# FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015



# 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 2015

| | | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|---|
| | NOTES | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Revenue from continuing operations | 1 | 277,510 | 246,356 | 277,914 | 280,376 |
| Other income | 2 | 13,263 | 16,871 | 8,261 | 16,871 |
| Expenses from continuing operations: | | | | | |
| Employee benefits expense | | (32,442) | (38,513) | (32,439) | (38,510) |
| Depreciation and amortisation expense | 9,10 | (36,500) | (27,486) | (31,672) | (22,833) |
| Impairment expense/credit – property, plant and equipment/intangible assets | 9,10 | (80,279) | (8,999) | 1,690 | (8,999) |
| Impairment expense – investment in subsidiaries | 19 | - | - | (112,296) | - |
| Contracted services expense | 12 | (52,402) | (29,145) | (31,704) | (61,795) |
| Electricity expense | | (29,230) | (32,312) | (28,174) | (31,102) |
| Insurance expense | | (8,806) | (13,044) | (7,987) | (11,726) |
| Materials expense | | (4,514) | (3,206) | (4,512) | (3,911) |
| Plant hire expense | | (2,481) | (3,244) | (2,481) | (3,382) |
| Motor vehicle operating leases expense | | (2,073) | (1,982) | (2,073) | (1,982) |
| IT expense | | (1,409) | (1,381) | (1,409) | (1,381) |
| Travel expense | | (1,438) | (1,183) | (1,438) | (1,187) |
| Accommodation expense | | (3,223) | (2,697) | (3,223) | (2,697) |
| Legal expense | | (1,990) | (912) | (1,864) | (1,014) |
| Rates and land tax expense | | (1,999) | (1,870) | (1,825) | (1,700) |
| Telephone, facsimile and data lines expense | | (1,444) | (1,164) | (1,441) | (1,161) |
| Loss on disposal of assets | | (35) | (1,066) | (35) | (1,066) |
| Other expenses | | (5,656) | (6,296) | (5,589) | (5,876) |
| Finance costs | 3 | (17,849) | (21,147) | (16,328) | (20,105) |
| **Profit before income tax equivalents** | | **7,003** | **67,580** | **1,375** | **76,820** |
| Income tax equivalents expense | 4 | (430) | (14,954) | (27,031) | (11,838) |
| **Profit for the year** | | **6,573** | **52,626** | **(25,656)** | **64,982** |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income for the year** | | **6,573** | **52,626** | **(25,656)** | **64,982** |

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

# BALANCE SHEETS
## AS AT 30 JUNE 2015

| | NOTES | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|---|
| *ASSETS* | | | | | |
| *Current assets* | | | | | |
| Cash | 5 | 178,812 | 149,227 | 156,445 | 139,528 |
| Receivables | 6 | 11,961 | 14,112 | 14,354 | 15,746 |
| Inventories | 7 | 2,480 | 2,419 | 2,480 | 2,419 |
| Other current assets | 8 | 23,268 | 31,086 | 23,309 | 32,356 |
| Total current assets | | **216,521** | **196,844** | **196,588** | **190,049** |
| *Non-current assets* | | | | | |
| Receivables | 6 | - | - | 4,388 | 5,541 |
| Property, plant and equipment | 9 | 958,851 | 996,896 | 887,237 | 886,500 |
| Intangible assets | 10 | 22,270 | 71,230 | 22,146 | 22,939 |
| Deferred tax assets | 4 | 21,229 | 11,957 | 8,431 | 9,067 |
| Investment in subsidiaries | 19 | - | - | * | 97,296 |
| Total non-current assets | | **1,002,350** | **1,080,083** | **922,202** | **1,021,343** |
| **Total assets** | | **1,218,871** | **1,276,927** | **1,118,790** | **1,211,392** |
| *LIABILITIES* | | | | | |
| *Current liabilities* | | | | | |
| Payables | 11 | 17,475 | 19,578 | 32,797 | 26,331 |
| Provisions | 12 | 48,661 | 66,677 | 22,580 | 60,920 |
| Borrowings (including bridging loans) | 17 | 4,548 | 211,428 | 10,008 | 221,210 |
| Other | 13 | 17,294 | 7,447 | 17,294 | 7,447 |
| Total current liabilities | | **87,978** | **305,130** | **82,679** | **315,908** |
| *Non-current liabilities* | | | | | |
| Provisions | 12 | 1,229 | 1,220 | 1,229 | 1,220 |
| Borrowings | 17 | 262,912 | 268,492 | 245,779 | 248,878 |
| Deferred tax liabilities | 4 | 20,969 | 23,350 | 19,749 | 10,851 |
| Other | 13 | 166,819 | 1,086 | 166,819 | 1,086 |
| Total non-current liabilities | | **451,929** | **294,148** | **433,576** | **262,035** |
| **Total liabilities** | | **539,907** | **599,278** | **516,255** | **577,943** |
| **Net assets** | | **678,964** | **677,649** | **602,535** | **633,449** |
| *EQUITY* | | | | | |
| Contributed equity | 16 | 380,269 | 380,269 | 380,269 | 380,269 |
| Retained earnings | | 298,695 | 297,380 | 222,266 | 253,180 |
| **Total equity** | | **678,964** | **677,649** | **602,535** | **633,449** |

**Amounts less than $500*

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

# STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2015

| | NOTES | CONTRIBUTED EQUITY $'000 | RETAINED EARNINGS $'000 | TOTAL EQUITY $'000 |
|---|---|---|---|---|
| *Consolidated* | | | | |
| Balance at 1 July 2013 | | 380,269 | 286,854 | 667,123 |
| Total comprehensive income for the year | | - | 52,626 | 52,626 |
| Transactions with owners as owners | | | | |
| Dividends | 15 | - | (42,100) | (42,100) |
| Balance at 30 June 2014 | | 380,269 | 297,380 | 677,649 |
| Total comprehensive income for the year | | - | 6,573 | 6,573 |
| Transactions with owners as owners | | | | |
| Dividends | 15 | - | (5,258) | (5,258) |
| **Balance at 30 June 2015** | | **380,269** | **298,695** | **678,964** |
| *Parent* | | | | |
| Balance at 1 July 2013 | | 380,269 | 230,298 | 610,567 |
| Total comprehensive income for the year | | - | 64,982 | 64,982 |
| Transactions with owners as owners | | | | |
| Dividends | 15 | - | (42,100) | (42,100) |
| Balance at 30 June 2014 | | 380,269 | 253,180 | 633,449 |
| Total comprehensive income for the year | | - | (25,656) | (25,656) |
| Transactions with owners as owners | | | | |
| Dividends | 15 | - | (5,258) | (5,258) |
| **Balance at 30 June 2015** | | **380,269** | **222,266** | **602,535** |

*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 2015

| | | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|---|
| | NOTES | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| *Cash flows from operating activities* | | | | | |
| Receipts from customers (inclusive of GST and refunded GST) | | 487,350 | 335,631 | 465,838 | 339,321 |
| Government grant received | | 2,024 | 8,713 | 2,024 | 8,713 |
| Community service obligations received | | 11,292 | 12,948 | 5,989 | 7,806 |
| Interest received | | 431 | 1,644 | 426 | 1,343 |
| Intercompany taxes received/(paid) | | - | - | (2,256) | 4,860 |
| Payments to suppliers and employees (inclusive of GST) | | (164,982) | (227,758) | (152,511) | (225,567) |
| Income taxes paid | | (10,552) | (12,281) | (10,552) | (12,294) |
| **Net cash inflow/(outflow) from operating activities** | 5 | **325,563** | **118,897** | **308,958** | **124,182** |
| *Cash flows from investing activities* | | | | | |
| Proceeds from sale of property, plant and equipment | | 923 | 58 | 923 | 58 |
| Proceeds from term debtors | | - | 30 | - | 30 |
| Repayments of intercompany borrowings | | - | - | 1,353 | 5,467 |
| Interest received | | 5,108 | 6,860 | 5,027 | 6,734 |
| Dividends received | | - | - | 18,000 | 24,000 |
| Payments for property, plant and equipment | | (29,928) | (333,493) | (29,917) | (320,848) |
| **Net cash inflow/(outflow) from investing activities** | | **(23,897)** | **(326,545)** | **(4,614)** | **(284,559)** |
| *Cash flows from financing activities* | | | | | |
| Proceeds from external borrowings | | - | 110,000 | - | 110,000 |
| Proceeds from intercompany borrowings | | - | - | 8,300 | 21,000 |
| Interest paid | | (17,522) | (20,732) | (16,046) | (19,820) |
| Repayments of borrowings [1] | | (212,459) | (58,341) | (222,581) | (110,033) |
| Intercompany equity injection | | - | - | (15,000) | (16,000) |
| Dividends paid | | (42,100) | (12,870) | (42,100) | (12,870) |
| **Net cash inflow/(outflow) from financing activities** | | **(272,081)** | **18,057** | **(287,427)** | **(27,723)** |
| **Net increase (decrease) in cash and cash equivalents** | | **29,585** | **(189,591)** | **16,917** | **(188,100)** |
| Cash and cash equivalents at the beginning of the financial year | | 149,227 | 338,818 | 139,528 | 327,628 |
| Cash and cash equivalents at the end of the financial year | 5 | 178,812 | 149,227 | 156,445 | 139,528 |

[1] *During 2015, the interest-free bridging loan of $208.1M was repaid upon completion of the Woleebee Pipeline construction. Following this repayment, the customer advanced $180.25M in accordance with the contract for water transportation. This amount is recorded as a deferred liability and is amortised to revenue over the life of the contract.*

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

The financial report includes separate financial statements for SunWater Limited, being the parent entity, and the consolidated entity consisting of SunWater Limited and its subsidiaries (the Group). The Group has elected to adopt Class Order 10/654 allowing the disclosure of parent entity financial statements and notes thereto. The Class Order provides relief from the requirement preventing disclosure of single entity financial statements and disclosures of specific parent entity financial information under regulation 2M.3.01 of the *Corporations Regulations 2001* (Cth).

## 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.

**Rounding of amounts**

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

**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.

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the parent entity as at 30 June 2015 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 19).

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.

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

Where separate financial statements of a subsidiary company have been prepared, they are prepared for the same accounting period as the parent entity, using consistent accounting policies. Accounting policies of all subsidiaries are consistent with the accounting policies of the parent entity.

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

## Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial operations and performance are provided throughout the notes to the financial statements (refer below) in accordance with the structure of the financial statements set out on page 21. These policies have been consistently applied to the years presented unless otherwise stated.

## Critical accounting estimates and judgements

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. 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are found in the following notes:

| | | |
|---|---|---|
| Estimated impairment of assets | Note 9 | Property, plant and equipment |
| | Note 10 | Intangible assets |
| | Note 19 | Investment in subsidiaries |
| Useful life of property, plant and equipment | Note 9 | Property, plant and equipment |
| Non-current intangible assets | Note 10 | Intangible assets |

## 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.

## The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the group.

The notes are organised into the following sections:

| | |
|---|---|
| *Operations*: | provides a breakdown of individual line items in the financial statements that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items; |
| *Capital*: | provides information about the capital management practices of the group and shareholder returns for the year; |
| *Risk*: | discusses the group's exposure to various financial risks, and explains how these could affect the group's financial position and performance; |
| *Group structure*: | explains how the group structure impacts on the financial position and performance of the group as a whole; |
| *Unrecognised items*: | provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria, but could potentially have a significant impact on the group's financial position and performance; and |
| *Other*: | includes other information that must be disclosed to comply with Australian Accounting Standards and other regulatory pronouncements, but which is not immediately related to individual items in the financial statements and is not considered critical in understanding the financial position and performance of the group. |

## Significant changes in the current accounting period

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

The Woleebee Creek to Glebe Weir Pipeline was commissioned during the year and, in line with contractual arrangements, revenue of $29.280M has been earned. The project was capitalised at a cost of $356.127M.

The carrying value of the Paradise Dam and Hydro cash generating units, owned by subsidiary Burnett Water Pty Ltd, exceeded their recoverable amount and an impairment of $33.805M is recognised in "impairment expense" in the Consolidated Statements of Comprehensive Income. The decrease in recoverable amount is largely attributable to substantial damage to the infrastructure assets and low water demand in the region.

The carrying value of the water allocations, held for sale by subsidiary Burnett Water Pty Ltd, exceeded their recoverable amount and an impairment of $48.165M is recognised in "impairment expense" in the Consolidated Statements of Comprehensive Income. The decrease in recoverable amount is largely attributable to low water demand in the region.

The carrying value of investments in subsidiaries in SunWater Limited exceeded their recoverable amount, and an impairment of $112.296M is recognised in the Statements of Comprehensive Income. This decrease reflects the impairment of the underlying assets in Burnett Water Pty Ltd.

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## NOTE 1 REVENUE

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| *Revenue from continuing operations* | | | | |
| Industrial water charges | 166,365 | 129,660 | 139,181 | 102,272 |
| Irrigation water charges | 54,601 | 55,738 | 53,606 | 54,789 |
| Urban water charges | 12,023 | 9,579 | 11,750 | 9,103 |
| Drainage charges | 1,529 | 1,478 | 1,529 | 1,478 |
| Water allocations revenue | 15,057 | 14,333 | 14,700 | 14,204 |
| Consulting and facilities services revenue | 9,215 | 12,398 | 25,816 | 56,917 |
| Electricity generation | 290 | 268 | 290 | 268 |
| Community service obligation – irrigation | 5,989 | 7,417 | 5,989 | 7,417 |
| Community service obligation – urban | 5,304 | 5,147 | - | - |
| Other fees and charges | 16 | 130 | 16 | 130 |
| Interest | 5,407 | 7,691 | 5,321 | 7,264 |
| Dividends received | - | - | 18,000 | 24,000 |
| Rent received | 361 | 340 | 361 | 340 |
| Other | 1,353 | 2,177 | 1,355 | 2,194 |
| **Total revenue from continuing operations** | **277,510** | **246,356** | **277,914** | **280,376** |

### Recognition and measurement

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 is recognised if it meets the criteria outlined below.

*Revenue from water operations* is recognised when water has been delivered to customers or, in cases where no water has been delivered, is accrued in accordance with contractual provisions.

*Water allocations sales revenue* is recognised at the point of sale. Water allocations are saleable rights that may be granted by the Crown, free of charge, in a Resource Operations Plan under the *Water Act 2000* (Qld). Interim water allocations (replacing water licences granted under previous legislation) and water allocations are recognised at nominal cost less impairment or deemed cost (refer note 10). All other water allocations granted free of charge are recognised, when granted, at fair value which is nominal cost ($1).

*Lease income from operating leases* (including leased water allocations) is recognised in revenue on a straight-line basis over the lease term.

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

*Revenue from electricity generation* is recognised on the amount of electricity generated and measured at the reporting date.

*Community service obligation (CSO) payments* are received by the consolidated entity from the Queensland Government. The payments fund the Rural Water CSO in recognition of the current rural water pricing policies set by the Government, urban water deliveries to a local council, and certain other activities for which there are no other revenue sources. As these are subsidies from the Queensland Government, no conditions (apart from normal commercial considerations in maintaining water deliveries) are required to be met. These amounts are recorded as revenue.

*Interest income* is recognised as interest accrues to the related financial asset. Interest is determined using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

## NOTE 2 OTHER INCOME

| | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|
| Gain on disposal of non-current assets | 567 | 41 | 567 | 41 |
| Government grants | 2,030 | 16,854 | 2,030 | 16,854 |
| Proceeds from insurance settlement | 10,666 | (24) | 5,664 | (24) |
| **Total other income** | **13,263** | **16,871** | **8,261** | **16,871** |

### Recognition and measurement

*Government 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).

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

## NOTE 3 FINANCE COSTS

| | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|
| Interest and finance charges paid/payable | 17,873 | 21,305 | 16,352 | 20,263 |
| Amount capitalised | (24) | (158) | (24) | (158) |
| **Finance costs expensed** | **17,849** | **21,147** | **16,328** | **20,105** |

### Recognition and measurement

*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.

## NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS

| | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|
| **Income tax equivalents expense** | | | | |
| Current tax equivalents expense | 13,575 | 4,654 | 18,989 | 6,910 |
| Deferred tax equivalents expense/(credit) | (11,652) | 11,977 | 9,535 | 6,606 |
| Research and development tax credit | (1,482) | (1,037) | (1,482) | (1,037) |
| Prior year amendment refund | - | (659) | - | (659) |
| Prior year (over)/under provision | (11) | 19 | (11) | 18 |
| | **430** | **14,954** | **27,031** | **11,838** |
| **Income tax equivalents expense is attributable to:** | | | | |
| **Profit from continuing operations** | **430** | **14,954** | **27,031** | **11,838** |

## NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS (continued)

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Numerical reconciliation of income tax equivalents expense/(credit) to prima facie tax equivalents payable** | | | | |
| Profit from continuing operations before income tax equivalents expense | 7,003 | 67,580 | 1,375 | 76,820 |
| Tax at 30% | 2,100 | 20,274 | 413 | 23,046 |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income: | | | | |
| Entertainment expenses | 15 | 16 | 15 | 16 |
| Non deductible payment | - | 33 | - | 33 |
| Non taxable dividends | - | - | (5,400) | (7,200) |
| Sundry items | (192) | (95) | (192) | (95) |
| Impairment – non deductible | - | - | 33,688 | - |
| Unbilled income adjustment | - | (3,597) | - | (2,285) |
| Research and development tax credit | (1,482) | (1,037) | (1,482) | (1,037) |
| Prior year amendment refund | - | (659) | - | (659) |
| Prior year (over)/under provision | (11) | 19 | (11) | 19 |
| **Income tax equivalents expense** | **430** | **14,954** | **27,031** | **11,838** |
| Deferred income tax in the balance sheets relates to the following: | | | | |
| Allowance for impairment of receivables | 495 | 450 | 495 | 450 |
| Property, plant and equipment | 4,966 | 1,156 | - | - |
| Accrued payables | 29 | 33 | 21 | 27 |
| Accrued employee benefits | 1,095 | 1,208 | 1,095 | 1,208 |
| Revenue received in advance | 303 | 378 | 303 | 378 |
| Provision for Rocklea land commitment | 369 | 366 | 369 | 366 |
| Unearned renewal annuity | 2,631 | 1,782 | 2,631 | 1,782 |
| Rent incentive | 326 | 419 | 326 | 419 |
| Provision for natural disaster repairs | 2,928 | 4,715 | 2,812 | 3,438 |
| Provision for legal fees | 148 | 45 | 103 | 37 |
| Provision for infrastructure investigations and repairs | 164 | 443 | 164 | - |
| Provision for restructuring | 112 | 962 | 112 | 962 |
| Provision for dam improvements | 7,500 | - | - | - |
| Deferred tax assets | 21,229 | 11,957 | 8,431 | 9,067 |
| Inventories | 624 | 618 | 624 | 618 |
| Water allocations | 1,354 | 7,122 | 1,354 | 1,354 |
| Property, plant and equipment | 18,991 | 15,610 | 17,771 | 8,879 |
| Deferred tax liabilities | 20,969 | 23,350 | 19,749 | 10,851 |
| **Net deferred tax assets** | **260** | **(11,393)** | **(11,318)** | **(1,784)** |

## NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS (continued)

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| *Movements:* | | | | |
| Deferred tax assets | | | | |
| Opening balance at 1 July | 11,957 | 20,912 | 9,067 | 11,688 |
| Credited/(charged) to the income statement | 9,272 | (8,955) | (636) | (2,621) |
| **Closing balance at 30 June** | **21,229** | **11,957** | **8,431** | **9,067** |
| Deferred tax assets to be recovered after 12 months | 12,840 | 10,267 | 4,124 | 7,382 |
| Deferred tax assets to be recovered within 12 months | 8,389 | 1,690 | 4,307 | 1,685 |
| **Closing balance at 30 June** | **21,229** | **11,957** | **8,431** | **9,067** |
| Deferred tax liabilities | | | | |
| Opening balance at 1 July | 23,350 | 20,328 | 10,851 | 6,866 |
| Charged/(credited) to the income statement | (2,381) | 3,022 | 8,898 | 3,985 |
| **Closing balance at 30 June** | **20,969** | **23,350** | **19,749** | **10,851** |
| Deferred tax liabilities to be settled after more than 12 months | 20,344 | 22,732 | 19,125 | 10,233 |
| Deferred tax liabilities to be settled within 12 months | 625 | 618 | 624 | 618 |
| **Closing balance at 30 June** | **20,969** | **23,350** | **19,749** | **10,851** |

### Recognition and measurement

*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 current tax rates. 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 6 and 11).

## NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS (continued)

*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 5 CASH AND CASH EQUIVALENTS

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Cash on hand | 5 | 5 | 5 | 5 |
| Cash at bank | 868 | 791 | 596 | 495 |
| Deposits on call | 72,212 | 32,420 | 50,117 | 23,017 |
| Term deposits | 105,727 | 116,011 | 105,727 | 116,011 |
| | 178,812 | 149,227 | 156,445 | 139,528 |

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

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Profit/(loss) for the year | 6,573 | 52,626 | (25,656) | 64,982 |
| Depreciation and amortisation | 36,500 | 27,486 | 31,672 | 22,833 |
| Impairment | 80,279 | 8,999 | 110,606 | 8,999 |
| Bad and doubtful debts | 157 | 10 | 157 | 10 |
| Net (gain)/loss on sale or disposal of non-current assets | (532) | 1,026 | (532) | 1,026 |
| Interest received | (5,108) | (6,860) | (5,027) | (6,734) |
| Interest paid | 17,522 | 20,732 | 16,046 | 19,819 |
| Dividends received | - | - | (18,000) | (24,000) |
| Change in assets and liabilities: | | | | |
| (Increase)/decrease in inventories and intangibles | (59) | (155) | (61) | (155) |
| (Increase)/decrease in deferred tax assets | (9,271) | 8,955 | 637 | 2,621 |
| (Increase)/decrease in receivables | 2,144 | 12,415 | 1,641 | 12,888 |
| (Increase)/decrease in other assets | (9,991) | (1,403) | (1,705) | 2,155 |
| (Decrease)/increase in creditors | 21,850 | 6,211 | 2,406 | 30,085 |
| (Decrease)/increase in deferred revenue | 175,533 | (6,550) | 175,529 | (6,715) |
| (Decrease)/increase in income taxes payable | 12,347 | (7,617) | 12,347 | (7,617) |
| (Decrease)/increase in deferred tax liabilities | (2,381) | 3,022 | 8,898 | 3,985 |
| **Net cash inflow from operating activities** | **325,563** | **118,897** | **308,958** | **124,182** |

### Recognition and measurement

*Cash at bank and on deposit*

Cash and cash equivalents in the balance sheet include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 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.

*Risk exposure*

SunWater's risk exposure is set out in note 18.

## NOTE 6 RECEIVABLES

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| *Current* | | | | |
| Trade debtors | 13,549 | 15,532 | 9,386 | 10,884 |
| Term trade debtors | 62 | 57 | 62 | 57 |
| Other debtors | - | 23 | - | 23 |
| Intercompany receivables | - | - | - | 200 |
| Intercompany taxation receivables | - | - | 6,556 | 6,082 |
| | 13,611 | 15,612 | 16,004 | 17,246 |
| Allowance for impairment of receivables | (1,650) | (1,500) | (1,650) | (1,500) |
| | **11,961** | **14,112** | **14,354** | **15,746** |
| *Non-current* | | | | |
| Intercompany receivables | - | - | 4,388 | 5,541 |
| | **-** | **-** | **4,388** | **5,541** |

### Impaired receivables

The ageing of trade receivables is as follows:

| | GROSS RECEIVABLE 2015 $'000 | IMPAIRMENT 2015 $'000 | GROSS RECEIVABLE 2014 $'000 | IMPAIRMENT 2014 $'000 |
|---|---|---|---|---|
| *Consolidated* | | | | |
| Not past due | 10,411 | 11 | 13,362 | 103 |
| Past due 0 – 30 days | 1,285 | 198 | 453 | 102 |
| Past due 31 – 60 days | 19 | 9 | 38 | 36 |
| More than 60 days | 1,834 | 1,432 | 1,679 | 1,259 |
| | **13,549** | **1,650** | **15,532** | **1,500** |

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

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| At 1 July | 1,500 | 2,285 |
| Allowances added/(written back) | 150 | (785) |
| **Carrying amount at 30 June** | **1,650** | **1,500** |

### Foreign exchange and interest rate risk

Information about SunWater's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is set out in note 18.

### 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 18.

### Recognition and measurement

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the invoice date. Collectability of receivables is assessed at balance date. All known bad debts are written off. An allowance for impairment of trade receivables is established when there is objective evidence that all amounts due according to the original terms of the receivables will not be able to be collected. The amount of the impairment loss is recognised in the 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 7 INVENTORIES

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Materials and stores | 2,480 | 2,419 | 2,480 | 2,419 |

### Inventory expense

Inventories recognised as expense during the year ended 30 June 2015 amounted to $2.115M (2014: $1.872M). There were no write-downs of inventories to net realisable value charged as an expense during the year ended 30 June 2015 (2014: nil). Inventory to the value of $0.052M was written off during the year (2014: $0.017M). There were no reversals of previous write-downs (2014: nil).

### Recognition and measurement

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.

## NOTE 8 OTHER CURRENT ASSETS

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| GST receivable | 1,369 | 2,375 | 1,234 | 1,971 |
| Prepayments | 771 | 1,895 | 771 | 1,895 |
| Prepaid income tax | - | 9,323 | - | 9,323 |
| Accrued revenue[1] | 21,128 | 17,493 | 21,304 | 19,167 |
| | 23,268 | 31,086 | 23,309 | 32,356 |

*[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 9 PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Land** [1] | **7,851** | **7,987** | **7,851** | **7,987** |
| Buildings and land improvements [1] | 18,543 | 20,525 | 18,509 | 20,491 |
| Accumulated depreciation | (4,883) | (4,560) | (4,870) | (4,549) |
| **Total buildings and land improvements** | **13,660** | **15,965** | **13,639** | **15,942** |
| Plant and equipment [1] | 19,301 | 19,752 | 19,287 | 19,739 |
| Accumulated depreciation | (13,207) | (13,499) | (13,202) | (13,495) |
| Accumulated impairment | (522) | (522) | (522) | (522) |
| **Total plant and equipment** | **5,572** | **5,731** | **5,563** | **5,722** |
| Water infrastructure [1] | 1,301,980 | 909,408 | 1,132,694 | 752,481 |
| Accumulated depreciation | (197,975) | (166,073) | (139,034) | (111,958) |
| Accumulated impairment | (224,098) | (175,133) | (183,935) | (168,775) |
| **Total water infrastructure** | **879,907** | **568,202** | **809,725** | **471,748** |
| **Assets under construction**[1][2] | 51,861 | 415,862 | 50,459 | 401,952 |
| Accumulated impairment | - | (16,851) | - | (16,851) |
| **Total assets under construction** | **51,861** | **399,011** | **50,459** | **385,101** |
| Total property, plant and equipment | 958,851 | 996,896 | 887,237 | 886,500 |

*[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.*

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

### Recognition and measurement

*Property, plant and equipment*

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

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

The cost of self-constructed items includes the direct cost of construction plus costs incidental to the construction, including all other costs incurred in preparing the assets ready for use, such as engineering design fees, an appropriate proportion of overheads and borrowing costs (refer note 3). The cost also includes the initial estimate of the costs of decommissioning the items and restoring the site on which they are located where such estimate is relevant and reliable in the context of the very long design life of most of these assets. 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.

*Depreciation*

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

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

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

*Impairment of property, plant and equipment*

Items of property, plant and equipment are assessed on an annual basis for indicators of impairment.

Where an indicator of impairment exists, an estimate of the recoverable amount of the asset is undertaken. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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.

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

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

### Critical accounting estimates and judgements

*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.

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT (continued)

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 (last) 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 average of the 10 year Commonwealth Government bond security.
- 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.

### 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 2015* | | | | | | |
| Carrying amount at 1 July 2014 | 7,987 | 15,965 | 5,731 | 568,202 | 399,011 | 996,896 |
| Additions | - | 296 | 1,435 | 392,580 | 30,166 | 424,477 |
| Disposals | (136) | (210) | (41) | (1) | - | (388) |
| Transfer between classes | - | (1,931) | - | - | (394,167) | (396,098) |
| Depreciation expense | - | (460) | (1,553) | (31,908) | - | (33,921) |
| Impairment loss | - | - | - | (48,966) | 16,851 | (32,115) |
| **Carrying amount at 30 June 2015** | **7,851** | **13,660** | **5,572** | **879,907** | **51,861** | **958,851** |
| *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 9 PROPERTY, PLANT AND EQUIPMENT (continued)

| | LAND $'000 | BUILDINGS & LAND IMPROVEMENTS $'000 | PLANT & EQUIPMENT $'000 | WATER INFRASTRUCTURE $'000 | ASSETS UNDER CONSTRUCTION $'000 | TOTAL $'000 |
|---|---|---|---|---|---|---|
| *Parent* | | | | | | |
| *Year ended 30 June 2015* | | | | | | |
| Carrying amount at 1 July 2014 | 7,987 | 15,942 | 5,722 | 471,748 | 385,101 | 886,500 |
| Additions | - | 296 | 1,435 | 380,220 | 30,315 | 412,266 |
| Disposals | (136) | (209) | (41) | (1) | - | (387) |
| Transfer between classes | - | (1,931) | - | - | (381,808) | (383,739) |
| Depreciation expense | - | (459) | (1,553) | (27,081) | - | (29,093) |
| Impairment loss | - | - | - | (15,161) | 16,851 | 1,690 |
| **Carrying amount at 30 June 2015** | **7,851** | **13,639** | **5,563** | **809,725** | **50,459** | **887,237** |
| *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** |

## Impairment

**Cash generating units**

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

| | CONSOLIDATED LOSS/(REVERSED) $'000 | PARENT LOSS/(REVERSED) $'000 | RECOVERABLE AMOUNT $'000 |
|---|---|---|---|
| *Nogoa Mackenzie Water Supply Scheme* | (6,276) | (6,276) | 40,883 |
| This CGU comprises all of the water infrastructure assets in the Nogoa Mackenzie Water Supply Scheme. The reversal of previously recognised impairment losses mainly arises 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 8.9% (2014: 9.7%). | | | |
| *Paradise Dam* | 30,016 | - | - |
| This CGU comprises all of the water infrastructure assets associated with Paradise Dam, owned by Burnett Water Pty Ltd. 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 8.9% (2014: 9.7%). | | | |
| *Paradise Hydro* | 3,789 | - | - |
| This CGU comprises the infrastructure assets associated with Paradise Hydro, owned by Burnett Water Pty Ltd. 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 8.9% (2014: 9.7%). | | | |
| Other cash generating units – individually not significant. Recoverable amount is determined as value in use. The discount rate used was 8.9% (2014: 9.7%). | 4,585 | 4,585 | 32,280 |
| **Total** | **32,114** | **(1,691)** | **73,163** |

## NOTE 10 INTANGIBLE ASSETS

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Software [1] | 33,030 | 31,282 | 33,030 | 31,282 |
| Accumulated amortisation | (20,391) | (17,850) | (20,391) | (17,850) |
| Accumulated impairment | (359) | (359) | (359) | (359) |
| **Total software** | **12,280** | **13,073** | **12,280** | **13,073** |
| **Trade names** | **8** | **8** | **8** | **8** |
| Water allocations [1] | 58,147 | 58,149 | 9,858 | 9,858 |
| Accumulated impairment | (48,165) | - | - | - |
| **Total water allocations** [1] | **9,982** | **58,149** | **9,858** | **9,858** |
| Total intangible assets | 22,270 | 71,230 | 22,146 | 22,939 |

[1] *At cost or deemed cost.*

### Recognition and measurement

*Software*

Software has a finite life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method. Amortisation rates for software vary from 12.5% to 33%.

*Water allocations*

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

After initial recognition, all water allocations are carried at cost less accumulated impairment. Water allocations have an indefinite life and are not amortised but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired, by comparing their carrying amounts with their recoverable amounts. No recognition threshold is applied.

*Intangible Assets*

Intangible assets that were impaired in a prior period are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which cannot exceed the original cost or deemed cost of that asset. A reversal of an impairment loss is recognised in the Consolidated Statements of Comprehensive Income.

### Critical accounting estimates and judgements

In determining that water allocations have an indefinite life, SunWater has assumed that the current Resource Operating Plan conditions will continue in perpetuity.

## NOTE 10 INTANGIBLE ASSETS (continued)

### 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 2015* | | | |
| Carrying amount at 1 July 2014 | 13,073 | 8 | 58,149 |
| Additions – at cost | 1,786 | - | - |
| Disposals/retirements | - | - | (2) |
| Amortisation expense | (2,579) | - | - |
| Impairment loss | - | - | (48,165) |
| **Carrying amount at 30 June 2015** | **12,280** | **8** | **9,982** |
| *Year ended 30 June 2014* | | | |
| Carrying amount at 1 July 2013 | 14,088 | 8 | 58,141 |
| Additions – at cost | 1,581 | - | 8 |
| Amortisation expense | (2,596) | - | - |
| **Carrying amount at 30 June 2014** | **13,073** | **8** | **58,149** |
| *Parent* | | | |
| *Year ended 30 June 2015* | | | |
| Carrying amount at 1 July 2014 | 13,073 | 8 | 9,858 |
| Additions – at cost | 1,786 | - | - |
| Amortisation expense | (2,579) | - | - |
| **Carrying amount at 30 June 2015** | **12,280** | **8** | **9,858** |
| *Year ended 30 June 2014* | | | |
| Carrying amount at 1 July 2013 | 14,088 | 8 | 9,851 |
| Additions – at cost | 1,581 | - | 7 |
| Amortisation expense | (2,596) | - | - |
| **Carrying amount at 30 June 2014** | **13,073** | **8** | **9,858** |

### Water allocations

Water allocations against which significant impairment was recognised (or reversed) during the financial year are:

| | CONSOLIDATED LOSS/(REVERSED) $'000 | PARENT LOSS/(REVERSED) $'000 | RECOVERABLE AMOUNT $'000 |
|---|---|---|---|
| Kirar Weir | 6,171 | - | 9 |
| Paradise Dam | 41,994 | - | 114 |
| **Total** | **48,165** | **-** | **123** |

## NOTE 11 PAYABLES

| | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|
| Trade creditors | 4,863 | 3,912 | 4,861 | 3,881 |
| Intercompany payables | - | - | 16,972 | 8,338 |
| Other creditors and accruals | 12,612 | 15,666 | 10,964 | 14,112 |
| | 17,475 | 19,578 | 32,797 | 26,331 |

### Recognition and measurement

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 12 PROVISIONS

| | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|
| *Current* | | | | |
| Employee benefits | 3,659 | 4,028 | 3,659 | 4,028 |
| Natural disaster repairs | 9,761 | 15,713 | 9,374 | 11,459 |
| Legal costs | 494 | 150 | 344 | 125 |
| Infrastructure investigations and repairs | 1,090 | 1,478 | 546 | - |
| Dam improvements | 25,000 | - | - | - |
| Restructuring | 375 | 3,208 | 375 | 3,208 |
| Income tax | 3,024 | - | 3,024 | - |
| Dividends | 5,258 | 42,100 | 5,258 | 42,100 |
| | 48,661 | 66,677 | 22,580 | 60,920 |
| *Non-current* | | | | |
| Land commitment | 1,229 | 1,220 | 1,229 | 1,220 |
| | 1,229 | 1,220 | 1,229 | 1,220 |

### Recognition and measurement

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.

### Employee benefits

*Annual leave, banked time and TOIL*

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

*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.

## NOTE 12 PROVISIONS (continued)

*Sick Leave*

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

*Superannuation*

Employer superannuation contributions are paid to Queensland Government 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.

*Natural disaster repairs*

SunWater's water infrastructure suffered damage in late 2010, early 2011, early 2013 and early 2015 due to the impact of widespread flooding and cyclones. The provision represents management's estimate of the present constructive obligation to repair damage incurred but not rectified as at 30 June 2015. Remedial works are expected to be carried out within the next financial year.

*Legal costs*

The provision represents management's estimate of the present obligation for costs associated with certain legal proceedings. (Refer also to note 21).

*Infrastructure investigations and repairs*

The provision represents management's estimate of the present constructive obligation for costs associated with remediation works to rectify accepted defects at Paradise Dam, and costs associated with investigation works at Fairbairn Dam, which are expected to be carried out in the next financial year.

*Dam improvements*

The provision represents management's estimate of the present constructive obligation for costs of external contractors who will be engaged to carry out improvement works associated with Paradise Dam.

*Restructuring*

The provision in 2014 represented the April 2013 Commission of Audit recommendations, accepted by the Queensland Government, that:

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

Since that time, SunWater has been advised by the Queensland Government that:

- the activities associated with the transfer of irrigation channels are to be put on hold pending further consideration of Government; and
- the activities associated with commercial delivery infrastructure will no longer proceed.

Consequently, the majority of the provision has been written back during 2015 in the Statements of Comprehensive Income, with a residual provision remaining as it is due to be paid out during 2015–16.

*Land commitment*

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

## NOTE 12 PROVISIONS (continued)

### Movements in provisions

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

| | NATURAL DISASTER REPAIRS $'000 | LEGAL COSTS $'000 | INFRASTRUCTURE INVESTIGATIONS & REPAIRS $'000 | DAM IMPROVE-MENTS $'000 | RE-STRUCTURING $'000 | INCOME TAX $'000 | LAND COMMMITMENT $'000 |
|---|---|---|---|---|---|---|---|
| *Consolidated* | | | | | | | |
| Carrying amount at 1 July 2014 | 15,713 | 150 | 1,478 | - | 3,208 | - | 1,220 |
| Provisions added/(written back) | 5,316 | 344 | 546 | 25,000 | - | 13,575 | 9 |
| Payments made during the year | (11,268) | - | (934) | - | (2,833) | (10,551) | - |
| **Carrying amount at 30 June 2015** | **9,761** | **494** | **1,090** | **25,000** | **375** | **3,024** | **1,229** |
| *Parent* | | | | | | | |
| Carrying amount at 1 July 2014 | 11,459 | 125 | - | - | 3,208 | - | 1,220 |
| Provisions added/(written back) | 5,158 | 219 | 546 | - | - | 13,575 | 9 |
| Payments made during the year | (7,243) | - | - | - | (2,833) | (10,551) | - |
| **Carrying amount at 30 June 2015** | **9,374** | **344** | **546** | **-** | **375** | **3,024** | **1,229** |

## NOTE 13 OTHER LIABILITIES

| | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|
| *Current* | | | | |
| Deposits payable | 990 | 873 | 990 | 873 |
| Unearned annuity [1] | 8,769 | 5,938 | 8,769 | 5,938 |
| Deferred income | 7,210 | - | 7,210 | - |
| Rent incentive | 310 | 310 | 310 | 310 |
| Other | 15 | 326 | 15 | 326 |
| | **17,294** | **7,447** | **17,294** | **7,447** |
| *Non-current* | | | | |
| Deferred income | 166,043 | - | 166,043 | - |
| Rent incentive | 776 | 1,086 | 776 | 1,086 |
| | **166,819** | **1,086** | **166,819** | **1,086** |

[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.*

## NOTE 13 OTHER LIABILITIES (continued)

| | OPENING BALANCE $'000 | ANNUITY REVENUE $'000 | REFURBISHMENT EXPENDITURE $'000 | INTEREST $'000 | MOVEMENT $'000 | CLOSING BALANCE $'000 |
|---|---|---|---|---|---|---|
| *Consolidated* | | | | | | |
| *Year ended 30 June 2015* | | | | | | |
| *Water Supply Scheme* | | | | | | |
| Barker Barambah Supply | 1,122 | (315) | 137 | 77 | (101) | 1,021 |
| Bowen Broken Supply | 456 | (4) | 3 | 4 | 3 | 459 |
| Boyne Supply | (172) | (30) | 280 | 16 | 266 | 94 |
| Bundaberg Supply | 5,145 | (1,601) | 2,546 | 394 | 1,339 | 6,484 |
| Burdekin Supply | (1,395) | (317) | 381 | (144) | (80) | (1,475) * |
| Callide Supply | 523 | (48) | 155 | 20 | 127 | 650 |
| Chinchilla Weir Supply | (17) | - | - | - | - | (17) * |
| Cunnamulla Weir Supply | 4 | (6) | - | - | (6) | (2) * |
| Dawson Supply | (1,413) | (210) | 209 | (78) | (79) | (1,492) * |
| Eton Supply | 5 | (480) | 64 | - | (416) | (411) * |
| Lower Fitzroy Supply | 133 | (9) | 65 | 12 | 68 | 201 |
| Lower Mary Supply | (155) | (39) | 45 | (9) | (3) | (158) * |
| Macintyre Brook Supply | 1,930 | (237) | 189 | 131 | 83 | 2,013 |
| Maranoa Supply | (18) | - | 4 | (1) | 3 | (15) * |
| Mareeba Supply | (1,823) | (51) | 36 | (84) | (99) | (1,922) * |
| Nogoa-Mackenzie Supply | 870 | (358) | 661 | 55 | 358 | 1,228 |
| Pioneer Supply | 2,494 | (194) | 137 | 141 | 84 | 2,578 |
| Proserpine Supply | 71 | (62) | 16 | 1 | (45) | 26 |
| St George Supply | 800 | (604) | 484 | 68 | (52) | 748 |
| Three Moon Creek Supply | 316 | (105) | 426 | 21 | 342 | 658 |
| Upper Burnett Supply | 942 | (110) | 47 | 40 | (23) | 919 |
| Upper Condamine Supply | 703 | (69) | 24 | 3 | (42) | 661 |

## NOTE 13 OTHER LIABILITIES (continued)

| | OPENING BALANCE $'000 | ANNUITY REVENUE $'000 | REFURBISHMENT EXPENDITURE $'000 | INTEREST $'000 | MOVEMENT $'000 | CLOSING BALANCE $'000 |
|---|---|---|---|---|---|---|
| *Consolidated* | | | | | | |
| *Year ended 30 June 2015* | | | | | | |
| *Distribution System* | | | | | | |
| Bundaberg Distribution | (945) | (2,109) | 947 | (71) | (1,233) | (2,178) * |
| Burdekin Distribution | 2,208 | (2,773) | 1,101 | 158 | (1,514) | 694 |
| Dawson Distribution | 1,678 | (473) | 215 | 126 | (132) | 1,546 |
| Emerald Distribution | 2,280 | (735) | 513 | 171 | (51) | 2,229 |
| Eton Distribution | 1,163 | (605) | 509 | 86 | (10) | 1,153 |
| Lower Mary Distribution | 166 | (468) | 33 | 12 | (423) | (257) * |
| Mareeba Distribution | 460 | (1,865) | 532 | 31 | (1,302) | (842) * |
| St George Distribution | 1,388 | (417) | 593 | 104 | 280 | 1,668 |
| **Total** | **18,919** | **(14,294)** | **10,352** | **1,284** | **(2,658)** | **16,261** |

* *Only negative balances totalling $8.769 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 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-Mackenzie 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 |
| Three Moon Creek Supply | 173 | (63) | 196 | 10 | 143 | 316 |
| Upper Burnett Supply | 547 | (29) | 414 | 10 | 395 | 942 |
| Upper Condamine Supply | 734 | (60) | 23 | 6 | (31) | 703 |

## NOTE 13 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.*

### Recognition and measurement

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.

## NOTE 14 CAPITAL MANAGEMENT

### 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 2015, SunWater's strategy was to maintain a market gearing ratio with a 50% upper limit (2014: 50%). The market gearing ratios at 30 June 2015 and 30 June 2014 were as follows:

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Total borrowings [(1)] | 267,460 | 479,920 | 255,787 | 470,088 |
| Total equity | 678,964 | 677,649 | 602,535 | 633,449 |
| **Total capital** | **946,424** | **1,157,569** | **858,322** | **1,103,537** |
| Market gearing ratio | 28% | 41% | 30% | 43% |

*(1) Includes interest free customer bridging loan during 2014 (Refer note 17).*

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 2015, the EBITDA Interest Coverage was 8.15 times (2014: 5.95 times).

## NOTE 15 DIVIDENDS

| | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|
| *Ordinary shares* | | |
| 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 |
| 2015 first and final dividend of $2.269M per share declared and provided for but not paid as at 30 June 2015 [1][2] | 5,258 | - |
| | 5,258 | 42,100 |

[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 below.*

### Recognition and measurement

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.

## NOTE 16 CONTRIBUTED EQUITY

| | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|
| **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 |
|---|---|---|---|
| **Movements in ordinary share capital** | | | |
| Closing balance 30 June 2014 | 2 | 190,134 | 380,269 |
| **Closing balance 30 June 2015** | **2** | **190,134** | **380,269** |

## NOTE 17 BORROWINGS

| | CONSOLIDATED 2015 $'000 | CONSOLIDATED 2014 $'000 | PARENT 2015 $'000 | PARENT 2014 $'000 |
|---|---|---|---|---|
| *Unsecured* [1] | | | | |
| QTC loan | 267,460 | 271,820 | 248,218 | 250,649 |
| Bridging loan | - | 208,100 | - | 208,100 |
| Intercompany loans | - | - | 7,569 | 11,339 |
| | 267,460 | 479,920 | 255,787 | 470,088 |
| Represented by: | | | | |
| Current | 4,548 | 211,428 | 10,008 | 221,210 |
| Non-current | 262,912 | 268,492 | 245,779 | 248,878 |
| | 267,460 | 479,920 | 255,787 | 470,088 |

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

### Recognition and measurement

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.

## NOTE 17 BORROWINGS (continued)

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.

### 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. No approved borrowing program was in place for 2015 (2014: $130.86 million). $80.00 million of this facility was drawn at 30 June 2014.

SunWater has maintained the financial covenant as required under its borrowing facilities during the 2015 and 2014 reporting period – refer to note 14.

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 2015 (2014: 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.) Now that construction is finalised and the pipeline is commissioned , the loan has been repaid, and replaced with an (unearned) revenue advance, of equivalent amount, which will be progressively amortised to revenue over the period of the water supply and transportation contracts with the customer.

### Fair value

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | CARRYING AMOUNT $'000 | FAIR VALUE $'000 | CARRYING AMOUNT $'000 | FAIR VALUE $'000 |
| The carrying amounts and fair values of interest bearing liabilities at balance date are: | | | | |
| **Borrowings** | 267,460 | 296,014 | 271,820 | 298,249 |

| | PARENT | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | CARRYING AMOUNT $'000 | FAIR VALUE $'000 | CARRYING AMOUNT $'000 | FAIR VALUE $'000 |
| The carrying amounts and fair values of interest bearing liabilities at balance date are: | | | | |
| **Borrowings** | 248,218 | 273,041 | 250,649 | 273,221 |

*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 finance costs in the Consolidated Statements of Comprehensive Income.*

## NOTE 18 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.

## NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

### Market risk

*Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. Although 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 2014–15, SunWater had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

*Price risk*

During 2014–15, SunWater had no significant exposure to price risk.

*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 | | 2015 INTEREST RATE RISK | | | |
|---|---|---|---|---|---|
| | | –1% | | +1% | |
| FINANCIAL INSTRUMENTS | CARRYING AMOUNT $'000 | PROFIT $'000 | EQUITY $'000 | PROFIT $'000 | EQUITY $'000 |
| Cash | 178,812 | (1,490) | (1,490) | 1,490 | 1,490 |
| QTC borrowings | 267,460 | 3,106 | 3,106 | (3,106) | (3,106) |
| **Overall effect on profit and equity** | | **1,616** | **1,616** | **(1,616)** | **(1,616)** |

| 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)** |

### 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 2015–15, 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:

## NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

| MAXIMUM EXPOSURE TO CREDIT RISK CATEGORY | NOTE | 2015 $'000 | 2014 $'000 |
|---|---|---|---|
| *Consolidated* | | | |
| Cash at bank and at call invested in Australian institutions rated AA- or higher* | 5 | 73,080 | 33,211 |
| Held-to-maturity investments in Australian institutions rated A- to A+* | 5 | 50,305 | 55,340 |
| Held-to-maturity investments in Australian institutions rated AA- or higher* | 5 | 55,422 | 60,671 |
| Other cash and cash equivalents | 5 | 5 | 5 |
| Receivables – current | 6 | 11,961 | 14,112 |
| | | **190,773** | **163,339** |
| *Parent* | | | |
| Cash at bank and at call invested in Australian institutions rated AA- or higher* | 5 | 50,713 | 23,512 |
| Held-to-maturity investments in Australian institutions rated A- to A+* | 5 | 50,305 | 55,340 |
| Held-to-maturity investments in Australian institutions rated AA- or higher* | 5 | 55,422 | 60,671 |
| Other cash and cash equivalents | 5 | 5 | 5 |
| Receivables – current | 6 | 14,354 | 15,746 |
| Receivables – non-current | 6 | 4,388 | 5,541 |
| | | **175,187** | **160,815** |

** 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.

### 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 no approved borrowing program during 2014–15. This facility is reviewed and renewed annually. SunWater has a rolling $50M working capital facility with QTC. This facility (undrawn during 2014–15) operates as an overdraft arrangement which is used to cover temporary funding shortfalls. The facility is repayable on demand.

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.

| 2015 | CARRYING AMOUNT $'000 | LESS THAN 1 YEAR $'000 | 1 – 5 YEARS $'000 | OVER 5 YEARS $'000 | TOTAL CASH FLOWS (CONTRACTUAL) $'000 |
|---|---|---|---|---|---|
| *Consolidated* | | | | | |
| Payables/dividends | 22,733 | 22,733 | - | - | 22,733 |
| Borrowings – QTC | 267,460 | 21,729 | 86,825 | 265,590* | 374,144 |
| Deposits payable | 990 | 39 | 32 | 919 | 990 |
| | **291,183** | **44,501** | **86,857** | **266,509** | **397,867** |
| *Parent* | | | | | |
| Payables/dividends | 38,055 | 38,055 | - | - | 38,055 |
| Borrowings – QTC | 248,218 | 18,267 | 72,976 | 257,432* | 348,675 |
| Intercompany loan | 7,569 | 7,569 | - | - | 7,569 |
| Deposits payable | 990 | 39 | 32 | 919 | 990 |
| | **294,832** | **63,930** | **73,008** | **258,351** | **395,289** |

## NOTE 18 FINANCIAL RISK MANAGEMENT (continued)

| 2014 | CARRYING AMOUNT $'000 | LESS THAN 1 YEAR $'000 | 1 – 5 YEARS $'000 | OVER 5 YEARS $'000 | TOTAL CASH FLOWS (CONTRACTUAL) $'000 |
|---|---|---|---|---|---|
| *Consolidated* | | | | | |
| Payables/dividends | 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/dividends | 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 |

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

## NOTE 19 INVESTMENT IN SUBSIDIARIES

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| Shares in controlled entities – at cost | - | - | * - | 97,296 |

** Represents $6. Amount of $112.296M impaired during the financial year (including further $15.000M equity investment in Burnett Water Pty Ltd in June 2015).*

Information relating to the controlled entities is set out below.

| NAME OF ENTITY | COUNTRY OF INCORPORATION | CLASS OF SHARES | EQUITY HOLDING 2015 % | EQUITY HOLDING 2014 % |
|---|---|---|---|---|
| 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 20 COMMITMENTS FOR EXPENDITURE

| | CONSOLIDATED | | PARENT | |
|---|---|---|---|---|
| | 2015 $'000 | 2014 $'000 | 2015 $'000 | 2014 $'000 |
| **Capital expenditure commitments** | | | | |
| Capital expenditure commitments (including GST) contracted for but not brought to account are as follows: | | | | |
| ICT projects | 1,021 | 542 | 1,021 | 542 |
| Water infrastructure projects | 10,771 | 29,341 | 10,771 | 29,341 |
| | 11,792 | 29,883 | 11,792 | 29,883 |
| Payable: | | | | |
| Not later than one year | 11,792 | 29,883 | 11,792 | 29,883 |
| **Non-cancellable operating lease expense commitments** | | | | |
| Future operating lease commitments (including GST) not brought to account and payable: | | | | |
| Within one year | 3,579 | 3,205 | 3,579 | 3,205 |
| Later than one year but not later than five years | 10,396 | 12,948 | 10,396 | 12,948 |
| Later than five years | - | - | - | - |
| | 13,975 | 16,153 | 13,975 | 16,153 |

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

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

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

### Future projects and acquisitions

SunWater has made in-principle commitments to investigate certain 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 improvement program are disclosed in note 22.

## NOTE 21 CONTINGENCIES

SunWater had contingent liabilities at 30 June 2015 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 is now subject to a later inquiry by the Coroner. As a precaution, all other inflatable dams owned by SunWater were operationally decommissioned immediately after the original failure. In September 2009, the relatives of the deceased person also instituted legal action for personal injuries. A mediation process is underway and is being managed by SunWater's insurers.

(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 is defending 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.

(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.

## NOTE 21 CONTINGENCIES (continued)

The dam has been assessed as safe under normal loading, however SunWater's engineers believe that there is a likelihood of further damage to the spillway in the event of a similar or larger flood in the future. A number of detailed and complex studies have been carried out and a preferred long term solution to the damage 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 preferred long term solution has been determined.

At this stage, the preferred solution and the associated costs will not be known with any certainty until the next financial year. 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 has been assessed as safe under normal loading, however, there was a potential risk to the dam if it was subjected to a further major flood event. To mitigate this risk, Emergency Works (Phase 1) and Interim Works (Phase 2) were carried out to enable the dam to withstand a late season flood.

A full Dam Safety Review and Comprehensive Risk Assessment (CRA) (Phase 3) have now been completed. An early outcome was capital works which have further reinforced the dissipator apron.

The CRA identified additional activities and works which need to be undertaken, the first 2 stages of which, being to improve existing emergency response procedures, and to strengthen the toe of Monoliths "D" and "K" in the dam wall structure, are underway. The estimated costs of these 2 stages have been provisioned in the financial statements. Stages 3 and 4 of the CRA recommendations are undergoing additional investigation, and at this stage, any further works and costs associated with those stages are not known with any certainty.

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 improvement. At this stage, any ultimate under-recovery cannot be reliably estimated.

(f) During the flood event in the Callide and Burnett River catchments caused by Cyclone Marcia in early 2015, damage occurred to SunWater assets across a wide area. At this stage, damage estimates including contingency indicate that the policy deductible will be exceeded; however, this is not certain. SunWater is working with its insurers and will submit a claim if the policy is triggered.

The originating rain event caused by Cyclone Marcia extended over several catchments, and collectively caused significant flooding which resulted in widespread damage in downstream communities.

In the Callide Creek system, the flood event caused the automatic flood gates of Callide Dam to operate as designed in order to safely pass the flood and protect the dam. Subsequently, a number of Right to Information requests were received from law firms and news services, and a writ was lodged in the Supreme Court of Victoria seeking compensation from SunWater through a class action for losses caused by the operations of the dam during the flood. Since lodgement of the writ, the Inspector General Emergency Management (IGEM) has released a report which confirmed that SunWater's management and operation of Callide Dam during the flood was in accordance with the operational rules, and that regardless of how the dam was operated, the Callide Valley would have experienced major flooding.

To date, the writ has not been served. However, SunWater has consulted with its advisors and insurers and will defend any claim that eventuates.

In addition, the IGEM made a number of recommendations arising out of the Callide flood. These recommendations are being worked through with the Department of Energy and Water Supply and Banana Shire Council. SunWater, in considering these recommendations, will examine whether they may require changes to SunWater's operating arrangements across its portfolio of dams in the future.

(g) At 30 June 2015, SunWater was engaged in commercial and legal disputes under various contracts.

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

SunWater had contingent assets at 30 June 2015 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 event in 2013. Revenue of $10m from insurance proceeds has been taken up in the Statements of Comprehensive Income for the year ended 30 June 2015. Included in this amount was the final settlement payment in respect of the 2010–11 floods, excluding Boondooma Dam spillway. Refer Contingent liability (d).

(b) SunWater has made a claim under its insurance policies for legal costs associated with the Bedford Weir and Marian Weir incidents.

## NOTE 21 CONTINGENCIES (continued)

Insurance proceeds of $655k has been taken up in the Consolidated Statements of Comprehensive Income for the year ended 30 June 2015.

(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 2015.

## NOTE 22 DAM IMPROVEMENT PROGRAM

SunWater has in place a comprehensive Dam Improvement Program to ensure the continuing integrity of its referable dams. This program incorporates an ongoing series of inspections, engineering assessments, and CRAs 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 improvement program has previously identified the need to improve a number of dam spillways in response to spillway adequacy reviews. Spillway improvements have been completed for Fred Haigh Dam (2006), Bjelke Petersen Dam (2008), Borumba Dam (2009) and Tinaroo Falls Dam (2011). In addition, improvements to the dam wall and foundation drainage have been completed at Kinchant Dam.

Whilst the initial program of improvements were prioritised based on spillway adequacy, SunWater is progressively completing a CRA for all of its referable dams. A CRA considers a much broader range of risk factors, and therefore provides a more complete view of improvement requirements for each dam.

As each CRA is completed, the priority of improvements within the portfolio is assessed, and if necessary revised. This prioritised schedule of improvements includes works out to 2034 and includes an estimate of cost for each improvement. Whilst at this stage, the total of these estimates is in excess of $700M, it is not possible to quantify the complete scope of works or the likely cost or timing of the improvement program. Discussions with Government over funding support are continuing.

## NOTE 23 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.

## NOTE 24 REMUNERATION OF AUDITORS

During the year, fees of $0.165M (2014: $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 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 | 2015 $'000 | 2014 $'000 |
|---|---|---|
| *Consolidated* | | |
| Short-term employee benefits – cash salary | 1,518 | 1,468 |
| Short-term employee benefits – cash bonus | 168 | 166 |
| Post-employment benefits - superannuation | 141 | 134 |
| Termination benefits | - | 152 |
| **Total** | **1,827** | **1,920** |
| *Parent* | | |
| Short-term employee benefits – cash salary | 1,488 | 1,445 |
| Short-term employee benefits – cash bonus | 168 | 166 |
| Post-employment benefits – superannuation | 139 | 131 |
| Termination benefits | - | 152 |
| **Total** | **1,795** | **1,894** |

### Compensation – directors

| | SHORT-TERM EMPLOYEE BENEFITS | | POST-EMPLOYMENT BENEFITS | |
|---|---|---|---|---|
| NAME OF DIRECTOR | CASH SALARY $'000 | CASH BONUS $'000 | SUPERANNUATION $'000 | TOTAL $'000 |
| *Consolidated 2015* | | | | |
| Ross Dunning, Chair | 75 | - | 7 | 82 |
| Greg Moynihan | 39 | - | 4 | 43 |
| Kirstin Ferguson (resigned 6 August 2015) | 32 | - | 3 | 35 |
| William Wild | 35 | - | 3 | 38 |
| Larry Anthony | 35 | - | 3 | 38 |
| Rachel Fennell | 34 | - | 3 | 37 |
| *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 |

## NOTE 25 RELATED PARTIES DISCLOSURES (continued)

| NAME OF DIRECTOR | SHORT-TERM EMPLOYEE BENEFITS<br>CASH SALARY<br>$'000 | CASH BONUS<br>$'000 | POST-EMPLOYMENT BENEFITS<br>SUPERANNUATION<br>$'000 | TOTAL<br>$'000 |
|---|---|---|---|---|
| *Parent 2015* | | | | |
| Ross Dunning, Chair | 64 | - | 6 | 70 |
| Greg Moynihan | 35 | - | 3 | 38 |
| Kirstin Ferguson (resigned 6 August 2015) | 32 | - | 3 | 35 |
| William Wild | 29 | - | 3 | 32 |
| Larry Anthony | 31 | - | 3 | 34 |
| Rachel Fennell | 29 | - | 3 | 32 |
| *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 |

### Directors' contracts

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

Terms of appointment are as follows:

| DIRECTORS AS AT 30 JUNE 2015 | 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 (resigned 6 August 2015) | 2 years | 30 September 2016 |
| 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 $139,903 (2014 - $129,061) 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 25 RELATED PARTIES DISCLOSURES (continued)

### Compensation – executives

| | SHORT-TERM EMPLOYEE BENEFITS | | POST-EMPLOYMENT BENEFITS | TERMINATION | |
|---|---|---|---|---|---|
| TITLE OF EXECUTIVE | CASH SALARY $'000 | CASH BONUS[1] $'000 | SUPERANNUATION $'000 | BENEFITS $'000 | TOTAL $'000 |
| *Parent 2015* | | | | | |
| Chief Executive, Peter Boettcher | 481 | 73 | 19 | - | 573 |
| General Manager, Corporate, Geoff White | 287 | 38 | 37 | - | 362 |
| General Manager, Bulk Water and Irrigation Systems, Tom Vanderbyl | 254 | 29 | 31 | - | 314 |
| General Manager, Industrial Pipelines, Tim Donaghy | 246 | 28 | 31 | - | 305 |

*[1] 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[1] $'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 [2] | 232 | 25 | 27 | - | 284 |
| General Manager, Infrastructure Management, Tim Donaghy [3] | 236 | 27 | 30 | - | 293 |
| General Manager, Infrastructure Development, Mark Browne (completed service 8 August 2013) | 26 | 25 | 2 | 152 | 205 |

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

*[2] 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.*

*[3] 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.*

### 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 12 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 25 RELATED PARTIES DISCLOSURES (continued)

### Transactions with subsidiaries

The parent entity of the group is SunWater Limited. Interests in subsidiaries are set out in note 19. 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 2015, the following significant transactions occurred between the parent entity and its subsidiaries:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Sales of water to subsidiaries | 4,602 | 4,677 |
| Sales of services to subsidiaries | 16,733 | 44,519 |
| Interest received from subsidiaries | 250 | 345 |
| Interest paid to subsidiaries | 219 | 939 |
| Current tax payable assumed from tax consolidated subsidiaries | 5,414 | 2,256 |
| Dividends received from subsidiaries | 18,000 | 24,000 |
| Loan received from subsidiaries | 8,300 | 21,000 |
| Loan repaid to subsidiaries | 12,050 | 53,181 |
| Equity contributed to subsidiaries | 15,000 | 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 2015, the following significant transactions occurred between SunWater Limited and other State of Queensland controlled entities:

| | 2015 $'000 | 2014 $'000 |
|---|---|---|
| Dividends declared | 5,258 | 42,100 |
| Interest received from QTC | 1,393 | 752 |
| Water sales, CSO, grants received | 36,592 | 34,984 |
| Consultancies paid | 6,692 | 14,127 |
| Interest/market realisation fee paid to QTC | 17,405 | 20,874 |

## NOTE 26 OTHER ACCOUNTING POLICIES

### New and amended accounting standards and interpretations adopted from 1 July 2014

SunWater has adopted one amended accounting standard for the 30 June 2015 reporting period. In May 2013, the Australian Accounting Standards Board (AASB) made amendments to the disclosures required by AASB 136 *Impairment of Assets*, effective for accounting periods beginning on or after 1 January 2014. The amendments require disclosure of the recoverable amount of an asset or cash generating unit when an impairment has been recognised or reversed.

### New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 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 and* AASB2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* (effective from first full reporting period after 1 January 2018).

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

## NOTE 26 OTHER ACCOUNTING POLICIES (continued)

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 15 *Revenue from Contracts with Customers* (effective from first full reporting period after 1 January 2017).

AASB 15 Revenue from Contracts with Customers is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

SunWater is yet to assess its full impact and has not yet decided when to adopt AASB 15. However, a preliminary view is that when adopted, the standard is not likely to significantly affect the group's accounting for revenue.

(iii) AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective from first full reporting period after 1 January 2016).

The AASB has amended AASB 116 *Property, Plant and Equipment* to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.

SunWater is yet to assess its full impact and has not yet decided when to adopt AASB 2014-4. However, a preliminary view is that when adopted, the standard is not likely to significantly affect the group's accounting for depreciation.

## NOTE 27 COMMISSION OF AUDIT RECOMMENDATIONS

The recommendations of the final Commission of Audit report, released on 30 April 2013 and accepted by the previous Queensland Government have been put on hold pending further consideration by Government, or will no longer be implemented. Accordingly, the provision for restructuring costs established in the 2014 financial statements has been written back in the Statements of Comprehensive Income. Details of the write-back are disclosed in note 12.

# 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 2014–2015 as set out on pages 25 to 57 of the Financial Report comply with:

   (i) Accounting Standards; and

   (ii) International Financial Reporting Standards; and

   (iii) this statement has been included in the notes to the financial statements of SunWater Limited for 2014–2015.

(c) in their opinion, the financial statements and notes of SunWater Limited for 2014–2015 as set out on pages 20 to 57 of the Financial Report of SunWater Limited for 2014–2015 are in accordance with the *Corporations Act 2001* (Cth) including:

   (i) that the financial statements and notes of SunWater Limited for 2014–2015 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
28 August 2015

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 2015, 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.

**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. I confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of SunWater Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

**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 2015 and of their performance for the year ended on that date; and

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

**Other Matters - Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of these financial statements 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 statements. If users of the financial statements 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 statements to confirm the accuracy of this electronically presented information.

~ George

QUEENSLAND
31 AUG 2015
AUDIT OFFICE

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

Queensland Audit Office

Brisbane, Qld
31 August 2015