)	17	-	2	19
William Wild (appointed 20 December 2012)	14	-	1	15

NOTE 27 RELATED PARTIES DISCLOSURES (continued)

	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	
NAME OF DIRECTOR	CASH SALARY $'000	CASH BONUS $'000	SUPERANNUATION $'000	TOTAL $'000
Parent 2014				
Ross Dunning, Chair (appointed 12 December 2013)	35	-	3	38
Greg Moynihan	46	-	4	50
Tom Connor (retired 31 December 2013)	15	-	1	16
Kirstin Ferguson	37	-	4	41
Alan Millhouse (retired 30 September 2013)	7	-	1	8
William Wild	29	-	3	32
Larry Anthony (appointed 12 December 2013)	17	-	1	18
Rachel Fennell (appointed 12 December 2013)	16	-	1	17
Parent 2013				
Greg Moynihan, Chair	35	-	3	38
Will Siganto, Chair (retired 28 June 2013)	55	-	5	60
Tom Connor	28	-	3	31
John Gibson (retired 30 September 2012)	8	-	1	9
Kirstin Ferguson	36	-	3	39
Alan Millhouse	25	-	2	27
Anthony Mooney (retired 19 December 2012)	17	-	2	19
William Wild (appointed 20 December 2012)	10	-	1	11

Directors' contracts

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

Terms of appointment are as follows:

DIRECTORS AS AT 30 JUNE 2014	TERM OF APPOINTMENT	APPOINTMENT EXPIRY DATE
Ross Dunning	2 years 9 months	30 September 2016
Greg Moynihan	2 years 9 months	30 September 2016
Kirstin Ferguson	3 years	30 September 2014
William Wild	2 years 9 months	30 September 2015
Larry Anthony	2 years 9 months	30 September 2016
Rachel Fennell	2 years 9 months	30 September 2016

Directors' remuneration excludes insurance premiums (exclusive of GST) of $129,061 (2013: $84,021) 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.

NOTE 27 RELATED PARTIES DISCLOSURES (continued)

Compensation – executives

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

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

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

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

	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	TERMINATION	
TITLE OF EXECUTIVE	CASH SALARY $'000	CASH BONUS $'000	SUPERANNUATION $'000	BENEFITS $'000	TOTAL $'000
Parent 2013					
Peter Boettcher, Chief Executive	455	56	19	-	530
Geoff White, General Manager, Corporate	271	31	35	-	337
General Manager, Infrastructure Management, Barry Jeppesen (completed service 20 August 2012)	28	-	3	-	31
Acting General Manager, Infrastructure Management, Tim Donaghy (appointed 20 August 2012)	182	-	23	-	205
General Manager, Infrastructure Development, Mark Browne	261	28	25	-	314
General Manager, People, Performance and Safety, Tom Vanderbyl	212	23	27	-	262

Executive employment contracts

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

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

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

Each executive has the opportunity to receive an annual performance payment of up to 15% of the TFR in the relevant year. Stretch targets aligned with the Statement of Corporate Intent (which is approved by the shareholding Ministers) are set. A scorecard, with weightings for each target, is agreed with the Board at the beginning of the year. At the end of the year a total score, based on the achievement against each target, is proposed which translates into the amount of the performance payment paid to the executive. For the 18 month period concluding on 31 December 2014, the Chief Executive is eligible to receive a performance payment of up to 20% of the contract TFR.

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

NOTE 27 RELATED PARTIES DISCLOSURES (continued)

Transactions with subsidiaries

The parent entity of the group is SunWater Limited. Interests in subsidiaries are set out in note 12. All transactions with subsidiaries are carried out under normal commercial terms and conditions or at cost. No transactions occurred between subsidiaries.

During the year ended 30 June 2014, the following significant transactions occurred between the parent entity and its subsidiaries:

	2014 $'000	2013 $'000
Sales of water to subsidiaries	4,677	4,755
Sales of services to subsidiaries	44,519	16,111
Interest received from subsidiaries	345	943
Interest paid to subsidiaries	939	1,739
Current tax payable assumed from tax consolidated subsidiaries	2,256	4,860
Dividends received from subsidiaries	24,000	-
Loan received from subsidiaries	21,000	5,000
Loan repaid to subsidiaries	53,181	-
Equity contributed to subsidiaries	16,000	-

Transactions with entities subject to common control

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

During the year ended 30 June 2014, the following significant transactions occurred between SunWater Limited and other State of Queensland controlled entities:

	2014 $'000	2013 $'000
Dividends declared	42,100	12,870
Interest received from QTC	752	528
Water sales, CSO, grants received	34,984	26,737
Consultancies paid	14,127	10,359
Interest/market realisation fee paid to QTC	20,874	17,206

NOTE 28 CONTINGENCIES

SunWater had contingent liabilities at 30 June 2014 in respect of:

(a) In November 2008, one of two inflatable dams mounted on top of Bedford Weir failed. In the ensuing unexpected release of a large volume of water downstream, a fatality occurred. The incident was the subject of a Workplace Health and Safety Queensland prosecution and may be subject to a later inquiry by the Coroner. In September 2009, the relatives of the deceased person also instituted legal action for personal injuries.

(b) Since the finalisation of the Commission of Inquiry into the 2010–11 flood event and the release of the final report, landowners whose properties were inundated during the floods are seeking compensation through a class action which has been commenced against another Government entity, SunWater and the State Government. SunWater, which provided assistance to the dam operator under a contract to provide flood operations support, is named as second defendant. SunWater is working closely with its insurers, and will defend the claim.

(c) 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.

NOTE 28 CONTINGENCIES (continued)

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

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

At this stage, the solution and the costs are not known and may not be known with any certainty for some time. In the event that SunWater's insurance policy does respond, but is scaled back due to exclusions and deductibles, it is likely that there will be an under-recovery against the final costs.

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

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

The dam is safe; however, there was a potential risk to the dam if it was subjected to a further major flood event. To mitigate this risk, Phase 1 Emergency Works and Phase 2 Interim Works have been carried out to enable the dam to withstand a late season flood.

In the longer term, a full dam safety review (Phase 3) is currently being undertaken to provide a comprehensive understanding of the impacts of the flood damage, and inform the development of a long term solution. An early outcome has been Phase 4(a) works which have reinforced the dissipator apron.

At this stage, any further works and associated costs are not known and may not be known with any certainty for some time. In the event that SunWater's insurance policy does respond, but is scaled back due to exclusions and deductibles, it is likely that there will be an under-recovery against the final costs.

If an under-recovery does occur, SunWater will seek to protect its interests by pursuing other commercial remedies available to it, and will if necessary approach the state government to provide funding on the basis of a required dam safety upgrade. At this stage, any ultimate under-recovery cannot be reliably estimated.

(f) At 30 June 2014, SunWater was engaged in commercial disputes under various contracts.

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

SunWater had contingent assets at 30 June 2014 in respect of:

(a) SunWater has made a claim, or signalled its intention to make a claim under its insurance policies for losses attributable to the flood events in 2010-11 and 2012–13. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2014.

(b) SunWater has made a claim under its insurance policies for legal costs associated with the Bedford Weir and Marian Weir incidents. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2014.

(c) SunWater has made a claim under its insurance policies for legal costs associated with the Commission of Inquiry into the recent flood events. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2014.

NOTE 29 DAM SAFETY UPGRADE

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), Borumba Dam (2009) and Tinaroo Falls Dam (2011).

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

Whilst the initial program of safety upgrades was prioritised based on spillway adequacy, SunWater is progressively completing a Comprehensive Risk Assessment (CRA) for all of its referable dams. A CRA considers a much broader range of risk factors, and therefore provides a more complete view of 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	ESTIMATED COSTS
Kinchant Dam	2011	$19.400M
Eungella Dam	2015	$9.922M
Burdekin Falls Dam – stage 1	2016	$17.480M
Paradise Dam – phase 4 [1]	2017	Not determined
Teemburra Dam	2019	$9.463M
Coolmunda Dam	2021	$5.205M
Wuruma Dam	2022	$15.853M
Fred Haigh Dam – stage 2	2023	$3.481M
Leslie Dam	2024	$4.319M
Burdekin Falls Dam – stage 2	2025	$180.000M
Moura Offstream Storage	2031	$1.256M
Woongarra	2032	$0.497M
Peter Faust Dam	2033	$1.342M
Isis	2035	$0.618M
Callide Dam [2]	Not determined	Not determined

[1] *Phase 4(a) has been completed (refer note 28); otherwise at this stage, an estimate of costs is not available (and will not be known until March to June 2015) as the potential scope of work has not been defined.*

[2] *At this stage, an estimate of costs is not available. Data is currently being collected to determine what further works may be required*

Recently, the Regulator has issued a revised Acceptable Flood Capacity Guideline, which has the potential effect of delaying the commencement of SunWater's proposed program, and establishing a different order of priority of upgrade. SunWater is in discussions with the Regulator and the government over these revisions and the impacts of potential delays and reprioritisations.

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

NOTE 30 COMMISSION OF AUDIT RECOMMENDATIONS

The final report by the Commission of Audit, established by the Queensland Government in 2012 was released on 30 April 2013. It contained a number of recommendations specific to SunWater, all of which were accepted by Government. The recommendations are:

1. SunWater finalise the transfer of its irrigation channels to private irrigators and withdraw fully from this activity.
2. SunWater's dedicated water supply infrastructure servicing commercial and industrial clients be offered for private ownership and/ or private operation, depending on which solution provides the best value for money outcome for the Government.
3. SunWater remain as a Government Owned Corporation with a residual function to retain ownership and management of existing bulk water assets in regional Queensland.
4. Any future bulk water storage facilities be developed by the private sector, unless there are compelling public good or market failure reasons not to do so.

SunWater, in consultation with Government, has commenced the process of restructuring the organisation to be able to implement these recommendations. At this stage, the timeframes for implementation of the respective recommendations have not been confirmed. However, significant preliminary work has been done in preparation, and to the extent possible, a provision for restructuring costs has been established in the financial statements.

NOTE 31 SUBSEQUENT EVENTS

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

DIRECTORS DECLARATION

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

(a) in their opinion, there are reasonable grounds to believe that SunWater Limited will be able to pay its debts as and when they become due and payable;

(b) the notes to the financial statements of SunWater Limited for 2013–2014 as set out on pages 25 to 56 of the Financial Report comply with:

   (i) Accounting Standards;

   (ii) International Financial Reporting Standards; and

   (iii) this statement has been included in the notes to the financial statements of SunWater Limited for 2013–2014 as set out in note 1(a);

(c) in their opinion, the financial statements and notes of SunWater Limited for 2013–2014 as set out on pages 20 to 56 of the Financial Report of SunWater Limited for 2013–2014 are in accordance with the *Corporations Act 2001* (Cth) including:

   (i) that the financial statements and notes of SunWater Limited for 2013–2014 comply with Accounting Standards; and

   (ii) give a true and fair view of:

      a. the financial position and performance of SunWater Limited; and
      b. the financial position and performance of the consolidated entity.

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

R Dunning Chairman	G Moynihan Director

Brisbane, Qld
22 August 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of SunWater Limited

Report on the Financial Report

I have audited the accompanying financial report of SunWater Limited ("the Company"), which comprises the balance sheets as at 30 June 2014, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standards, the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

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

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with.

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 2014 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Other Matters - Electronic Presentation of the Audited Financial Report

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

QUEENSLAND
28 AUG 2014
AUDIT OFFICE

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

Queensland Audit Office

Brisbane, Qld
28 August 2014