sunwater

Annual Report

2019-20

ISSN 2652-6492

 Published by Sunwater Ltd, September 2020.
Green Square North, Level 9, 515 St Pauls Terrace, Fortitude Valley, Queensland 4006.

About this report

We are pleased to present this annual report to provide an overview of Sunwater Limited's (Sunwater) financial and non-financial performance for the 12 months to 30 June 2020. This report includes a summary of the activities carried out to meet the Key Performance Indicators (KPIs) set out in Sunwater's 2019–20 Statement of Corporate Intent (SCI 2019—20), which is our performance agreement with our shareholding Ministers.

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

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

Scope

This report covers all Sunwater operations in Queensland and the Australian Capital Territory (ACT) in Australia, including dams, weirs, barrages, water channels, pumping stations, pipelines, water treatment plants and our physical hydraulic modelling laboratory at Rocklea in Brisbane.

We acknowledge the traditional owners

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

Translation and interpreting assistance

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

Table of contents

1. About us

A snapshot

Sunwater services more than 5000 customers.

Our clients include irrigators, industrial and commercial companies such as mines and urban water suppliers.

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

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

We have 400+ staff across 33 locations.

We delivered 1558 gigalitres (GL) of water in 2019–20. That's enough water to fill Sydney Harbour at least three times.

Our assets

Sunwater owns $13.7 billion (replacement cost) in assets, including:

- 19 dams
- 64 weirs and barrages
- 595 km water channels
- 70 major pumping stations
- 1,951 km of pipelines
- five water treatment plants.

Who we are

Sunwater is a Queensland Government-owned corporation which provides 40 per cent of all water used commercially in Queensland - which in 2019–20 totalled 1558 GL. We provide water solutions and supply bulk water for irrigation, commercial, industrial and urban customers and play an essential role in delivering water to support regional growth and prosperity.

Our purpose

Delivering water for prosperity

Our values

We:

- value people
- work together
- take responsibility.

Our goals

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

Organisational background

Sunwater was established on 1 October 2000 under the *Government Owned Corporations Act 1993* (Qld) (GOC Act) administered by Queensland Treasury. We are a water service provider under the *Water Act 2000* and are regulated by the *Water Supply (Safety and Reliability) Act 2008* (Qld), which are both administered by the Queensland Department of Natural Resources, Mines and Energy (DNRME). Our organisational chart can be seen on page 7. We are governed by an independent board.

Our people

As a regional water entity, 52 per cent of our people work in 33 offices and depots across Queensland. The remainder work in our Brisbane office, providing support and services to our regional operations. When tendering for subcontractors and suppliers in the regions, we use local labour and materials wherever possible.

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

At 30 June 2020, Sunwater had a total workforce of 512.76. For a breakdown of our total workforce, please see Table 1.

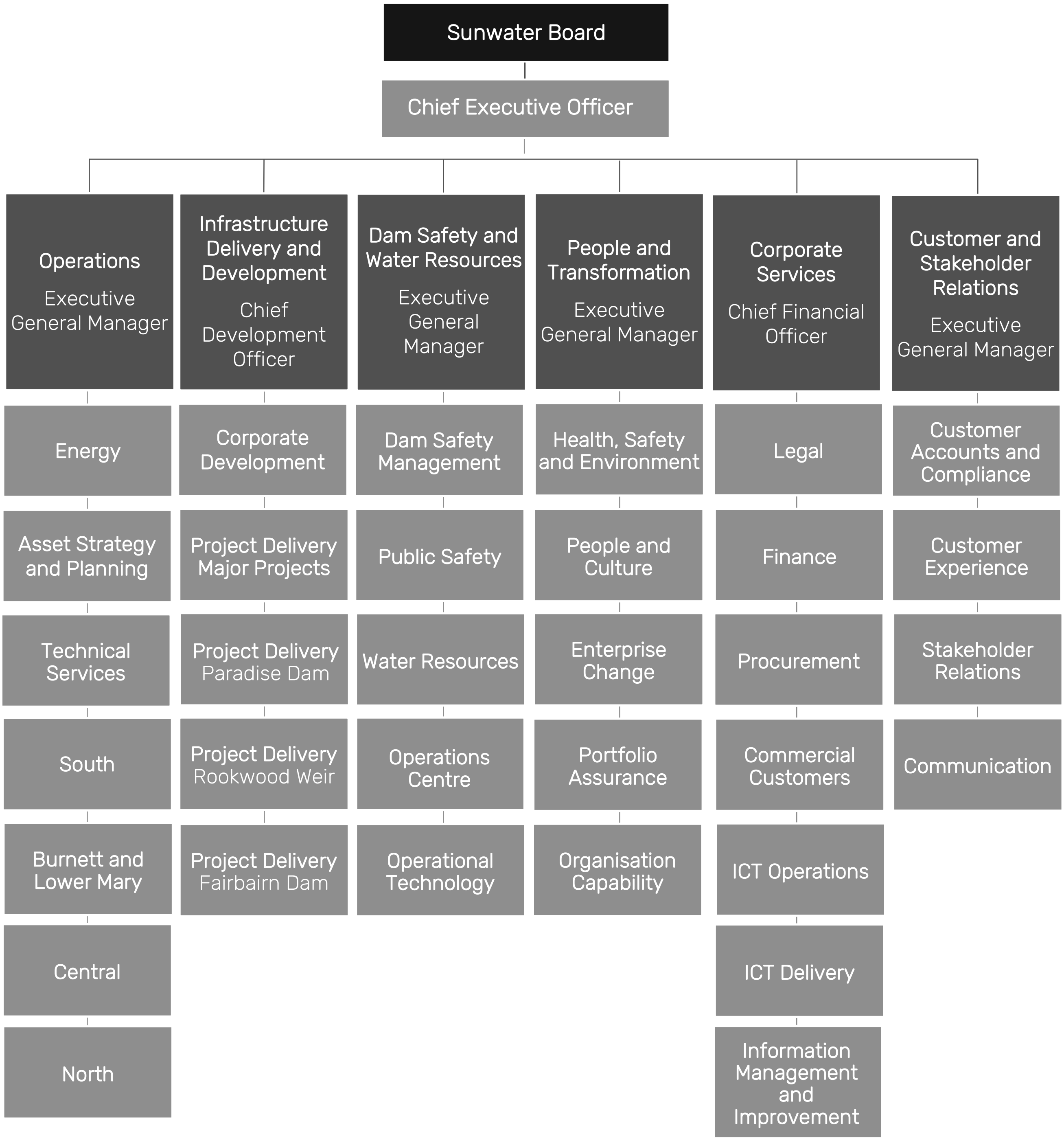
Table 1: Sunwater's workforce

Employment Category	2019–20	2018–19	2017–18
Statement of Corporate Intent (SCI)[1]	441.5	412	469.3
Total approved positions [2]	489	419	449
Subtotal Employees [3]	420.76	385	379
Vacancies [4]	38	29	29
Apprentices and Group Trainees [5]	3	6	2
Total positions [6]	461.76	420	410
Contractors (7)	52	41	14
TOTAL WORKFORCE	512.76	461	424

1. *Positions as outlined in Sunwater's 2019–20 SCI, which excludes contractors*
2. *Approved positions as per Sunwater's workforce planning process which includes contingent workforce*
3. *The total full-time-equivalent (FTE) permanent / temporary / casual enterprise agreement and Individual Employment Contract (IEC) employees and senior executives*
4. *Total vacant (approved) positions*
5. *Total apprentices and group trainees*
6. *Total of subtotal employees, vacancies and apprentices and group trainees*
7. *All contractors not employed against an approved vacant position or contingent. The flexible labour relates to Rookwood Weir Project, Paradise Dam Essential Work and new finance and asset management solution (FAMS)*

What we do

Organisational chart



Our key partners

Sunwater supplies water to more than 5000 agricultural, industrial, commercial and urban customers throughout regional Queensland.

We provide services where and when our customers need us, supplying water across 31 bulk water and irrigation supply schemes and 14 pipelines, engaging with state government and our customers to drive efficiency and minimise costs. We help our customers thrive by:

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

Our communities

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

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

Shareholding Ministers

The Honourable Cameron Dick, MP

Treasurer and Minister for Infrastructure and Planning

(11 May 2020 – ongoing)

The Honourable Annastacia Palaszczuk, MP

Premier, Treasurer and Minister for Trade

(9–11 May 2020)

The Honourable Jackie Trad, MP

Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships

(1 July 2019 – 9 May 2020)

The Honourable Dr Anthony Lynham, MP

Minister for Natural Resources, Mines and Energy

Water delivered

At 30 June 2020, the total combined storage volume of Sunwater's 19 dams was 6385 GL, with 3980 GL available. Sunwater delivered 1558 GL of water in 2019–20.

During the financial year, storages in regional Queensland were affected by the extremes of drought and flooding. At 30 June 2020, the total volume of water in our dams was 59 per cent with 41 per cent airspace, compared with a total volume of 67 per cent, with 33 per cent airspace 12 months ago.

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

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

The remaining water is shared with customers – high priority allocations first and then medium priority allocations. There may also be unused water which can be carried over from one water year to the next water year for use.

Of the water available for allocation in 2019–20:

- 49 per cent was used by customers
- 32 per cent was owned by customers but kept in storages for future use and water trading
- eight per cent was available for purchase or temporary transfer
- four per cent was released from Paradise Dam to enable essential works, which was made available to customers at no charge
- 11 per cent was available to maintain irrigation scheme channels managed by Sunwater.

Scheme statistics for 2019–20 are available on the Sunwater website at www.sunwater.com.au/water-data/report-statistics/.

In 2019–20, Sunwater achieved 82 per cent distribution efficiency – four per cent above our 78 per cent target.

Our strategic goals

Sunwater's strategic goals are outlined in our (SCI) 2019–20, the formal performance agreement between the Board of Sunwater and our shareholding Ministers. The SCI governs Sunwater's major activities, objectives, policies, investments and borrowings for the financial year. Its stated aim is to transform Sunwater into a customer-focused organisation with staff who are collaborative, innovative and efficient.

Our four major goals for 2019–20 were:

A safe high-performance culture

Measures of success:

- lost time injury (LTI) frequency rate
- total recordable injury (TRI) frequency rate
- employee engagement.

A sustainable business

Measures of success:

- return on average assets (ROAA)
- equity shareholder value (ESV)
- Dam Improvement Program delivered to scope schedule and budget
- achievement of dam portfolio risk reduction.

Supportive stakeholders

Measure of success:

- community interaction and engagement
- early engagement with shareholders on growth opportunities through a gated approval process.

Commercially-focused operations

Measures of success:

- compliance with environmental standards
- average price of water delivered per megalitre (direct cost / allocation).

2. Highlights

A safe, high performance culture

Fairbairn Dam Improvement Project

The Fairbairn Dam Improvement Project is a high priority project in Sunwater's extensive Dam Improvement Program, which aims to maintain public safety during large rainfall events and strengthen water security. In addition to ensuring the long-term viability of one of Queensland's biggest dams, the project set very high safety standards.

By the end of June 2020, the project had achieved a significant workplace health and safety milestone recording over 450,000 hours without a lost-time-injury. This outstanding result was achieved on a project featuring more than 100 workers and involving the installation of 1150 passive anchors, 1.2 kms of new drainage and placement of 25,000 m^3 of concrete.

The project commenced in 2016 and will bring the dam's infrastructure in line with current design standards.

A sustainable business

Transfer of water to local management arrangements

Since 2017, Sunwater has worked with DNRME and customers throughout Queensland to transition irrigation schemes to local management arrangements (LMA). Under these arrangements, irrigators own and operate the schemes from which they access their water. In 2019–20, two schemes transitioned to LMA:

- Emerald Distribution Scheme LMA

  From 1 July 2019, Fairbairn Irrigation Network Pty Ltd (FIN) took over ownership and management of the Emerald Distribution Scheme. Sunwater continues to own and manage the bulk assets in the Nogoa Mackenzie Water Supply Scheme, including Fairbairn Dam and the four Nogoa and Mackenzie river weirs.

- Eton Channel Scheme LMA

  On 31 March 2020, the Eton Channel Scheme in the Pioneer Valley near Mackay also transitioned to LMA. Sunwater continues to own and manage the Eton Water Supply Scheme's bulk water assets including Kinchant Dam.

Paradise Dam Essential Works

Paradise Dam is located 20 km north-west of Biggenden and 80 km south-west of Bundaberg. It is owned and operated by Sunwater. Record flooding in the region in 2013 damaged the dam. Following significant repair work, further structural problems were identified in September 2019 during investigations and early design development for the Paradise Dam Improvement Project. It was confirmed that if an event like the 2013 flood occurred, the dam may fail, so essential works were required to improve the structural stability of the dam during significant rainfall events.

To ensure community safety ahead of the 2019–20 wet season, the dam's storage level was reduced to 42 per cent to allow essential works to begin. The water released from the dam was made available to customers at no charge over two periods - September to December 2019 and February to June 2020.

In March 2020, Building Queensland provided its options assessment report to the Queensland Government. This recommended that further information be gathered in conjunction with the essential works to allow the Queensland Government to determine the best long-term option for Paradise Dam. This work will be carried out by Sunwater and Building Queensland.

In May 2020, work started to lower the dam wall by 5.8 m to improve its stability and the safety of downstream communities while the best, long-term solution was developed. This was done in accordance with safety conditions issued by the Queensland Dam Safety Regulator on 26 March 2020 under the *Water Supply (Safety and Reliability) Act 2008* (Qld).

Works on the spillway aim to reduce risks before the next wet season. Lowering an operational dam wall is a significant engineering challenge and Sunwater worked closely with CPB Contractors to ensure the essential work was delivered safely.

Supportive stakeholders

Paradise Dam community engagement

Sunwater recognises the issues with Paradise Dam have been a difficult for the communities of Bundaberg and the North Burnett, our customers and other stakeholders in the region given the role it plays in delivering water security.

Recognising our responsibility to protect both lives and livelihoods and the need to partner with the community and our customers, Sunwater formed the Paradise Dam Community Reference Group and engaged an independent Chair to keep communities informed while work was being done on the dam.

The group first met in October 2019. Members include residents, representatives of environmental and growers' groups, the Bundaberg Chamber of Commerce, two councils and other interested parties.

An additional engagement forum, the Paradise Dam Industry Forum, was formed in February 2020, again with an independent Chair to directly engage with representatives of the four key grower groups in the region. Sunwater worked closely with stakeholders and members of the community to keep them informed via:

- seven Community Reference Group meetings
- three Paradise Dam Industry Forum meetings
- 13 community drop-in sessions and two information sessions on rule changes
- five customers 'shed talks' (two in person and three virtually)
- two direct mail letters to local households
- four advertisements and two editorials about the works in the Bundaberg News Mail
- a monthly community newsletter
- dedicated web pages with updated content
- a dedicated Sunwater Paradise Dam Facebook page.

Additional information about the work at Paradise Dam can be found on the Sunwater website at www.sunwater.com.au/projects /paradise-dam-essential-works/.

Commercially-focused operations

Energy efficiency

Sunwater is committed to providing efficient services and operations to its customers, with efficiency targets set at a minimum of two per cent savings for 2019–20. We delivered on our two per cent target in 2019–20, as we did in 2018–19.

We are committed to finding efficiencies to minimise the impact of the cost of electricity on our customers. For 2019–20, our energy strategy included energy audits to investigate and identify asset infrastructure efficiencies, renewables, operational optimisation and a review of commercial arrangements at our sites. Sunwater also continued annual site reviews to ensure customers are on the best available tariffs which resulted in; where beneficial, customers being transferred to contestable market contracts and $3.7 million in savings. Small-scale solar (120kW) was also installed across regional sites which is expected to deliver an estimated annual savings of $30,000.

In December 2019, Sunwater entered into a nine-year whole-of-government (WoG) Electricity Supply Contract to:

- reduce financial exposure
- implement energy initiatives
- respond to legislative and /or required government changes
- provide cost certainty to Sunwater customers.

The contract commenced on 1 January 2020 at an estimated cost of $220 million to generate an estimated saving over that time of $44.3 million.

Sunwater's COVID-19 pandemic response

Sunwater's response to the COVID-19 pandemic resulted in no break to business continuity. Our response was driven by a focus on supporting our customers, our people and the communities in which we operate.

To assist customers affected by the COVID-19 pandemic, Sunwater provided relief measures by working directly with those who had concerns about meeting payments on a case-by-case basis.

By making prompt payments to our suppliers – particularly those in regional Queensland – Sunwater helped local businesses manage the impact of the pandemic on their employees and suppliers.

By supporting our people, we continued to provide services to our customers. Our 'Culture Pulse' survey conducted in April showed the vast majority of our people (88 per cent) felt Sunwater made effective decisions to keep them safe during this time and 82 per cent said they felt productive from March when they started working from home.

Our dam improvement and construction projects including Paradise Dam Essential Works and Fairbairn Dam Improvement Project were considered essential and continued as planned with appropriate continuity and safety plans in place.

3. Year in review

Message from the Chairman

On behalf of the Board and Executive Leadership team, I am pleased to present our annual report for 2019–20. This report outlines the progress Sunwater has made on the strategic objectives that underpin our purpose of delivering water for prosperity.

We continue to cultivate a safer, more collaborative and customer-focused workforce which delivered greater efficiencies and water reliability. Our ongoing investment in dam improvements and other projects is enhancing regional Queensland's existing and future water supply.

Our operating environment

Like many businesses, Sunwater confronted adverse conditions in 2019–20. The COVID-19 pandemic demanded operational changes to ensure there was no impact on water access and project delivery. Sunwater worked closely with customers to maximise water availability in drought-affected communities and is executing business-critical projects such as the short-term remediation works to improve safety at Paradise Dam near Bundaberg.

Despite these and other challenges, the operating performance of Sunwater remains strong.

Our people

Sunwater's greatest asset is our people and we are committed to attracting, developing and retaining people committed to our purpose of delivering water for prosperity. We take great pride in providing employment and training opportunities in regional Queensland. Our staff programs are focused on improving engagement with stakeholders and customers so we can better meet their expectations. With a substantial increase in employee engagement over the last few years, Sunwater continues to work to get the right team in place to meet our business needs in a changing environment.

For 2019–20, the Board has not approved performance payments for chief and senior executives. This decision was consistent with government policy that no performance payments were to be made to chief and senior executives for 2019–20 in 2020–21.

Safety

The safety of our people, contractors and customers is our top priority. Sunwater's 'Switch On Program' and our improved Health, Safety and Environment (HSE) systems provide the resources for staff to fulfil their roles and responsibilities with a strong understanding of safe working practices.

Leadership

After an extensive search, the Board is pleased to announce the appointment of Glenn Stockton AM, who will start as Sunwater's Chief Executive Officer (CEO) on 3 August 2020. Glenn will be a strong contributor to the organisation, with more than 35 years of leadership experience on infrastructure projects and in the Australian Army.

On behalf of the Board, I extend a sincere thanks to Nicole Hollows for the guidance she demonstrated during her almost four years as CEO. I would also like to thank Tim Murphy for his endeavours in the role of Chief Financial Officer (CFO) and Lisa Dalton, who provided strong leadership while serving as Interim CEO.

Thank you

I wish to recognise the dedicated Sunwater team for their commitment to working safely and serving our customers and the community over the past 12 months. I would also like to thank my colleagues on the Board for their diligence and professionalism. Finally, I thank our shareholders and customers for their ongoing support.

Message from the CEO

Sunwater proudly delivers water to more than 5000 customers throughout regional Queensland. To fulfil this responsibility in 2019–20, we focused on managing and optimising our infrastructure assets, improving value for customers and ensuring a safe, high-performance culture.

Our assets

A key priority has been to ensure our $13.7 billion worth of assets deliver efficient operations, meet safety standards and withstand extreme weather events. Sunwater's ongoing Dam Improvement Program continued the refurbishment of water infrastructure assets at a cost of $49.784 million in 2019–20. This included an upgrade of Fairbairn Dam near Emerald, while repair works at EJ Beardmore Dam at St George were finalised in late- 2019. Preparatory works are underway for improvement work at Burdekin Falls Dam south of Townsville and essential work to lower the spillway at Paradise Dam near Bundaberg began in May 2020.

Major projects

In 2019–20, significant progress was made on initiatives to enhance bulk water supply for irrigation, commercial, industrial and urban purposes. This included Rookwood Weir, a landmark project which will use water from the lower Fitzroy River to benefit Central Queensland. Great work has also been done to increase operating and distribution efficiency and reduce water loss across the Mareeba-Dimbulah Water Supply Scheme. In addition, work has started on a proposal to raise Burdekin Falls Dam to increase water supply in the Burdekin in far north Queensland and surrounding areas.

Commercially-focused operations

Sunwater's commitment to transform our business has resulted in a range of programs to reduce costs and increase efficiencies, with a focus on water distribution and energy use. We made significant inroads on our digital strategy to modernise the organisation and have developed a new finance and asset management solution (FAMS) to streamline internal processes. A value improvement program is also making savings on operational expenditure.

Stakeholders

Our customers are at the heart of everything we do. We recognise the link between delivering high-quality services and the value this provides to their businesses. Across all our water supply schemes, we consult regularly with irrigation advisory committees and customer reference groups to ensure we understand customer needs, expectations and challenges. In 2019–20, we successfully handed irrigation schemes over to LMA in the Emerald Distribution Scheme and the Eton Channel Scheme, continuing a transition program that began in 2017. Across the state, Sunwater also worked with local councils on dam safety preparedness and emergency action plans and hosted digital dam open days and public safety campaigns.

In the past year, Sunwater engaged with customers to inform our submissions for the Queensland Competition Authority's (QCA) irrigation price review. While new pricing was recommended by the QCA through this process, as a result of the COVID-19 pandemic, the Queensland Government decided prices for 2020–21 will remain unchanged, except where decreases were recommended.

Looking ahead

In 2020–21, Sunwater will continue focusing on business transformation to meet customer and community needs. With much of Queensland drought-declared, it is imperative we work closely with all stakeholders to manage the available water supply. With an experienced management team supporting our workforce, we are confident we can provide essential services to enhance growth and prosperity.

4. Performance

A safe, high-performance culture

Sunwater is committed to providing a safe workplace and to acting transparently in its dealings with shareholders, stakeholders and customers. We recognise that while operating commercially, Sunwater provides an important community service through its water assets for the benefit of regional economies.

Table 2. Employee injury, engagement and compliance with environmental standards and laws

Measure	Target	Results	Commentary
Total recordable injury frequency rate (TFIFR)	Less than 4.5 injuries per million hours worked	8.4 injuries per million hours worked	Sunwater did not achieve its annual TRIFR target in 2019–20 but did improve on the 2018–19 figure of 10.11 injuries per million hours worked. We will continue to address contractor injuries in 2020–21 by focusing on contractor management in our refreshed Health and Safety Management System (HSMS) and simplified, field-focused processes. In 2019–20, Sunwater's safety outcomes continued to improve with the 'Switch On' Program promoting safe behaviours in the workplace. In addition, to improve driver behaviour and incident response rates, 'In Vehicle Monitoring Systems' (IVMS) were installed in each Sunwater vehicle.
Lost time recordable injury frequency rate (LTIFR)	Less than 0 injuries per million hours worked	1.4 injuries per million hours worked	Sunwater did not achieve its LTIFR target in 2019–20. However, the amount of time lost due to injury continues to trend down, and is an improvement on previous financial years, with an LTIFR of 2.25 in 2018–19. Lost time injuries during the financial year related mainly to contractors, which will be a key safety focus for 2020–21 through contractor management processes.
Employee engagement	>50%	63%	The upward trend in employee satisfaction continued in 2019–20, with Sunwater achieving its engagement target by continuing to develop programs and systems to improve health, safety and employee culture. During the financial year, we continued to establish a well-defined, well-understood culture so our people understand how things get done, how decisions are made and how the organisation as a whole works to deliver water for our customers. We want our people engaged in and contributing to a safe, high performing, trusted and respected business.
Compliance with environmental standards and laws	No material breaches	0	There were zero material breaches recorded for 2019–20.

A sustainable business

To become a more sustainable business and meet the needs of our customers, Sunwater's 2019–20 SCI required a return on average assets (ROAA) of 3.6 and equity shareholder value (ESV) of 623.

To deliver our major projects and Dam Improvement Program to scope, schedule and budget, Sunwater continued to focus on value improvement. This meant realising savings, improving water losses, increasing water distribution efficiency and reducing energy use and costs in water delivery.

Sunwater's 2019–20 SCI was modified during the financial year 2019–20 due to budgetary changes required to carry out urgent essential works on Paradise Dam and to provide for remediation payments to our current and former employees on IECs. In 2019, Sunwater became aware some employees on IECs were also covered by Sunwater's Enterprise Agreement (EA). These employees had been paid correctly under their contracts, but an inadvertent application issue meant they did not receive their full entitlements under EA changes. Sunwater will pay any entitlements owed in full, with interest.

Full year Return on Average Assets (ROAA) is negative 25 per cent primarily due to the $330 million compensation provision for the 2011 south-east Queensland Floods Class Action should Sunwater lose the pending appeal against the Court's November 2019 finding. If this was to be excluded, the normalised ROAA would be five per cent, one per cent above budget. The Equity Shareholder Value (ESV) of $599 million is within 10 per cent of budget tolerance. The Debt to Assets (calculated as Debt + Equity Capital) percentage is higher due to lower equity resulting from the net loss result for 2019–20.

Table 3. Return on average assets/Equity Shareholder Value 2019–20

SCI Financial Measures	Full Year (Actual)	Full year (Budget)	Variance
Return on Average Assets (ROAA) (%) (EBIT / Average Total Assets)	(25.3%)	3.8%	(766%)
Equity Shareholder Value (ESV) ($M) (PP&E less Borrowings add QTC Advance)	610.0	623.0	(2%)
Total Debt / (Total Debt + Capital) (%)	53.0%	38.2%	39%

Assets and infrastructure

Dam Improvement Program and major projects

Our Dam Improvement Program ensures our dams continue to satisfy current design standards and guidelines and can safely hold and release excess volumes of water during periods of extreme rainfall.

Sunwater is committed to meeting our dam safety legislative and common law obligations. We do an annual review of dam risks through our Portfolio Risk Assessment (PRA), building on any individual risk assessments for each dam to decide which projects to prioritise.

This can be subject to change each year. In 2019–20, $49.784 million was allocated for the Dam Improvement Program, predominantly for the:

- Fairbairn Dam Improvement Project
- Burdekin Falls Dams Improvement Project detailed business case (led by Building Queensland)
- Paradise Dam Improvement Project detailed business case (led by Building Queensland).

Our success will be measured by reducing risks for our portfolio of dams and delivering the Dam Improvement Program and Major Infrastructure Projects safely and within scope, schedule and budget – further detail about how these projects progressed in 2019–20 is outlined in the following table.

Table 4. Major projects

Project	Status	Commentary
Rookwood Weir	In delivery	Rookwood Weir is a $352.2 million project located 66 km south-west of Rockhampton which aims to provide Central Queensland with an additional source of water for agriculture along the Fitzroy River and urban and industrial needs for the Rockhampton, Livingstone Shire and Gladstone area. In 2019–20, $21.68 million was spent on: • enabling works to upgrade existing infrastructure to support the construction of the weir and its ongoing operation • a water and sales marketing plan calling for interested parties to tender for up to 30,000 megalitres of medium priority water through Rookwood Weir water allocation sales.
Fairbairn Dam Improvement Project	In delivery	This is the second highest priority project in the Dam Improvement Program, with a total projected cost of $169.5 million. In 2019–20, $18.57 million worth of works were commissioned. Stage 3 works were completed in December 2016, three months ahead of schedule. Stage 2 works continued in 2019–20 and are expected to be completed in late-2020 weather permitting.
Fred Haigh Dam Flood Repairs	In delivery	In 2019–20 Sunwater carried out $2.085 million worth of works at Fred Haigh Dam near Gin Gin to repair scour damage from previous flooding. Scouring from the impact of flood water on the natural spillway channel has been monitored to ensure no immediate dam safety risk. The repair work is being carried out in two stages. Works for Stage 1a completed in November 2019 included: • installing anchors in the natural spillway channel • filling scour holes with reinforced concrete • earthworks to clear debris in the river channel and to reinstate the natural channel slope. In 2020–21, Sunwater will deliver Stage 1b works and progress risk assessments to decide if further work is required.

Project	Status	Commentary
Mareeba Dimbulah Water Supply Efficiency Improvement Project	In delivery	This project's aim is to improve the efficiency and responsiveness of the Mareeba Dimbulah Water Supply Scheme and reduce water losses at key outflow locations. Sunwater secured funding of $11.6 million from the National Water Infrastructure Development Fund (NWIDF) to modernise the scheme and deliver 8,306 megalitres per annum of water savings. Water savings will be confirmed at the completion of the project and will be made available as medium priority water allocations. As at 30 June 2020, $9.64 million had been spent during the financial year on: • automated gates at Biboohra (July 2019) • a 4.5 km pipeline at EB4 (completed February 2020). Further works to be delivered by December 2021 include: • installation of approximately 10.7 km of pipelines in Atherton Creek and Southedge • construction of an off-stream storage • rehabilitation of concrete structures to install automated gates. The total budget for the project is $28 million.
Burdekin Falls Dam	Detailed Business Case	As the owner/operator of Burdekin Falls Dam and Burdekin Haughton Water Supply Scheme, in 2019–20, Sunwater worked to ensure reliable water infrastructure and water security in the Townsville region. Burdekin Falls Dam is the largest dam in Queensland, holding 1,860,000 megalitres at full capacity. In September 2019, a detailed business case led by Building Queensland began for the dam's improvement and dam wall-raising projects. Baseline studies, ecological field surveys and geotechnical investigations were carried out during the financial year to support the Environmental Impact Statement (EIS) process for the proposed wall raising project. The wall raising project is expected to increase water supply in the Burdekin and surrounding regions.
Paradise Dam	Detailed Business Case	Record flooding in the Bundaberg region in 2013 damaged Paradise Dam, which is located about 80 km south-west of Bundaberg. Structural problems were confirmed in September 2019 during investigations and design development for the Dam Improvement Project. In May 2020, essential works were started to lower the dam wall by 5.8 metres to improve its stability and the safety of downstream communities while the best long-term solution is developed. In 2019–20, $22 million was spent on the essential works. Dam levels will be kept at 42 per cent through controlled releases while works are underway.
Leslie Dam Improvement Project	Preliminary Business Case	In 2019–20, a preliminary business case was commissioned on Leslie Dam (170 km south-west of Brisbane) at a cost of $0.24 million. It will include a detailed dam safety review and comprehensive risk assessment, including design hydrology reviews. Further studies in 2020–21 will determine the extent and scope of any improvement works required.
Teemburra Dam Improvement Project	Preliminary Business Case	Sunwater commissioned a preliminary business case on Teemburra Dam in 2019–20 at a cost of $0.34 million to review the need for dam improvement works and assess the best options as part of the Dam Improvement Program. It will include a detailed dam safety review and comprehensive risk assessment, including design and hydrology reviews.
Coolmunda Dam Improvement Project	Preliminary Business Case	A preliminary business case was commissioned on Coolmunda Dam (260 kms south-west of Brisbane) in 2019–20 at a cost of $0.56 million. Pending the results, the project may involve spillway repairs, wall strengthening and drainage improvements.
Thuraggi Irrigation Channel/EJ Beardmore Dam repair work	Complete	In 2018–19, dam safety repair work was carried out at EJ Beardmore Dam outlet and the Thuraggi irrigation channel to ensure the safety and reliability of the dam during flood. In 2019–20, Sunwater identified an additional $0.33 million of works for outlet protection in the channel. The project was finalised in January 2020, at a total cost of $7.4 million.

Supportive stakeholders

Our customers

Our customers are at the centre of everything we do. We recognise the importance of delivering a high-quality service and communicating effectively with our customers about the value we can bring to their businesses. To achieve our goals, we want to be a customer-oriented water service provider rather than just an infrastructure provider. Customer service is something all Sunwater people are responsible for, no matter what their role.

Our success will be measured through our:

- community interaction and engagement
- early engagement with shareholders on growth opportunities through a gated approval process.

In 2019–20, we measured our performance against the following metrics:

Table 5. Customer service targets

Measure	Annual Target	Results	Commentary
Unplanned customer supply interruptions materially impacting on operations	Less than 12	Seven achieved	While there were impacts on customers from unplanned asset maintenance, Sunwater worked with customers in each scheme to ensure the appropriate balance between cost and asset reliability.
Community interactions	Two Open Days	Achieved	In January 2020, Sunwater had planned to deliver Open Day activities at Callide and Burdekin Falls dams. However, the emerging COVID-19 pandemic meant in-person events were not possible. This meant a rethink of how to deliver this program and engage with community stakeholders. The solution was an augmented reality (AR) experience delivered to the communities we were focused on engaging. This was launched on 29 June 2020. The campaign reached over 10,000 people on social media, 100,000 people through advertising and many thousands more via media coverage and shares on social media by key stakeholders. The response to the campaign was overwhelmingly positive, and the key messages of Sunwater's Dam Open Days were widely disseminated.

Measure	Annual Target	Results	Commentary
Community interactions	Public safety engagement commitment to regional communities to raise awareness of risks around water infrastructure	Achieved	In 2019–20, Sunwater continued its engagement with communities to raise awareness about: • dam safety/fishing safety • illegal fishing • child water safety • trespassing risks • managing flood and dam emergencies. These messages were promoted via education materials, media releases, online information, social media and activities around the state. New safety signage was erected as part of Sunwater's 'Playing it safe at dams' and weirs campaign in summer 2019–20 which aimed to inspire positive behaviour change and reduce public safety and trespassing incidents.
Customer engagement, irrigation	Net promotor score greater than or equal to 10.8	11.48	In 2019–20, there was an increase in irrigation customer satisfaction with Sunwater - exceeding the target. Our annual survey of customers demonstrated a 10 per cent increase in customers viewing Sunwater as useful.
Customer engagement, urban	Net promotor score greater than or equal to 68.8	38.23	Sunwater did not meet its net promoter score target with urban customers. Our annual survey identified that issues negatively impacting our score including the south—east Queensland Floods Class Action (being appealed) and the need for essential works on Paradise Dam. Urban customers want better communication on major projects and scheduled maintenance. It should be noted that 50 per cent of urban customers see Sunwater as very or extremely responsive. Sunwater will focus on our engagement with urban customers to address these concerns.
Customer engagement, industrial	Net promotor score greater than or equal to 34.6	50	Sunwater exceeded its target for engagement with industrial customers. Our annual survey showed Sunwater's industrial customers view our work as useful and crucial to their business, with a 10.14 per cent increase in those highly likely to speak positively about the organisation. There was an uplift in customer sentiment for all service offerings, with satisfaction around water orders, temporary transfers and mobile notifications increasing significantly.

Inspector General Emergency Management

In 2019–20, Sunwater participated in an Inspector General for Emergency Management (IGEM) review relating to Paradise Dam's preparedness. Findings and recommendations handed down in the review were welcomed by Sunwater and were implemented in-full. The report can be found at www.disaster.qld.gov.au.

Recommendations handed down by IGEM on the 2019 Monsoon Trough Rainfall and Flood Review were also implemented in-full during 2019–20. The report can be found at www.igem.qld.gov.au/.

Marketing and corporate entertainment

In 2019–20, Sunwater conducted a range of activities to promote key organisational campaigns and engage with customers, stakeholders and the broader community.

Table 6. Customer, stakeholder and community engagement costs

Activity	Actual 2019–20	Budget 2019–20
Industry and community support		
Australian National Committee on Large Dams (ANCOLD) conference[1]	9000	10,000
Industry	25,145	40,000
Community	6968	40.000
Total industry and community support	41,114*	90,000
Advertising		
Water safety advertising campaign[2]	35,500	210,000
School safety program	-	40,000
Other (total) below $5,000	-	20,000
Total advertising	35,500	270,000
Corporate entertainment		
Staff awards ceremony (budget used for business improvement forum)[3]	4352	10,000
Office Christmas celebrations[4]	25,977	25,400
Other (total of corporate entertainment below $5000 per event)	9458	11,500
Total corporate entertainment	39,787	46,900
Strategic community and stakeholder engagement activities		
IGEM and state-wide Dam Education Program[5]	98,997	230,000
Total community and stakeholder activities	98,997*	230,000
Total all activities	215,398	636,900

** Reduced actual spend due to COVID-19 pandemic limiting Sunwater's public engagement and communication opportunities.*

1. Costs attributed to membership as a Sustaining Member of ANCOLD, participation in working groups and supporting activities to stay in touch with new developments and best practice.

2. To promote safe public behaviour on and around Sunwater assets, especially dams. This is a business as usual water safety advertising campaign.

3. To recognise and reward staff who go over and above their duties to maximise benefits to Sunwater and the state.

4. Opportunities for the CEO and senior executives to convey thanks to all staff directly for their contribution during the year and to reflect on achievements and challenges.

5. Community education campaigns.

Commercially-focused operations

In 2019–20, Sunwater focused on how to maximise the commercial value of our assets, our operations and services and how to position the organisation to take advantage of future opportunities. To do this, we worked to:

- understand our cost drivers so we can make informed commercial decisions
- operate assets and deliver services that are performance-focused and aligned to contractual commitments to ensure we have safe and compliant assets and operations.

Our success will be measured by delivering on our efficiency targets, reducing the cost per megalitre of water delivered and meeting agreed performance measures with our shareholders.

Table 7. Water cost per megalitre

Measure	Annual Target	Results	Commentary
Cost per megalitre - percentage reduction on previous year's actual (direct cost/allocation)	Greater than 2%	0.3%	The full year result is lower than in 2018–19 due to reduced operating costs (excluding extraordinary items). However, it did not reach the 2% target.

Table 8. Water supply, energy and distribution system efficiency

Objective	2017–18	2018–19	2019–20
Water delivered (GL)	1429.16	1359.72	1558.86
Distribution system efficiency (%)[1]	79% Target greater than 77%	85% Target greater than 75%	82% Target greater than 78%
Energy pump efficiency Target: 3.6 to 4.3 kilowatt hour per megalitre per metre (of pipeline) [KWh/ML/m]	3.82	3.78	3.96

1. *Total metered and estimated unmetered customer water use (year) divided by the total metered bulk water diversions into the channel systems (year) - for 2019–20: 612,773 megalitres/747,864 megalitres x 100 = 82 per cent.*
2. *This increase is due the transition of sites to local management arrangements, new pumps, improved monitoring and data capture (SCADA historian and integration with Ergon Energy meter data).*

Water pricing

Sunwater receives water revenue from three key customer segments - industrial (70 per cent), urban (five per cent) and irrigation (25 per cent). In 2019–20, Sunwater received $331.7 million from operations, slightly down from $335.7 million in 2018–19. The drop this financial year was largely due to a lump sum payment of $20 million from DNRME in 2018–19 for reimbursement of expenses from previous years for investigations into Rookwood Weir. This was partly offset in 2019–20 by higher water revenue from water allocation sales and new industrial contracts.

Irrigation

The Queensland Government sets the prices of irrigation water supplied by Sunwater, informed by recommendations from the Queensland Competition Authority (QCA).

In general, the cost of supplying water has increased due to increased electricity, labour, insurance and water infrastructure flood damage rectification costs. Further detail about this increase in costs is outlined in AECOM's *2020 Rural Irrigation Operational Expenditure Review* available on the QCA website at www.qca.org.au. Where irrigation water prices are set below the cost of supply, the Queensland Government provides Sunwater with a Community Service Obligation (CSO) payment to make up the shortfall. In 2019–20, this CSO payment was $1.74 million.

Sunwater also charges some scheme-specific fees and administrative costs. Each year an updated fees and charges schedule is released for each water supply scheme, detailing the Sunwater charges and those subject to the Rural Irrigation Water Pricing Direction. Information on the fees and charges for schemes as at 30 June 2020 can be found on the Sunwater website at www.sunwater.com.au/customer/fees-and-charges/.

For 2020–21, the Queensland Government decided to freeze prices at 2019–20 levels or pass on any price reductions recommended by the QCA. This decision reflected difficult operating conditions across several irrigated agriculture areas exacerbated by the COVID-19 pandemic.

Industrial

Sunwater supplies water to around 150 industrial customers including mines and power stations, who have negotiated commercial contracts and pricing arrangements. We are focused on providing transparent cost calculations to all our customers and to clearly communicate our pricing methodology.

We continue to seek opportunities to make full use of existing water supply schemes across Queensland to develop new infrastructure to support regional growth. Sunwater is investigating the opportunity to provide more water to the industrial sector through the sale of latent capacity and construction of new pipelines to meet increased water demand.

Urban

Sunwater gets around five per cent of its water revenue from the urban sector. Water prices for councils vary significantly, with some well below the level required to recover operational costs. Councils' urban pricing is contracted (mostly for five years). Due to cost-of-living pressures, Sunwater has tried to keep most price increases below Consumer Price Index (CPI) increases. In 2019–20, Sunwater worked on an Urban Pricing Project with urban customers and the Local Government Association of Queensland (LGAQ) to develop new, simplified and transparent supply agreements. Sunwater also consulted with DNRME and Treasury regarding the proposal, which will be developed further in 2020—21.

Asset Management System

Finance and asset management solution (FAMS)

In 2019–20, Sunwater developed a new finance and assessment management solution (FAMS), updating its outdated SAP ECC6 Enterprise Resource Planning (ERP) system to SAP4/HANA. The new system streamlines processes to make them quicker and easier for Sunwater staff. It reduces double-handling of information and provides better data and tools to help our people make decisions when providing services and maintaining assets. The system also helps prioritise work to get the most from our assets and deliver for our customers.

Value Improvement Program

Delivering efficiency savings is a whole-of-business responsibility. As part of our commitment to efficiency, Sunwater established the Value Improvement Program in 2019–20, with improvement targets across operational expenditure, capital expenditure and revenue. The program is employee-led, and during the financial year, more than 90 ideas were put forward by our people to improve safety or business processes, saving money and helping to boost revenue.

5. Employment and industrial relations

Enterprise Agreements

Sunwater respects the right of employees to belong to a union or to have their industrial interests represented, to receive advice about workplace issues and support from their union or advisor.

In consideration of the fiscal impact of the COVID-19 pandemic, the Queensland Government implemented a new wage deferral policy in June 2020, requiring a wage freeze to apply to GOC employees in the 12-month period of 2020—21. This requirement has been included in Sunwater's Enterprise Agreement Framework, which is currently awaiting the necessary government approvals to move to in-principle agreement and a vote.

Individual Employment Contract review

In 2019, Sunwater became aware that some employees on IECs were also covered by Sunwater's EA. These employees were paid correctly under their contracts, but an inadvertent application issue meant they did not receive their full entitlements under EA changes.

As soon as the oversight was identified, it was reported to the Fair Work Ombudsman (FWO) and Sunwater acted to rectify the issue. An external, independent review was carried out to identify all current and former employees eligible to receive additional payments. Sunwater has worked closely with the FWO, unions and the Office of State Revenue to address the issue. All affected current employees have been engaged and offered rectification information and packages, with the majority resolved by 30 June 2020. Former employees have been engaged and are expected to receive rectification payments from September 2020.

Sunwater is committed to ensuring all current and former employees receive the full amounts they are entitled to with interest.

New employment contracts, onboarding processes and remuneration schedules have been put in place to ensure this issue is not replicated and employees are clear about how to claim their entitlements.

Leadership

In 2019–20, Sunwater experienced leadership changes with:

- CEO Nicole Hollows leaving the organisation on 28 February 2020
- CFO Tim Murphy leaving the organisation on 14 February 2020
- Executive General Manager (EGM) Corporate Development Peter McTaggart leaving the business on 31 January 2020
- General Manager (GM) Major Projects Olivia Newman leaving the organisation in February 2020.

Company Secretary Lisa Dalton stepped into the role of Interim CEO while recruitment for a replacement took place. Simon Ellinor was appointed Interim CFO on 20 January 2020 and continues in that role. In June 2020, Glenn Stockton AM was appointed to the CEO role and will commence in August 2020. Recruitment for the newly created role of Chief Development Officer was underway as at 30 June 2020, with Sunwater operating with an Interim Chief Development Officer, Darren Weir.

Apprentices and trainees

Sunwater plays an important role in providing employment and training opportunities in regional Queensland. At 30 June 2020, we employed three apprentices and trainees in regional Queensland. Apprenticeship/trainee numbers are expected to grow in the coming financial year as current infrastructure projects reach construction phase. Under the new Workforce Diversity Plan, Sunwater is committed to ensuring that 25 per cent of apprentices and trainees employed directly come from diverse backgrounds. Sunwater will look at all forms of diversity to achieve this target, including people with disabilities, those from non-English speaking backgrounds and all genders. We are committed to training and retaining front-line staff to provide trade skills now and into the future to deliver a safe, reliable and affordable water supply to our customers.

Staff turnover

Staff turnover in 2019–20 was 17.68 per cent, down from 18.4 per cent in 2018–19 and an increase on the 2017–18 figure of 10.36 per cent.

Staff absenteeism

In 2019–20, staff absenteeism was 2.27 per cent, up on last year's figure of 1.75 per cent, which was a slight rise on the 2017–18 rate of 1.54 per cent.

Redundancies

In 2019–20 there were five redundancies. The changes flattened the organisational structure and aimed to create a more customer-centric focus by increasing regional roles and providing centralised customer support services in Brisbane. Following this organisational change, in 2019–20 Sunwater has focused on securing the capability to meet its customer commitments and build for the future.

Sunwater remains committed to no forced redundancies in line with current Queensland Government policy. Enterprise bargaining is considered an accepted way of implementing change and achieving productivity gains in a fair way for all parties.

6. Governance

Governance structure

Shareholding Ministers

The Honourable Cameron Dick, MP, Treasurer and Minister for Infrastructure and Planning (11 May 2020 – ongoing)
The Honourable Annastacia Palaszczuk, MP, Premier, Treasurer and Minister for Trade (9 – 11 May 2020)
The Honourable Jackie Trad, MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships (1 July 2019 – 9 May 2020)
The Honourable Dr Anthony Lynham, MP, Minister for Natural Resources, Mines and Energy

Accountable

Sunwater Board

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

Chairman	Director	Director	Director	Director
Leith Boully	**Patrice Sherrie**	**David Stewart**	**Vanessa Sullivan**	**Jo Sheppard**

Establishes

Committees

- **Culture Committee** – assists the Board in discharging its duties regarding organisational structure, CEO succession, executive appointments, executive performance, staff remuneration, employee relations, stakeholder engagement and culture.
- **Strategic Projects Committee** – assists the Board to review opportunities to develop new products, troubleshoot barriers and launch initiatives designed to manage risk and reduce operational issues.
- **Audit, Finance and Risk Committee** – assists the Board with oversight of the quality, adequacy and integrity of Sunwater's finance, audit and risk management practices.
  - External Audit
  - Internal Audit

Appoints

Chief Executive Officer

Appoints

Executive Leadership Team

Chief Financial Officer	**Executive General Manager**	**Executive General Manager**	**Executive General Manager**	**Executive General Manager**	**Chief Development Officer**
Corporate Services	Operations	People and Transformation	Customer and Stakeholder Relations	Dam Safety and Water Resources	Infrastructure Development and Delivery

Establishes

Committees

Program governance

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

Regional leadership

Functional leadership

Sunwater Board

Leith Boully BRuSc, DipBusStud, FAICD I Chairman

Leith Boully was appointed as a Non-Executive Director on 1 October 2015 and was last reappointed in October 2018. Leith has many years' experience in business and natural resource management - particularly water - at local, state and national levels. Leith is also Chairman of Palgrove, Interim Chairman of the Water Security CRC, and a Director of the Isis Central Sugar Mill and the Qld Rural & Industry Development Authority. She is a member of the Australian Water Partnership Committee.

Jo Sheppard BBA, GAICD | Director

Jo Sheppard was appointed as a Non-Executive Director on 1 October 2018. Currently the Director of Stakeholder Engagement with the University of Southern Queensland, Jo is also a Queensland Local Government Grants Commissioner and Board member with the Toowoomba Chamber of Commerce. Jo has presented to the Regional Inequality in Australia Senate Inquiry supporting the further development of water infrastructure to ensure a sustainable future for agriculture and regional communities. Jo was awarded the Mary Wagner Honour Award in the 2017 Women in Business Awards (Darling Downs) in recognition of her excellence in leadership through deep local understanding and outstanding initiatives.

Patrice Sherrie FCA, GAICD | Director

Patrice Sherrie was appointed as a Non-Executive Director on 1 October 2015 and re-appointed in October 2018. Patrice is an experienced executive and director with over 30 years' experience in Queensland and PNG in chartered accounting and commerce. She has diverse industry experience including finance, property, childcare and the arts. Patrice is currently a consultant to Bentleys (Qld) Pty Ltd, and Director of Andersens Floor Coverings Pty Ltd, Premise Holdings Pty Ltd and City of Brisbane Investment Corporation Pty Ltd. She is a Fellow Chartered Accountants and Graduate member of the Australian Institute of Company Directors.

David Stewart BE (Hons), FIEAust, CPEng, NER, APEC Engineer, RPEQ, GAICD | Director

David Stewart was appointed as a Non-Executive Director on 3 December 2015 and was re-appointed in October 2018. David is a civil engineer with almost 40 years' experience in Australia and internationally, specialising in large dams, water supply, irrigation and other infrastructure projects. He has worked in the private sector with major engineering consulting firms and in the public sector with large water businesses. David is currently Managing Director of the specialist engineering consultancy Australian Dams & Water Consultants Pty Ltd and is a former Director and Past Chairman of the Australian National Committee on Large Dams (ANCOLD). He was recognised by Engineers Australia in 2009 as one of Australia's 100 most Influential Engineers and has been awarded the River Murray Water Medal by the MDBA.

Vanessa Sullivan BecBEc (Hons), GradDip (AppFin), GAICD | Director

Vanessa Sullivan was appointed to the Sunwater Board on 15 December 2016 and re-appointed on 1 October 2019. Vanessa has more than 20 years' experience in the water, energy and carbon sectors working with both government and private sector organisations. Vanessa has extensive financial, commercial, and strategy experience across the water, energy and sustainability sectors. Vanessa is also a Non-Executive Director of the Smart Energy Council and Centacare and a member of Hydrogen Australia's expert reference panel.

Executive Leadership Team

Glenn Stockton AM, GAICD, MBA | Chief Executive Officer

Glenn Stockton AM was appointed as Sunwater's CEO in June 2020, taking up his role on 3 August 2020. Glenn has more than 35 years of direct leadership experience in challenging environments and generating successful outcomes. He has a strong understanding of complex high-value infrastructure projects, with a focus on enhancing the relationships required to achieve project objectives. Glenn is an active advocate of safety, governance and accountability, and customer-focused outcomes. Glenn is a Member of the Order of Australia and a Graduate of the Australian Institute of Company Directors.

Simon Ellinor BCom (Hons), LLB | Interim Chief Financial Officer

Simon Ellinor was appointed as Interim CFO on 20 January 2020. Simon leads Sunwater's corporate services function, encompassing the finance, legal, procurement, ICT and commercial customer teams. He has more than 20 years' experience in a diverse range of financial and commercial roles in the professional services, mining and resources industries. Simon is also a Chartered Accountant.

Colin Bendall AssocDip AppSc, CertTropAg | Executive General Manager Operations

Colin Bendall was appointed EGM Operations on 2 January 2017 after more than 35 years with Sunwater and its predecessors in technical, operational and senior management roles. Colin oversees Sunwater's on-ground services and is responsible for driving customer-oriented, efficient and safe operations that support regional Queensland's water needs. Colin has expertise in the design, operation and maintenance of bulk water infrastructure with a strong customer focus. Colin is a graduate of the Australian Institute of Company Directors and is a Water Services Australia Utility Excellence Committee Member.

Kellie Breen BBus (HRM) GAICD | Executive General Manager People and Transformation

Kellie Breen was appointed as EGM of People and Transformation on 29 January 2018. With more than 20 years' experience in human resources, Kellie delivers shareholder value by providing strategic direction to develop and implement organisational strategies aimed to improve business outcomes. Kellie has a strong background in the resources sector and professional experience in the manufacturing, retail and legal sectors in Australia and internationally.

Cameron Milliner BCom (Mark) | Executive General Manager Customer and Stakeholder Relations

Cameron Milliner was appointed as EGM Customer and Stakeholder Relations on 9 September 2019. With more than 20 years' experience in government, consultancy and multinational corporations, he has a deep understanding of the development and implementation of public policy, stakeholder management and advocacy. Cameron has previously held roles as a Visiting/Honorary Fellow of the Murdoch University School of Research and Innovation and the Centre for Comparative Genomics.

James Stuart CPEng, RPEQ, C.WEM | Executive General Manager Water Resources and Dam Safety

James Stuart became GM of Water Resources and Dam Safety in January 2018 following four years with Sunwater in senior water management and dam safety roles. He has 17 years' experience in water engineering both in Australia and overseas. James oversees Sunwater's dam safety program, hydrology services, customer billing and asset strategies. James is a Chartered Civil Engineer, completed a Master of Science in Hydrology/Hydraulics and in 2017 was appointed to the Board of the National Hydrologic Warning Council of the United States.

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

Governance principles

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

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

This section of the report demonstrates how we align our governance practices to the principles in the Corporate Governance Guidelines for Government Owned Corporations (v.2.0). Sunwater's corporate governance documents are available on the Sunwater website at www.sunwater.com.au/about/governance/.

Principle 1: Foundations of management and oversight

The Sunwater Board Charter and Delegation of Authority Framework and Policy outline the roles and responsibilities of the Board and matters that are delegated to the Sunwater Executive Leadership team. The Board has established three committees, which operate under their own charters, to assist with its role:

- Audit, Finance and Risk Committee
- Culture Committee
- Strategic Projects Committee.

Regular Board meetings focus on corporate culture, achieving strategic objectives, managing risk and monitoring operational and financial performance. There is a comprehensive, tailored induction process for new Board Directors, including letters of appointment, which set out expectations and provide business information. Sunwater encourages Directors to take part in professional development and to interact with customers and employees. Directors are entitled to advice at Sunwater's cost.

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

- KPIs are set and approved annually by the Board
- regular performance feedback is provided during the year, and there are six-monthly and 12-monthly performance reviews.

Principle 2: Structure the Board to add value

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

All Board Directors and senior executives regularly evaluate the performance of the Board, individual Directors, Chair and Board Committees, against the following criteria:

- their effectiveness
- Board and committee structure and roles
- strategy and planning
- Board dynamics and relationship with management
- internal processes
- organisational performance
- risk assessment
- external communication.

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

In June 2020, an internal review of Board performance and skills was carried out.

All Directors must maintain their skills and carry out professional development to enable them to meet their responsibilities. Feedback on the Board's performance is also provided by a Director after each meeting and suggestions for improvement are noted. The Board also reviews member's information needs. Details of Directors' terms of office, experience, expertise and attendance at Board and committee meetings and remuneration are outlined on pages 44 and 88 of this report.

Principle 3: Ethical and responsible decision making

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

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

Sunwater's 'Fraud and Corrupt Conduct', 'Whistleblower and Public Interest Disclosure' policies and procedures outline how complaints of alleged impropriety and corrupt conduct are received, evaluated, reported and investigated. We also have complaints policies around alleged CEO, Chair and Director corrupt conduct. Sunwater has partnered with EthicsPoint - a comprehensive, confidential reporting system to help managers and employees address fraud, abuse and other misconduct in the workplace.

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

Principle 4: Safeguarding integrity in financial reporting

The CEO and CFO certify the accuracy of Sunwater's financial statements to the Board each financial year. They have confirmed in writing that the 2019–20 financial statements present a true and fair view and are in accordance with accounting standards. The Audit, Finance and Risk Committee helps the Board fulfil its financial reporting and risk management responsibilities by:

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

The committee is made up of three independent Non-Executive Directors who (as far as possible) have appropriate financial experience and understand the water industry. The members ensure significant strategic and operational risks are subject to review, independent of management, and make recommendations to the Board about policy, risk management and compliance improvements. The current Chair is a Chartered Accountant. Details of committee members, meetings and attendance are on pages 44 and 88 of this report.

Principle 5: Timely and balanced disclosures

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

The policy also sets out clear accountabilities for making timely, accurate, transparent and balanced disclosures.

The Board and senior executives are required to report extensively to shareholding Ministers and their representatives through:

- quarterly reports on key objectives
- the Statement of Corporate Intent (SCI)
- the Corporate Plan
- the annual report
- regular meetings.

Sunwater provides timely information to shareholding Ministers on any significant matter impacting on its ability to achieve the objectives of the SCI or Corporate Plan through submissions and briefing notes.

To ensure Sunwater meets its disclosure requirements and obligations under the *Right to Information Act 2009* (Qld), key information needed from stakeholders is regularly assessed and a publication scheme is maintained on our website.

Principle 6: Respect shareholders' rights

As required by the GOC Act, shareholding Ministers are advised in a timely way of any issue likely to have a significant financial, operating, social or environmental impact on the business. Shareholding Minister approvals are sought as appropriate under legislation and shareholder policy guidelines. Sunwater aims to build trust through clear, responsive communication that manages expectations, engages early and offers a range of different communication mediums to reach stakeholders. Our strategy around informing shareholding Ministers is to provide them with accurate and timely information so they can make informed assessments of Sunwater's operations and performance. Regular communications with shareholding Ministers include the:

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

Principle 7: Recognise and manage risk

Through a system of oversight and management controls the Board ensures Sunwater understands and manages its risks across all levels of the organisation. A rigorous governance model has been put in place to enable oversight of the management and monitoring of changes to our strategic and operational risk profile throughout the year. This means risks facing the company are properly understood and appropriately managed. Sunwater's management team and Board members work together to agree on risk appetite, risk tolerance and monitor and report on enterprise risks through the CEO's monthly report. The Board is updated on the strategic and material business risks monthly, including mitigation plans and actions. The Audit, Finance and Risk Committee also assesses risks and controls across key business areas each quarter.

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

- staff responsibilities around identifying and preventing fraud
- responsibility for fraud investigation once fraud has been identified
- processes for reporting on fraud-related matters to management
- reporting and recording processes to be followed to manage and finalise allegations of fraud
- periodic assessments of the risk of fraud within its business operations
- training in fraud awareness for Sunwater's people.

Principle 8: Remunerate fairly and responsibly

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

The Committee considers and recommends remuneration rates and terms of employment for the CEO and senior executives and is directly involved in performance planning and review processes. The committee also oversees Sunwater EA renewals, organisation culture and capability. Sunwater's remuneration strategy is assessed using community and industry standards and other external information. Information about committee members, meetings held, and attendance are on page 44 of this report.

Remuneration: Directors and senior executives

Remuneration of Board Directors is determined by the shareholding Ministers. Remuneration in Sunwater is overseen by the Board's Culture Committee. The Board sets remuneration levels for the CEO and senior executives in line with Queensland Government policy and external independent advice on position evaluation. Remuneration is fixed and includes all payments and benefits. All senior executives are engaged on 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 Board reviews performance payments for senior executives each year. No performance payments for 2019–20 were approved.

Board remuneration is listed in the Notes to the Financial Statements on page 88 and that of senior executives is on pages 89 and 90 of this report.

Remuneration: staff

Remuneration for the majority of Sunwater staff, is determined by the Sunwater EA in accordance with the Queensland Government approved bargaining framework. More on the current EA can be found on page 25 of this report. Remuneration for employees on IECs is based on the median salary of each evaluated position and the employee's individual performance. Sunwater does not have a performance payment scheme for non-senior executive employees.

In consideration of the fiscal impact of the COVID-19 pandemic, the Queensland Government implemented a new wage deferral policy in June 2020, requiring a wage freeze to apply to GOC employees in the 12-month period in 2020–21.

Corporate planning and reporting

Our annual planning and reporting processes include a five-to-ten-year Strategic Plan, a five-year Corporate Plan and an annual SCI. Sunwater's Strategic Plan is updated annually and summarises our annual planning process. It sets out vision and purpose, strategic goals and identifies work programs to be implemented over a five+ year horizon. It is used to inform the five-year Corporate Plan and the annual SCI and associated budgets. Sunwater's annual SCI details objectives and performance targets are agreed by the Board and shareholding Ministers.

Quarterly scorecards provide shareholding Ministers and their departments with regular updates on Sunwater's performance against the SCI targets and budgets. Consolidated business and group performance reports are provided to the Board monthly.

Debt drawdown: There were no debt drawdowns in 2019–20.

Derivative transactions: No derivative transactions occurred during 2019–20.

Significant revenue/expenditure contracts:

- $220 million for electricity supply (nine-year contract commencing 1 January 2020)
- $18.57 million on the Fairbairn Dam Improvement Project Stage 3
- $21.7 million for the Rookwood Weir Project
- $5.4 million in new revenue from the Eungella Pipeline Pty Ltd
- $13.75 million for detailed business cases for Paradise Dam and Burdekin Falls Dam Improvement projects
- $22 million for essential works on Paradise Dam
- $10.47 million for Teemburra Dam, Leslie Dam and other bulk water infrastructure
- $12.7 million for the New Digital Enterprise Business Solution.

Water trading activity

In 2019–20, Sunwater's Water Trading Code of Conduct was updated and approved by the shareholding Ministers and audits will now be conducted every three years instead of annually. All recommendations and actions required from previous audits have been completed and closed-out, with no deficiencies in water trading procedures or breaches of the code identified. A Water Trading Strategy, process and guidelines have been produced to document the requirements within Sunwater for temporary and permanent water trades and sales.

Subsidiary reporting

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

Government directives and notifications

Sunwater received the following direction and notifications in 2019–20:

- 14 June 2020 - notification that the new Public Interest Disclosure (PID) Standards apply to Sunwater Limited and that the previous PID Standard No.1 had been revoked
- 12 June 2020 - Sunwater Rural Water Pricing Direction Notice (No.1) 2020 pursuant to the *Water Act 2000* (Qld) requiring Sunwater to comply with the notice when charging rural irrigation water prices and associated fees.

Sustainable practices

Sunwater compliance program

Sunwater is committed to delivering its strategic and operational objectives in accordance with legislation and good governance. We have a Legal Legislative Compliance Framework which enables us to identify, assess and implement changing legislative obligations. It is one of many tools used to manage Sunwater's compliance obligations. The framework deals mainly with legal legislative compliance and addresses the circulation of general law updates throughout Sunwater. The framework is one part of our overall Compliance Policy.

Referable dam safety

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

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

Annual and ad hoc updates to Sunwater's insurance broker ensure compliance with insurance policy disclosure requirements. Sunwater is implementing a Dam Improvement Program in response to revised rainfall guidance and ANCOLD and Queensland Government Regulatory Guidelines on associated acceptable flood capacities for dams. The Program has been developed using a risk based decision-making methodology to optimise the reduction of safety risks and ensure value for money. Sunwater regularly reviews portfolio risks and the improvement program to ensure priorities are based on the most up-to-date information available.

Financial management

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

Right to information

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

Legal proceedings

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

- 2011 south-east Queensland Floods Class Action
  - Sunwater will continue to face budgetary challenges arising from this active case
  - the outcome of Sunwater's appeal (lodged on 28 February 2020) could have a significant impact on our bottom line. The appeal is expected to be heard in May 2021.
- NSW Supreme Court Equity Division Claim by Liberty Mutual Insurance Co & Ors v Sunwater & Ors
- Judicial Review Application by Marland and Mendez v DNRME and Sunwater
- Qld District Court Claim by Mirandcoe Engineering Pty Ltd v Sunwater.

Internal audit

Internal audit is a key part of Sunwater's corporate governance framework guided by a risk-based annual plan approved by the Audit, Finance and Risk Committee. In 2019–20, Sunwater's internal audits were performed internally and in some more technical cases, by independent external firms. Once completed, Audit Reports are submitted to the Audit, Finance and Risk Committee for consideration and discussion. The Committee also monitors the implementation of agreed management actions arising from audits.

Infrastructure maintained to reflect customer and QCA requirements

Sunwater has fit-for-purpose asset management plans, strategies and standards to ensure all infrastructure is maintained, repaired, refurbished and enhanced to standards in line with regulatory and legislative requirements. We regularly engage with customers and seek feedback on operations and infrastructure maintenance through our Irrigator Advisory Committees and 2019–20 Network Service Plans.

Sunwater reviews and adjusts planned maintenance expenditure to ensure costs incurred are prudent, efficient and in line with QCA pricing principles. Sunwater has accreditation in Quality AS/NZS 9001, Environment AS/NZS 14001, and Safety AS/NZS 4801 standards which provide the framework within which we implement infrastructure management and maintenance.

Insurance renewal program

Sunwater renews its extensive insurance portfolio each year as part of our business risk mitigation strategy. Having sufficient insurance coverage supports Sunwater's goal of a sustainable business by embedding risk and opportunity management. As a prudent owner of commercial infrastructure assets, we have appropriate insurance policies to provide protection against residual business risks. Our insurance portfolio enables us to manage financial risk through risk identification and placing required insurances at an appropriate level with reputable insurers.

7. Summary of key performance indicators

The 2019–20 SCI is Sunwater's annual performance agreement with our shareholding Ministers.

The following table provides information on key performance indicators agreed in the 2019–20 SCI. This information enables informed assessment of the operations of Sunwater and our subsidiaries.

Table 9. Sunwater's key performance indicators 2019–20

Key performance indicators	Actual 2019–20	Budget 2019–20	Actual 2018–19	Budget 2018–19	Actual 2017–18	Actual 2016–17
Total operating revenue ($m) - excluding Rookwood	321.2	300.3	304.2	289.7	285.6	283.4
Total operating revenue ($m) - including Rookwood[1]	343.1	367.3	340.5	289.7	285.6	283.4
Total operating costs ($m) - excluding Rookwood	536.1	201.0	191.8	188.2	198.3	221.8
Total operating costs ($m) - including Rookwood	557.7	268.9	228.1	188.2	198.3	221.8
Operating profit ($m)[2]	(214.6)	99.3	112.4	101.5	87.3	87.4
Profit before taxation ($m)	(286.6)	21.5	72.9	64.3	57.4	51.1
EBITDA ($m)	(168.6)	145.4	155.9	141.8	127.3	130.0
NPAT ($m)	(202.6)	15.0	51.2	45.0	39.7	36.0
Consolidated cash balance ($m)	30.9	12.5	29.7	22.7	25.9	54.9
Total assets ($m)[3]	1,110.3	985.3	1,044.3	992.6	1,020.3	1,008.9
Debt ($m)	284.0	284.1	284.1	284.2	284.1	284.2
Shareholder equity ($m)	251.4	460.5	457.0	445.5	450.3	455.0
Capital expenditure ($m)	76.7	75.0	48.9	61.5	46.7	46.0
EBITDA interest coverage (times)	(11.6)	9.2	10.8	9.9	8.6	8.5
Return on average contributed equity (%)	(25.1)	3.8	21.1	18.3	16.0	14.4
Market gearing - debt/ (debt + equity) (%)	53.0	38.2	38.3	38.9	38.7	38.4
Debt to EBITDA (times)	(1.7)	2.0	1.8	2.0	2.2	2.2

Explanations and differences to financial statements:

1. *Excludes interest income of $2.0 million and other miscellaneous income of $0.3 million.*
2. *Includes depreciation and amortisation. Excludes asset impairment expense. Excludes items noted in (1).*
3. *Excludes deferred tax liability.*

Sunwater's 2019–20 SCI was modified during 2019–20 due to budgetary changes required in response to urgent essential works on Paradise Dam in Bundaberg and provisions for the IEC remediation payments due to present and past employees. Sunwater's financial results for 2019–20 were also affected by a $330 million compensation provision arising from the 2011 south-east Queensland Floods Class Action.

Directors' report

The Directors present their report together with the financial report of Sunwater Limited and its subsidiaries (collectively the Group) for the financial year ended 30 June 2020 and the independent auditor's report thereon.

1. Directors

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

- Leith Boully, appointed 1 October 2015
- Patrice Sherrie, appointed 1 October 2015
- David Stewart, appointed 3 December 2015
- Vanessa Sullivan, appointed 15 December 2016
- Jo Sheppard, appointed 1 October 2018

Further information about Directors' qualifications, experience, and term of appointment is on pages 41, 42 and 43 of this financial report. Details of meetings attended are in the table on page 44.

2. Secretaries

The following persons were Secretaries of the Group during all or part of the financial year and up to the date of this report:

- Lisa Dalton (BAppSc, MAppSc, LLB (Hons), FAICD, FCIS) was appointed Secretary in November 2016. Lisa is a governance professional with over 20 years of experience in senior executive positions with responsibility for governance, risk management, human resources, strategy and communications. Lisa is an experienced company secretary, non-executive director of Second Skin Pty Ltd and Healthia Limited and is a member of the Department of Justice and Attorney General's Audit and Risk Management Committee.
- Julie Tealby (BBus, CPA, FGIA, FCIS, MAICD) was appointed alternate secretary on 22 May 2018. Julie is an experienced senior executive and company secretary, skilled in corporate governance, financial services, risk management, performance management, internal audit and business process improvement.
- Mike Meintjes (BCom (Hons), ACA) was appointed Acting Company Secretary on 26 February 2020. Mike is a risk, governance and finance professional with over 35 years of experience, initially in professional services and more recently as Company Secretary for a number of ASX Listed companies. He is the Chair of the Audit & Risk Committee of the Crime and Corruption Commission.

3. Principal activities

The Group owns and operates bulk water supply and distribution infrastructure located throughout regional Queensland and provides water-related engineering and facilities management services.

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

4. Financial performance

Financial results – consolidated	2020	2019	2018
	$000	$000	$000
Profit (Loss) before income tax	(286,639)	72,955	57,437
Profit (Loss) after income tax	(202,642)	51,224	39,661

The financial statements are a general purpose financial report that have been prepared in accordance with the Australian Accounting Standards and interpretations, requirements of the *Corporations Act 2001* (Cth), provisions of the GOC Act and other relevant legislation.

5. Dividends and return of contributed equity

The Group's dividend policy, as stated in the 2019–20 Statement of Corporate Intent (SCI), takes into account the return its shareholders expect on their investment.

2019-20 dividend

Due to a net loss result for the year, no dividend has been provided in June 2020 (2019 100%).

6. Review of operations

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

7. Significant changes in the state of affairs

There have been no significant changes in the state of affairs to the end of the 2019–20 financial year.

8. Matters subsequent to the end of the financial year

On 9 July 2020, Queensland Treasury announced further details regarding the Queensland Government owned Future Fund, the creation of which was first announced in December 2019. The further details noted that the fund could hold "unregulated infrastructure" including "water infrastructure". Through formal correspondence received by Sunwater dated 22 July 2020, Queensland Treasury confirmed that Sunwater's industrial pipeline assets were under consideration in relation to this initiative. The Board considers that in the event a transaction relating to these assets is completed, Sunwater's future financial profile will likely be materially affected. It is not possible to make an estimate of the financial effect at this time.

In respect of insurance coverage, Sunwater's insurers have declined to provide insurance policy coverage for the period 1 July 2020 to 30 June 2021 in respect of some elements of Paradise Dam in light of the structural issues currently being addressed at that site. Specifically, Sunwater has been unable to obtain insurance policies relating to property damage to the dam and associated Sunwater assets, and for Directors and Officers Liability coverage for claims relating to Paradise Dam. Sunwater has continued to obtain insurance policies relating to third party liability claims linked to Paradise Dam for the period 1 July 2020 to 30 June 2021.

9. Likely developments and expected results of operations

Likely developments in the operations of the Group that were not finalised at the date of the report include:

a) The Group has a significant Dam Improvement Program that will not generate future revenue and will be recognised as an impairment against the assets resulting in future losses and no dividends.

b) Rookwood weir progression on behalf of the State of Queensland with a construction alliance appointed and associated water rights being marketed.

c) Further progress in the 2011 south-east Queensland Flood Class Action with judgement from the Appeal process determining the next steps.

10. Environmental regulation

The Group's operations are subject to significant environmental regulation under both Australian and Queensland legislation. In 2019, SAI Global conducted the annual certification audit of the Group's Environmental Management System. The current certification was maintained.

11. Insurance of directors and officers

During the financial year, the Group paid a premium of $0.22 million (excluding GST) to insure the Directors and secretaries of the Group and its wholly owned subsidiary companies, and the executive officers of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by those officers in connection with such proceedings.

This does not include liabilities that arise from conduct involving a wilful breach of duty by these officers or the improper use by these officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

12. Relief from financial reports for wholly owned subsidiaries

Sunwater and its wholly owned subsidiaries are parties to ASIC Corporations (wholly-owned companies) Instrument 2016/785 which grants relief to its wholly owned subsidiaries; Eungella Water Pty Ltd, North West Water Pipeline Pty Ltd and Burnett Water Pty Ltd from the *Corporations Act 2001* (Cth) requirements for the preparation, audit and lodgement of their financial reports.

13. Rounding of amounts

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

14. Auditor's independence declaration

The Auditor-General of Queensland continues in office in accordance with section 30 of the *Auditor-General Act 2009* (Qld). No non-audit services are provided to the Group by the Auditor-General. Further information is set out in note 22 to the financial statements.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is included on page 45 of this financial report and forms part of the Directors' Report.

Signed in accordance with a resolution of the Directors:

Leith Boully

CHAIRMAN

Dated: 24 August 2020

Patrice Sherrie

DIRECTOR

Dated: 24 August 2020

Sunwater Board

Leith Boully

BRuSc, DipBusStud, FAICD

Chairman

Appointed to the Board on 1 October 2015

Re-appointed 1 October 2018

Term of appointment to 30 September 2021

Board committee membership

Audit, Finance and Risk Committee (Member)

Culture Committee (Chairman)

Strategic Projects Committee (Chairman to 2nd March 2020)

Strategic Projects Committee (Member from 3rd March 2020)

Burnett Water Pty Ltd (Chairman)

Eungella Water Pipeline Pty Ltd (Chairman)

North West Queensland Water Pipeline Pty Ltd (Chairman)

Skills, experience and expertise

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

In addition to Sunwater, Leith is also Chairman of Palgrove, Interim Chairman of the Water Security CRC and a Director of the Isis Central Sugar Mill and Queensland Rural and Industry Development Authority. She recently retired from the Board of Murrumbidgee Irrigation Limited after 14 years. She is also a member of the Australian Water Partnership Committee.

Leith was formerly Chairman of Healthy Waterways and Wide Bay Water Corporation, a Director of Seqwater, CRC for Water Sensitive Cities and a National Water Commissioner.

Patrice Sherrie

FCA, GAICD

Director

Appointed to the Board on 1 October 2015

Re-appointed 1 October 2018

Term of appointment to 30 September 2022

Board committee membership

Audit, Finance and Risk Committee (Chairman)

Culture Committee (Member)

Burnett Water Pty Ltd (Non-Executive Director)

Skills, experience and expertise

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

Patrice is currently a consultant to Bentleys (Qld) Pty Ltd, and Director of Andersens Floor Coverings Pty Ltd, Premise Holdings Pty Ltd and City of Brisbane Investment Corporation Pty Ltd. She is a Fellow Chartered Accountants and Graduate member of the Australian Institute of Company Directors.

David Stewart

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

Director

Appointed to the Board on 3 December 2015

Re-appointed 1 October 2018

Term of appointment to 30 September 2021

Board committee membership

Culture Committee (Member)

Strategic Projects Committee (Member to 2nd March 2020)

Strategic Projects Committee (Chairman from 3rd March 2020)

Eungella Water Pty Ltd (Non-Executive Director)

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

Skills, experience and expertise

David is a civil engineer with 35 years' experience in Australia and internationally, specialising in large dams, water supply, irrigation and other infrastructure projects. During that time, he has worked in the private sector with major engineering consulting firms and in the public sector with large water businesses, including as Executive Manager Technical Services, Executive Manager Strategy and Development and as Managing Director of Goulburn-Murray Water in Victoria.

David is currently Managing Director of the specialist engineering consultancy Australian Dams & Water Consultants Pty Ltd and is a former Director and Past Chairman of the (ANCOLD).

He was recognised by Engineers Australia in 2009 as one of Australia's 100 most influential engineers and has been awarded the River Murray Water Medal by the MDBA.

Vanessa Sullivan

BEc(Hons), GradDip(AppFin), GAICD

Director

Appointed 15 December 2016

Re-appointed 1 October 2019

Term of appointment to 30 September 2022

Board committee membership

Strategic Projects Committee (Member)

Skills, experience and expertise

Vanessa has more than 20 years' experience in the water, energy and carbon sectors working with both government and private sector organisations. Vanessa's previous roles include: Climate Change Leader and Utilities Leader for a Big 4 Professional Services firm; founding and running a renewable energy and storage development business which involved attracting capital from global investment houses including US and Japan and developing greenfield projects; undertaking significant market reform in both the energy and water sectors.

Vanessa has extensive commercial, regulatory and finance experience across the water, energy and carbon sectors. She completed a number of significant transactions in each of these sectors and has developed and implemented commercial strategies for large global corporates in the resources, energy and industrial sectors.

Vanessa is a Non-Executive Director of the Smart Energy Council (peak national industry body) and Centacare (NFP Domestic violence and disability support provider) and a member of Hydrogen Australia's expert reference panel.

Jo Sheppard
BBA, GAICD
Director

Appointed 1 October 2018

Term of appointment to 30 September 2021

Board committee membership

Audit, Finance and Risk Committee (Member)

Skills, experience and expertise

Currently the Director of Stakeholder Engagement with the University of Southern Queensland, Jo is also a Queensland Local Government Grants Commissioner and Board member with the Toowoomba Chamber of Commerce. Jo has a strong understanding of and affinity to regional Queensland. Previously the CEO of Toowoomba Chamber of Commerce where she played a key role in advocating for local business interests and providing mentoring to future business leaders. She has formerly held Board positions with South West Natural Resource Management, the Australian Agricultural College Corporation and Toowoomba Surat Basin Enterprise. Jo was also formerly the Mayor of Paroo Shire Council, Deputy Chair of Regional Development Australia South-West and a Director at Downlands College.

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

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

Meetings attended during 2019–20

Director	Board Meetings		Audit, Finance and Risk Committee Meetings		Culture Committee		Strategic Projects Committee Meetings	
	Attended	Held (2)	Attended	Held (2)	Attended	Held (2)	Attended	Held (2)
Leith Boully	17	17	5	5	3	4	7	7
Patrice Sherrie	17	17	5	5	4	4	-	-
David Stewart	17	17	-	-	4	4	7	7
Vanessa Sullivan	17	17	-	-	-	-	7	7
Jo Sheppard (1)	12	12	3	5	-	-	-	-

(1) Jo Sheppard took a Board approved leave of absence during the year.

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

Auditor's Independence Declaration

To the Directors of Sunwater Limited

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

Independence Declaration

As lead auditor for the audit of Sunwater Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

24 August 2020

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

General information

These financial statements are consolidated financial statements for the Group consisting of Sunwater Limited and its subsidiaries. A list of major subsidiaries is included in note 18.

The financial statements are presented in the Australian currency.

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

Green Square North

Level 9, 515 St Pauls Terrace

Fortitude Valley 4006

Queensland

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Revenue from contracts with customers	1	331,725	335,733
Other income	2	13,637	8,087
Total revenue and other income		**345,362**	**343,820**
Expenses:			
Operating expenditure	3A	(460,777)	(147,449)
Employee benefits expense	3B	(53,037)	(40,161)
Depreciation and amortisation	10,11,13	(43,831)	(40,248)
Impairment of assets	10,11	(59,743)	(28,386)
Loss on disposal of assets		(115)	(256)
Operating profit / (loss)		**(272,141)**	**87,320**
Finance costs	8, 25(c)	(14,498)	(14,365)
Profit / (Loss) before income tax		**(286,639)**	**72,955**
Income tax credit / (expense)	4	83,997	(21,731)
Profit / (Loss) for the year		**(202,642)**	**51,224**
Other comprehensive income		-	-
Total comprehensive income / (expense) for the year		**(202,642)**	**51,224**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	30,902	29,709
Advance facility	25(a)	86,614	103,109
Trade and other receivables	6	44,724	50,253
Inventories	25(d)	2,665	2,768
		164,905	185,839
Non-current assets held for distribution	12	-	1,136
Total current assets		164,905	186,975
Non-current assets			
Property, plant and equipment	10	807,009	829,285
Right-of-use assets	13	20,515	-
Intangible assets	11	11,823	12,955
Deferred tax assets	4	104,232	13,281
Total non-current assets		943,579	855,521
Total assets		1,108,484	1,042,496
LIABILITIES			
Current liabilities			
Trade and other payables	7	36,178	26,706
Provisions	15	19,359	80,956
Lease liabilities	13	2,237	-
Other current liabilities	14	31,720	41,436
Total current liabilities		89,494	149,098
Non-current liabilities			
Provisions	15	331,448	13,907
Borrowings	8	284,020	284,107
Lease liabilities	13	20,082	-
Other non-current liabilities	14	132,024	138,404
Total non-current liabilities		767,574	436,418
Total liabilities		857,068	585,516
Net assets		251,416	456,980
EQUITY			
Contributed equity	17	236,347	239,145
Retained earnings		15,069	217,835
Total equity		251,416	456,980

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Notes	Contributed equity $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2018		245,552	217,835	463,387
Total comprehensive income for the year		-	51,224	51,224
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	16 (b)	-	(51,224)	(51,224)
Return of contributed equity	17,23	(6,407)	-	(6,407)
Balance at 30 June 2019		239,145	217,835	456,980
Change in accounting policies		-	(124)	(124)
Restated total equity at 1 July 2019		239,145	217,711	456,856
Total comprehensive expense for the year		-	(202,642)	(202,642)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	16 (b)	-	-	-
Return of contributed equity	17,23	(2,798)	-	(2,798)
Balance at 30 June 2020		236,347	15,069	251,416

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		328,285	306,238
Payments to suppliers and employees		(209,162)	(211,667)
Net receipts		119,123	94,571
Rookwood Weir project funding		26,898	49,102
Community service obligations received		8,042	8,310
Government grants		–	3,265
Interest received		173	209
Income taxes paid		(31,181)	(21,507)
GST recovered		6,313	2,813
Net cash inflow from operating activities	5	**129,368**	**136,763**
Cash flows from investing activities			
Payments from/(to) advance facility	25(a)	16,495	(47,806)
Payments for property, plant and equipment		(78,246)	(33,449)
Interest received from advance facility		1,809	1,534
Proceeds from sale of property, plant and equipment		41	844
Net cash (outflow) from investing activities		**(59,901)**	**(78,877)**
Cash flows from financing activities			
Dividends paid		(51,224)	(39,661)
Interest paid on financing activities	25(b)	(12,921)	(14,361)
Principal elements of lease payments	13	(3,029)	-
Interest paid on leasing liabilities	13	(1,013)	-
Repayments of borrowings	25(b)	(87)	(38)
Net cash (outflow) from financing activities		**(68,274)**	**(54,060)**
Net (decrease) increase in cash and cash equivalents		**1,193**	**3,826**
Cash and cash equivalents at the beginning of the financial year		29,709	25,883
Cash and cash equivalents at the end of the financial year	5	**30,902**	**29,709**

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

Notes to the financial statements for the year ended 30 June 2020

Basis of preparation

The financial report covers Sunwater Limited and its subsidiaries as the consolidated entity and together are referred to as the Group, the Company or the consolidated entity in this financial report.

(a) Compliance with Australian Accounting Standards

The financial report is a general-purpose financial report which:

- has been prepared in accordance with the 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). For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.
- adopts new accounting standards, applies policies which are consistent with those of the previous financial year and prepared under the historical cost convention.
- does not adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective (refer to note 24 for more information on this and other accounting policies).
- is a Company which is of a kind referred to in Corporations Instrument 2016/191, 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 instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.
- presents comparative information that has been reclassified where appropriate to enhance comparability.

(b) Going Concern

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

Further, Sunwater will remain a going concern for at least twelve months from the date of signing these financial statements for the following reason:

- Sunwater has appealed the judgment handed down by the NSW Supreme Court in November 2019 for the 2011 south-east Queensland Flood Class Action. In the event the appeal is not successful, which gives rise to a liability on the part of Sunwater, the Board has relied on the Queensland Government's commitment of support if the liability exceeds resources available to Sunwater including proceeds under policies of insurance.

(c) Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries (refer note 18) of Sunwater Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

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

(d) Other accounting policies

Significant and other accounting policies relevant to gaining an understanding of the financial statements have been grouped with the relevant notes to the financial statements.

(e) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. Judgements and estimates that are material to the financial statements are provided throughout the notes to the financial statements.

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

(f) Impact of new standards adopted on 1 July 2019

AASB 16 *Leases*

AASB 16 *Leases* was adopted on 1 July 2019 and replaces AASB 117 *Leases*. AASB 16 introduces new requirements with respect to lease accounting. It removes the distinction between operating and finance leases and has resulted in the Group recognising right-of-use assets and related lease liability in connection with all former operating leases except those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied as at 1 July 2019 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparatives are not restated.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*.

The lease liabilities were discounted at the incremental borrowing rate at 1 July 2019. The incremental borrowing rate applied across Queensland government entities was Queensland Treasury Corporation's fixed rate loan rates which was 4.9477 per cent on adoption.

Measurement of lease liabilities	2019 $000
Operating lease commitments disclosed at 30 June 2019	22,026
Discounted using lessee's incremental borrowing rate at the date in initial application	17,091
Add: new finance lease liabilities recognised 1 July 2019	2,947
(Less): Assumptions under AASB 117 for operating lease commitments vs AASB 16 adoption	(4,192)
Lease liability recognised at 1 July 2019	**15,846**
Represented by:	
Current lease liability	2,162
Non-current lease liability	13,684

New finance lease liabilities are the recognition of motor vehicles and heavy fleet which were not disclosed as operating lease commitments as they were cancellable leases.

Operating lease commitment assumptions under AASB 117 included buildings outgoings, car parking and lease related commitments costs were inclusive of GST.

The adoption of AASB 16 impacted the Consolidated Statement of Financial Position in the following areas:

Consolidated Statement of Financial Position (extract)	Amounts under AASB 117 30 June 2019 $'000	Impact to Financial Statements $'000	Amounts under AASB 16 on adoption 1 July 2019 $000
Non-current assets			
Right-of-use-assets	–	15,484	15,484
Deferred tax assets	13,281	238	13,519
	13,281	15,722	29,013
Total assets	**13,281**	**15,722**	**29,013**
Current liabilities			
Lease liabilities	–	2,162	2,162
	–	2,162	2,162
Non-current liabilities			
Lease liabilities	–	13,684	13,684
	–	13,684	13,684
Total liabilities	**-**	**15,846**	**15,846**
Equity			
Retained earnings	217,835	(124)	217,711
Total equity	**217,835**	**(124)**	**217,711**

The movement in deferred tax assets is the net impact of an increase in deferred tax assets of $4.883 million and deferred tax liabilities of $4.645 million.

The adoption of AASB 16 did not have an impact on any of the other financial statements.

Refer to Note 24 New or amended accounting standards and interpretations issued but not yet effective, for details on the Group's assessment of the impact of new standards.

Section 1: Profit or loss information

Note 1: Revenue

Accounting Policy

Revenue is measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group. Amounts disclosed as revenue are net of returns, rebates, trade allowances and amounts collected on behalf of third parties.

Recognition occurs when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specified criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is recognised for the major business activities as follows:

Revenue from customers	Performance Obligations	Revenue Recognition
Industrial water distribution services	Transportation of water from Sunwater's water sources along a 'pipeline' to a customer's offtake	Capital charges are recognised over time as the customer simultaneously receives and consumes benefits as water is delivered Consumption is recognised at a point in time when water has been delivered to the customer
Irrigation water distribution services	Delivery of water through water supply scheme assets to a customer's offtake	
Urban water distribution services	Reservation and supply of water to customers for urban needs especially regional councils	Recognised over time as the water is made available to the customer
Water allocations	Water allocations are saleable/tradable rights that may be granted by the Crown, free of charge, in a Resource Operations Plan under the *Water Act 2000* (Qld). Water allocations are an entitlement to a share of available water from Sunwater's sources and the authority to take water from a catchment	Permanent allocation sales are recognised at a point in time on completion and execution of a contract Leased or Term allocations are recognised over the water year evenly as the water is made available All other water allocations granted free of charge are recognised, when granted, at fair value which is nominal cost ($1).
Consulting and facilities management	Providing operations and maintenance or consultancy services as a service provider to third party water assets	Recognised as the customer receives the services provided or can benefit from the work completed to date
Government grants	Specific obligations as outlined in a funding arrangement for Sunwater to carry out specific water asset projects	Falls within scope of AASB 15 and recognised at points in time as work is complete
Community service obligations	As these are subsidies from the Queensland Government, no conditions (apart from normal commercial considerations in maintaining water deliveries) are required to be met	Over time
Lease rental income	Operating leases from renting premises	Straight-line basis over the lease term.

Revenue from contracts with customers	2020 $'000	2019 $'000
Industrial water distribution services	189,029	182,012
Irrigation water distribution services	64,156	66,225
Urban water distribution services	14,098	12,888
Drainage	1,031	1,443
Water allocations revenue	26,042	16,183
Consulting and facilities services revenue	7,904	8,092
Rookwood project funding	21,681	36,267
Government grants	–	4,505
Community service obligation – irrigation	1,741	2,172
Community service obligation – urban (Cloncurry)	6,043	5,946
Total revenue from contracts with customers	331,725	335,733

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time over the following revenue categories with customers:

2020	Mining and Resources	Irrigation Customers	Urban water	Drainage	Water Allocations	Consulting and facilities services revenue	Government Contracts and Rookwood	Total
Revenue by segment	189,029	64,156	14,098	1,031	26,042	7,904	29,465	331,725
Timing of revenue recognition:								
At a point in time	41,674	18,701	2,910	–	10,482	7,904	–	81,671
Over Time	147,355	45,455	11,188	1,031	15,560	–	29,465	250,054
Total	**189,029**	**64,156**	**14,098**	**1,031**	**26,042**	**7,904**	**29,465**	**331,725**
Number of customer contracts	456	4,597	140	128	60	45	3	

2019	Mining and Resources	Irrigation Customers	Urban water	Drainage	Water Allocations	Consulting and facilities services revenue	Government Contracts and Rookwood	Total
Revenue by segment	182,012	66,225	12,888	1,443	16,183	8,092	48,890	335,733
Timing of revenue recognition:								
At a point in time	44,950	19,820	2,162	-	1,028	8,092	-	76,052
Over Time	137,062	46,405	10,726	1,443	15,155	-	48,890	259,681
Total	182,012	66,225	12,888	1,443	16,183	8,092	48,890	335,733
Number of customer contracts	447	4,551	135	205	51	36	4	

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

Government grants includes funding for the National Water Infrastructure Development Fund (NWIDF) projects for improved efficiency projects located in Bundaberg and Burdekin Haughton water supply schemes.

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

Note 2: Other income

	2020 $'000	2019 $'000
Proceeds from insurance	10,516	2,085
Interest income	1,983	2,718
Rent received	144	153
Gain on disposal of non-current assets	9	316
Fees and other income	985	2,815
Total other income	13,637	8,087

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

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

Note 3: Expenses

A. Operating expenditure

	2020 $'000	2019 $'000
Compensation provisions	336,300	-
Contracted services	54,226	75,480
Electricity	33,850	37,602
Insurance	9,978	8,756
Materials, plant hire and fleet	8,959	9,896
Legal services	4,672	968
Telephone and data lines	1,698	2,269
Travel and accommodation	1,387	1,253
Rates and land tax	2,202	1,674
Corporate and administrative expenses	7,505	9,551
Total operating expenditure	460,777	147,449

Compensation provisions

During 2020, an adverse judgement from the 2011 south-east Queensland Flood Class Action was handed down against Sunwater and its co-defendants. Due to the complexity and uncertainty of the case, the Group have relied on a range of possible outcomes to determine an estimate of the obligation (refer note 15). Information normally required to be disclosed around the nature and timing of, as well as the uncertainties associated with, the potential class action liability, further to paragraph 92 of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that such information could seriously prejudice the position of Sunwater.

Sunwater is finalising negotiations to handover assets to another Local Government entity with a payment to compensate for future works bringing the assets up to a standard as set out in the agreement (refer note 15).

B. Employee benefits

	2020 $'000	2019 $'000
Employee benefits		
Salaries and allowances	39,651	29,021
Redundancy expenses	398	91
Annual leave, banked time and time off in lieu (TOIL)	3,554	2,896
Long service leave expenses	918	715
Employer superannuation contribution	4,452	3,919
Employee related expenses		
Workers' compensation premium	361	391
Payroll tax	2,377	2,001
Other employee related expenses	1,326	1,127
Total employee benefits	53,037	40,161

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

Annual leave, banked time and time off in lieu (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.

Long service leave

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

Sick Leave

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

Superannuation

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

Note 4: Income tax

Accounting Policy

(a) Current tax – income tax equivalents

The Group is exempt from income tax under section 24AM of the *Income Tax Assessment Act 1997* (Cth). However, pursuant to the *Government Owned Corporations Act 1993* (Qld) and the National Tax Equivalents Regime, the Group is required to make payments to the Queensland Government, equivalent to the amount of any Commonwealth income tax for which an exemption is received. The income tax equivalent expense (referred to as income tax expense) for the period is the tax payable on the current period's taxable income based on the Australian corporate income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting date, and any adjustment to tax payable in respect of previous years.

(b) Deferred tax balances

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is accounted for in respect of temporary differences arising from differences between the carrying amount of assets and liabilities and the corresponding tax base.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for taxable temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

(c) Investment allowances and similar tax incentives

Entities within the Group may be entitled to claim special tax deductions for investments in qualifying assets or 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.

(d) Tax consolidation legislation

Sunwater Limited and its wholly owned Australian-controlled subsidiaries are subject to tax consolidation legislation.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the parent entity, Sunwater Limited.

The Group has also entered into a tax funding agreement under which the wholly-owned entities fully compensate Sunwater Limited for any current tax payable assumed and are compensated by Sunwater Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Sunwater Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities, and are subject to the parent entity providing to the wholly-owned entities satisfactory evidence of that payment. The wholly owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly-owned entities, amounts receivable by them under the funding arrangement.

Key estimates and judgements

Recovery of deferred tax assets

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses only when it is probable that sufficient future taxable profits will be available to utilise those temporary differences and losses. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profit

(i) Income tax expense

	2020 $'000	2019 $'000
Income tax equivalents expense		
Current tax equivalents expense	6,948	27,360
Deferred tax equivalents expense/(credit)	(90,929)	(5,460)
Research and development tax credit	(179)	(251)
Prior year (over) provision	163	82
	(83,997)	**21,731**
Income tax equivalents expense is attributable to:		
Profit from continuing operations	**(83,997)**	**21,731**

(ii) Reconciliation of income tax expense

	2020 $'000	2019 $'000
Profit / (Loss) before income tax	(286,639)	72,955
Tax expense at the Australian rate of 30% (2019: 30%)	(85,991)	21,886
Non-deductible entertainment	16	14
Sundry items	163	82
Research and development tax credit	(179)	(251)
Non-deductible provisions	1,994	-
Income tax expense	**(83,997)**	**21,731**
Current tax	6,852	27,191
Deferred tax	(90,849)	(5,460)
	(83,997)	21,731

(iii) Movement in deferred tax balances

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

2019	Net balance at 1 July $'000	Effect of new AASB $000	Restated Opening Balance $000	Charged to Income Statement $'000	Charged to Contributed Equity $000	Net balance at 30 June $'000	Deferred Tax Asset (DTA) $000	Deferred Tax Liability (DTL) $'000
Employee benefits	997	–	997	(41)	–	956	956	-
Property, plant and equipment	(3,369)	–	(3,369)	7,317	133	4,081	4,081	-
Unearned renewal annuity	5,235	(5,235)	–	–	–	–	–	–
Provisions	12,090	(376)	11,714	(1,672)	–	10,042	10,042	
Other	(1,654)	–	(1,654)	(144)	–	(1,798)		(1,798)
Deferred tax assets / (liabilities) before set off	**13,299**	**(5,611)**	**7,688**	**5,460**	**133**	**13,281**	**15,079**	**(1,798)**
Set off DTL against DTA	–	–	–	–	–	–	(1,798)	1,798
Net Tax Assets	**13,299**	**(5,611)**	**7,688**	**5,460**	**133**	**13,281**	**13,281**	**-**

Section 2: Financial assets and financial liabilities

Note 5: Cash and cash equivalents

Accounting Policy

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

Risk exposure

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

	2020 $'000	2019 $'000
Cash at bank and on hand	18,209	18,040
Cash held as security	1,367	1,346
Deposits at call	11,326	10,323
Cash at bank and on deposit	30,902	29,709

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

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

	2020 $'000	2019 $'000
Profit / (Loss) for the year	(202,642)	51,224
Depreciation and amortisation	43,831	40,248
Impairment of assets	59,743	28,386
Bad and doubtful debts	(346)	(101)
Net (gain)/loss on disposal of non-current assets	106	(61)
Interest received	(1,809)	(1,534)
Interest paid	12,922	14,361
Interest on lease liabilities	1,013	-
Change in assets and liabilities:		
Decrease/(increase) in inventories	103	(158)
(Increase) in deferred tax assets	(102,303)	(2,368)
(Increase) in receivables and other assets	(18,592)	(15,336)
Increase in trade and other payables	351,507	14,796
(Decrease)/(increase) in deferred revenue	(17,126)	4,849
(Decrease)/increase in income taxes payable	(8,492)	5,683
Increase/(decrease) in deferred tax liabilities	11,453	(3,226)
Net cash inflow from operating activities	129,368	136,763

Note 6: Trade and other receivables

Accounting Policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

	2020 $'000	2019 $'000
Trade receivables		
Trade receivables	10,890	30,298
Accrued revenue	14,409	18,705
Loss provision	(1,172)	(1,518)
	24,127	47,485
Other receivables		
Prepaid income tax	15,838	-
GST receivable 'net'	2,788	1,963
Prepayments	1,971	805
	20,597	2,768
Trade and other receivables	44,724	50,253

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and generally have credit terms ranging from seven to 31 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Accrued revenue

Accrued revenue includes water delivered to 30 June 2020 but not invoiced and costs recoverable from customers in respect of projects which did not proceed to construction.

Loss provision

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables. Trade receivables have not had a significant increase in credit risk since they were originated. The Group has applied the simplified approach to measuring credit losses which uses an expected loss allowance for all trade receivables and contracts assets and liabilities. In applying the simplified approach, regard has been had by the Group to the potential additional impact of the COVID-19 pandemic on customer ability to pay invoices. More than four months into the pandemic, Sunwater has experienced immaterial impact on accounts in arrears, consistent with the Group's assessment of the expected impact on its customer base due to the nature of the goods and services provided by its various customer groups.

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

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

	2020 $'000	2019 $'000
At 1 July – under AASB 139	1,518	3,000
Amounts restated through opening retained earnings	–	(1,251)
At 1 July under AASB 9	1,518	1,749
Allowances added	(346)	(231)
Carrying amount at 30 June	1,172	1,518

Foreign exchange and interest rate risk

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

Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. For more information on the Group's risk management policies, refer to note 9.

Note 7: Trade and other payables

Accounting Policy

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

	2020 $'000	2019 $'000
Trade creditors	16,670	8,705
Other creditors and accruals	19,508	18,001
	36,178	26,706

Note 8: Borrowings

Accounting Policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

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

	2020 $'000	2019 $'000
Unsecured		
QTC loan	284,020	284,107
	284,020	284,107
Represented by:		
Current	-	-
Non-current	284,020	284,107
	284,020	284,107

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 with QTC annually. Borrowings are subject to the annual approval of the Queensland Treasurer and have previously been sourced from the Sunwater Client Specific - Pool Portfolio Linked Loan. The approved state borrowing program in place for 2019-20 is $nil (2018-19: $nil).

During 2020, the Group breached a covenant ratio due to a loss EBITDA resulting from booking a $330 million Class Action compensation provision. As required under its borrowing facilities, the Group provided QTC with forecasts on how future cash outflows would be funded, the covenant would be remedied and how the breach is not expected to continue in future years. On 30 June 2020 QTC provided written confirmation that the breach did not constitute reason for any change to the Group's repayment obligations or debt arrangements. The Group maintained financial covenants in 2019.

The Group has a rolling $50 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 2020 (2019: undrawn).

The difference between carrying amount and fair value represents the market realisation adjustment on borrowings from QTC. Generally, the Group repays borrowings in accordance with the requirements of the relevant agreement, 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 Statement of Comprehensive Income.

Fair value

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	$'000	$'000	$'000	$'000
Borrowings	284,020	322,721	284,107	318,351

Note 9: Financial risk management

The Group'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 the Group'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 Group. The Group 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, a counterparty credit rating analysis for credit risk and a contract aging analysis for liquidity 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.

Market risk

Foreign exchange risk

Although the Group does not operate internationally, on occasion, the Group may source plant and equipment or components of water infrastructure assets internationally and become exposed to foreign exchange risk. The Board has approved policies to manage foreign exchange risk. The Group may elect to hedge foreign exchange risk on exposures arising from future commercial transactions and recognised assets and liabilities using approved derivative risk instruments on advice from, and transacted by, QTC.

During 2020, the Group had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

Price risk

During 2020, the Group had no significant exposure to price risk.

Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group manages its interest rate risk in consultation with QTC in accordance with policies approved by the Board. Interest rate risk is measured monthly 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. The Group has assumed a movement of +/- 100 basis points in interest rates applicable to its borrowings as a reasonable expectation based on historical patterns for the type of debt facility held.

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

Financial Instruments		2019 interest rate risk			
	Carrying amount $'000	-1% Profit $'000	-1% Equity $'000	+1% Profit $'000	+1% Equity $'000
Cash and advance facility	131,472	(1,042)	(1,042)	1,042	1,042
QTC borrowings	284,107	2,753	2,753	(2,753)	(2,753)
Overall effect on profit and equity		1,711	1,711	(1,711)	(1,711)

Credit risk

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

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

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

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

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

No provision is taken up for Government customers.

Historic default rates are applied to the remainder of balances.

The Group has had minimal impact of COVID-19 pandemic on recoverability of its receivables. The Group have considered impacts in the expected credit losses and believe that fully providing for customers with balances greater than 90% in 180 days of the total balance due provides coverage for customers struggling during this difficult period.

On the above basis the expected credit loss for trade receivables as at 30 June 2020 and 30 June 2019 was determined as follows:

$000	Current	Less than 30 days past due	31 to 60 days	61 to 90 days	91 to 180 days	More than 180 days	Total Balance
Carrying Value of Trade Receivables	6,443	11	437	260	241	3,591	10,983
Amount Provided at 100%	5	1	2	3	6	1,140	1,157
Remaining Carrying Value of Trade Receivables	6,438	10	435	256	235	2,451	9,826
Expected Credit Loss Rate	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	
Amount Provided ($000)	3	0	3	2	2	5	15
Total Provided June 2020	**8**	**1**	**5**	**5**	**8**	**1,145**	**1,172**
Carrying Value of Trade Receivables	26,861	955	297	63	237	1,885	30,298
Amount Provided at 100%	2	6	7	4	9	1,149	1,177
Remaining Carrying Value of Trade Receivables	26,858	949	290	60	228	736	29,121
Expected Credit Loss Rate	0%	2.0%	2.0%	5.0%	10.0%	40.0%	
Amount Provided ($000)	-	17	4	3	23	295	341
Total Provided June 2019	**2**	**23**	**11**	**7**	**32**	**1,443**	**1,518**

During 2020, the Group had no transactions involving derivative financial instruments.

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

Maximum exposure to credit risk

Category	Notes	2020 $'000	2019 $'000
Cash at bank and at call invested in Australian institutions rated AA- or higher *	5	30,901	29,708
Other cash and cash equivalents	5	1	1
Receivables – current	6	24,127	47,485
		55,029	77,194

** Inclusive of accrued interest*

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

Liquidity risk

Liquidity risk management within the Group ensures sufficient cash is available to meet short-term and long-term financial commitments. The Group has policies in place to manage liquidity risk. The Group 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 the Group's commitments.

The Group had an approved borrowing program of $nil during 2020. The Group has a rolling $50 million working capital facility with QTC. This facility (undrawn during 2020) operates as an overdraft arrangement which is used to cover temporary funding shortfalls, and is repayable on demand. The Group also has potential to drawdown further on its Portfolio Linked Loan that is in place.

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

2020	Carrying amount $'000	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000	Total cash flows (contractual) $'000
Payables	36,178	36,178	-	-	36,178
Borrowings*	284,020	10,790	43,141	283,147	337,078
Leases	22,319	3,301	15,843	8,057	27,201
Deposits payable	3,986	1,867	-	2,119	3,986
	346,503	52,136	58,984	293,323	404,443

2019	Carrying amount $'000	Less than 1 year $'000	1 – 5 years $'000	Over 5 years $'000	Total cash flows (contractual) $'000
Payables	26,706	26,706	-	-	26,706
Dividends payable	51,224	51,224	-	-	51,224
Borrowings*	284,107	11,581	46,199	283,147	340,927
Deposits payable	2,958	39	32	2,887	2,958
	364,995	89,550	46,231	286,034	421,815

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

Section 3: Operating assets and liabilities

Note 10: Property, plant and equipment

Accounting Policy

Property, plant and equipment

Items of property, plant and equipment are carried at cost or deemed cost less accumulated depreciation and impairment losses. The Group elected to exercise the option allowed under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS) to adopt the fair value of an item of property, plant and equipment 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 directly attributable overheads and finance costs (refer note 25c). 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.

All items of property, plant and equipment acquired at a cost, or other value, above the threshold for capitalisation are capitalised in the year of acquisition. Assets under construction are recorded at cost and are not depreciated until they are completed and 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 assets' useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Depreciation

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

Useful life to the entity is determined after considering a number of factors such as manufacturer's specifications, engineering life, climatic conditions, geographic conditions and contractual life. Many of the Group's water infrastructure assets have very long design lives.

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

Asset class	Depreciation rates
Land	Land is not depreciated
Buildings and land improvements	1.67% to 20% [5 – 60 years]
Plant and equipment	8% to 33.33% [3 – 12.5 years]
Water infrastructure	0.5% to 10% [10 – 200 years]

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 of disposal 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 Consolidated Statement 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 Consolidated Statement of Comprehensive Income.

Sensitivity analysis is undertaken regarding the impact of possible changes in the significant factors and key assumptions, including weighted average cost of capital (WACC) (refer key estimates and judgements below).

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

	2020	2019
At cost or deemed cost	**$'000**	**$'000**
Land	**7,144**	**7,144**
Buildings and land improvements	18,733	16,313
Accumulated depreciation	(5,409)	(4,983)
Total buildings and land improvements	**13,324**	**11,330**
Plant and equipment	14,107	14,092
Accumulated depreciation	(10,853)	(10,583)
Accumulated impairment	(522)	(522)
Total plant and equipment	**2,732**	**2,987**
Water infrastructure	1,448,332	1,397,364
Accumulated depreciation	(367,920)	(331,490)
Accumulated impairment	(343,820)	(309,682)
Total water infrastructure	**736,592**	**756,192**
Assets under construction	**101,743**	**80,650**
Accumulated impairment	(54,526)	(29,018)
Total assets under construction	**47,217**	**51,632**
Total property, plant and equipment	**807,009**	**829,285**

Key estimates and judgements

Under the government's regulated irrigation price path which governs the Group's irrigation water supply revenue, the Group 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 estimates and assumptions concerning the future are made.

The Group have reviewed the impact of COVID-19 on its future cash flows to ensure they are adjusted and reflective of future earnings. The Group's commercial assets that have a positive DCF are largely contracted on a fixed revenue basis giving stability to future earnings so no adjustment has been applied and there has been no impact to impairment in 2020. For assets supplying water for irrigation customers pricing is reflective of the Queensland Government's decision to freeze irrigation prices and pass on any reductions recommended by the QCA. Most of these schemes have a negative DCF and therefore new capital investment is impaired during the year regardless of these price adjustments.

Key estimates and judgements

The sources for the key estimates and assumptions include:

- The Group receives a portion of its irrigation revenue from customers, which is determined by the irrigation prices set by the Queensland Government. The remainder of its irrigation revenue is paid by the Queensland Government, via a community service obligation (CSO), which is based on the difference between the QCA's recommended cost-reflective prices and those prices set by the Queensland Government. It is noted that the cost-reflective prices recommended by the QCA do not necessarily recover all costs actually expended by Sunwater in earning the irrigation revenue. In addition, although Sunwater receives a revenue amount related to a portion of renewals spend, the regulated price does not provide for a commercial return on capital and therefore the reduced cash flows substantially impact on the carrying values assigned to the water infrastructure assets.
- The cash flow projections used in the Group's model are based on these approved irrigation pricing arrangements and likely future pricing trends.
- The discount rate used to discount the estimated future cash flows included in the value in use calculation is based on the Group's estimated weighted average cost of capital (WACC), provided by QTC. This is considered to include a market-determined rate that reflects the risks associated with operating the business. The risk-free rate, used in the calculation of WACC, is based on a 20-day average of the 10-year Australian Government bond security. The future cash flows have been discounted using a pre-tax discount rate of 7.2% (2019: 7.4%)
- The net present value of the discounted cash flows is reasonably sensitive to likely changes of the WACC rate applied.
- There is no open market for the sale of water infrastructure assets owned by the Group.
- The cash flow projections anticipate that business efficiencies will be achieved over time to meet QCA recommended efficient costs and that future price paths will recover efficient costs.
- The regulated price path, which reduces the Group's ability for cost recovery, results in larger impairment. A significant increase or decrease in a CSO adjustment would result in a higher or lower value-in-use and a resulting impairment loss or reversal.

Movements

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

	Land	Buildings & land improvements	Plant & equipment	Water infrastructure	Work in progress	Total PP&E
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2018						
Cost	7,702	17,912	20,190	1,383,875	65,285	1,494,964
Accumulated depreciation	-	(5,664)	(15,941)	(296,555)	-	(318,160)
Accumulated impairment	-	-	(522)	(306,278)	(3,966)	(310,766)
Net book amount	7,702	12,248	3,727	781,042	61,319	866,038
Year ended 30 June 2019						
Additions	-	835	882	16,641	48,917	67,275
WIP write-off*	-	-	-	-	(15,194)	(15,194)
Disposals	(490)	(1,101)	(170)	(4,996)	-	(6,757)
Transfer between classes	-	-	-	-	(18,358)	(18,358)
Assets held for distribution	(68)	(207)	(63)	3,421	-	3,083
Depreciation expense	-	(445)	(1,389)	(36,513)	-	(38,347)
Impairment (loss)	-	-	-	(3,403)	(25,052)	(28,455)
At 30 June 2019						
Cost	7,144	16,313	14,092	1,397,364	80,650	1,515,563
Accumulated depreciation	-	(4,983)	(10,583)	(331,490)	-	(347,056)
Accumulated impairment	-	-	(522)	(309,682)	(29,018)	(339,222)
Net book amount	7,144	11,330	2,987	756,192	51,632	829,285
Year ended 30 June 2020						
Additions	-	2,492	615	51,603	76,629	131,339
Disposals	-	(19)	(57)	(563)	-	(639)
Transfer between classes	-	-	-	-	(55,573)	(55,573)
Depreciation expense	-	(479)	(813)	(36,502)	-	(37,794)
Impairment (loss)	-	-	-	(34,138)	(25,472)	(59,610)
At 30 June 2020						
Cost	7,144	18,733	14,107	1,448,332	101,743	1,590,059
Accumulated depreciation	-	(5,409)	(10,853)	(367,920)	-	(384,182)
Accumulated impairment	-	-	(522)	(343,820)	(54,526)	(398,868)
Net book amount	7,144	13,324	2,732	736,592	47,217	807,009

**WIP write-off of $15.2 million for prior year Rookwood work in progress balances expensed to the Consolidated Statement of Comprehensive Income during 2018-19*

Impairment

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

	2020 Loss / (Reversed) $'000	2020 Recoverable amount $'000
Mareeba Water Supply Scheme	14,175	–
The impairment loss is primarily due to lower irrigation prices and a decrease in the WACC rate. Once CSOs are agreed with the Department of Natural Resources Mines and Energy, it will reduce the difference. The discount rate used was 7.2% (2019: 7.4%).		
Boyne River and Tarong Water Supply Scheme	7,575	17,537
This CGU comprises all of the water infrastructure assets in the Boyne supply including Boondooma Dam and Tarong pipeline. The impairment loss is primarily due to lower irrigation prices. The discount rate used was 7.2% (2019: 7.4%).		
St George Water Supply Scheme	7,198	–
The impairment loss is primarily due to the impairing of the capital Thuraggi works combined with lower irrigation prices. The discount rate used was 7.2% (2019: 7.4%).		
Nogoa Mackenzie Water Supply Scheme	4,598	35,153
This CGU includes Fairbairn Dam and Blackwater pipeline. The impairment loss is primarily due to the impairing of the capital expenditure of the project which is not fully supported by future net cash inflows. Other factors included a decrease in the WACC rate. The discount rate used was 7.2% (2019: 7.4%).		
Other cash generating units	592	4,228
Total	34,138	

	2019 Loss / (Reversed) $'000	2019 Recoverable amount $'000
Nogoa Mackenzie Water Supply Scheme	15,995	3,366
This CGU includes Fairbairn Dam, the Emerald irrigation area and Blackwater pipeline. The impairment loss is primarily due to an increase in future repair costs on Fairbairn Dam Improvement Project. Other factors included a decrease in the WACC rate, a review of future contractual revenue forecasts as well as Emerald distribution transitioning to Fairbairn Irrigation Network under Local Management. The discount rate used was 7.4% (2018: 8.3%)		
Boyne River and Tarong Water Supply Scheme	(14,817)	24,905
This CGU comprises all of the water infrastructure assets in the Boyne supply including Boondooma Dam and Tarong pipeline. The reversal of previous impairments is the result of significant cost reductions on the dam and pipeline along with increased revenue from commercial customers combined with a lower WACC rate. The discount rate used was 7.4% (2018: 8.3%)		
Other cash generating units	2,225	14,144
The main factors affecting impairment is the expensing of current year capital expenditure in particular non-routine work on Thuraggi Dam safety repairs. Recoverable amount is determined as value in use. The discount rate used was 7.4% (2018: 8.3%)		
Total	3,403	

The Group's cash generating units are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Group contains 33 cash generating units based on the cash flows from water supply systems and pipelines that are independent of each other.

Work in progress

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

At 30 June 2020	Loss / (Reversed) $'000	Recoverable amount $'000
Paradise Dam improvements	20,963	-
Nathan Dam development project	19,623	-
Burdekin Falls Dam improvements	4,732	-
Coolmunda Dam improvements	558	-
Leslie Dam improvements	236	-
Teemburra Dam improvements	344	-
	46,456	-
Fairbairn Dam improvements	(20,984)	-
Total	25,472	-

At 30 June 2019	Loss / (Reversed) $'000	Recoverable amount $'000
Burdekin Falls Dam improvements	2,906	-
Fairbairn Dam improvements	20,985	-
Leslie Dam improvements	491	-
Teemburra Dam improvements	670	-
Total	25,052	-

The Group has a portfolio of dam improvement projects (as part of the DIP) to undertake and as these projects generally do not generate any additional revenue, the costs are considered to be impaired at the time incurred.

During 2019-20, the Group assessed the prospects and recoverability of Nathan Dam development project. Due to an uncertain future and a lack of current market interest, the carrying value of the development costs incurred to date could not be supported and have been impaired to the Consolidated Statement of Comprehensive Income.

Other Work in Progress projects are not assessed for impairment until project completion or more certainty of cost recoverability is known. This is assessed on a project by project basis.

Note 11: Intangible assets

Accounting Policy

Software

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

Software under development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Amortisation is calculated using the straight-line method. Amortisation rates for software vary from three to eight years.

Water Allocations

Water allocations are intangible assets that are valued at cost or deemed cost. The Group elected to exercise the option allowed under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards 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.

At cost or deemed cost	2020 $'000	2019 $'000
Software	31,188	30,333
Accumulated amortisation	(28,350)	(26,496)
Accumulated impairment	(359)	(359)
Total software	2,479	3,478
Trade names	8	8
Water allocations	58,147	58,147
Accumulated impairment	(48,811)	(48,678)
Total water allocations	9,336	9,469
Total intangible assets	11,823	12,955

Impairment

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 impairment is recognised in the Consolidated Statement of Comprehensive Income.

Key estimates and judgements
In determining that water allocations have an indefinite life, Sunwater has assumed that the current Resource Operating License conditions will continue, although noting that the plans and associated conditions may in fact be reviewed and changed.

Movements

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

	Software	Trade names	Water allocations	Total Intangible assets
	$'000	$'000	$'000	$000
At 1 July 2018				
Cost	30,344	8	58,147	88,499
Accumulated amortisation	(24,606)	-	-	(24,606)
Accumulated impairment	(359)	-	(48,747)	(49,106)
Net book amount	5,379	8	9,400	14,787
Year ended 30 June 2019				
Amortisation expense	(1,901)	-	-	(1,901)
Impairment reversal	-	-	69	69
At 30 June 2019				
Cost	30,333	8	58,147	88,488
Accumulated amortisation	(26,496)	-	-	(26,496)
Accumulated impairment	(359)	-	(48,678)	(49,037)
Net book amount	3,478	8	9,469	12,955
Year ended 30 June 2020				
Additions	862	-	-	862
Amortisation expense	(1,861)	-	-	(1,861)
Impairment reversal	-	-	(133)	(133)
At 30 June 2020				
Cost	31,188	8	58,147	89,343
Accumulated amortisation	(28,350)	-	-	(28,350)
Accumulated impairment	(359)	-	(48,811)	(49,170)
Net book amount	2,479	8	9,336	11,823

Note 12: Non-current assets held for distribution

Accounting Policy

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

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

	2020 $'000	2019 $'000
Eton LME scheme assets	–	1,136
	–	1,136

During the financial year, Eton irrigation scheme met the final condition precedent of customer support and the transfer of assets and liabilities for the local management entity (LME) took place on 31 March 2020.

Note 13: Leases

Accounting Policy

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

As a lessee, the Group:

- recognises right-of-use assets and lease liabilities at the lease commencement date in the Consolidated Statement of Financial Position, initially measured at the present value of future lease payments using the Group's incremental borrowing rate applicable in the year of application
- recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statement of Comprehensive Income; and
- separates the total amount of cash paid into the principal portion and interest in the Consolidated Statement of Cashflow
- lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities

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

The Group has separated non-lease components from the lease components of contracts and therefore not applied the practical expedient to combine both as a single lease component. Non-lease components are accounted into the period that they are intended for use as stipulated by other accounting standards.

Right-of-use assets are reviewed for impairment on an annual basis.

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

The Group have applied the practical expedient to disclose leases into portfolios which have similar characteristics, estimates and assumptions.

The lease liability is initially measured at the present value of lease payments that are not paid to date.

Lease payments are discounted using the Group's incremental borrowing rate which is determined as the borrowing interest rate applied by Queensland Treasury Corporation.

Nature of leasing activities

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

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

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

Right-of-use assets 30 June 2020	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	Extension options
Brisbane head office	1	10 years	9 years	Yes
Regional offices and premises	7	8.2 years	5.3 years	Yes
Light and heavy fleet	151	1 to 8 years	1.6 years	Modifiable
Plant and equipment	1	4 years	2.3 years	Yes

Right-of-use assets

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

	Buildings	Light and Heavy Fleet	Plant and Equipment	Total
	$000	$000	$000	$000
At 1 July 2019	**12,183**	**2,941**	**360**	**15,484**
Additions	5,956	3,320	–	9,276
Disposals	–	(69)	–	(69)
Depreciation expense	(1,863)	(2,205)	(108)	(4,176)
At 30 June 2020				
Cost	18,139	5,968	360	24,467
Accumulated depreciation	(1,863)	(1,981)	(108)	(3,952)
Accumulated impairment	–	–	–	–
Net book amount	**16,276**	**3,987**	**252**	**20,515**

Additions during the year

During 2019-20, the Group signed leases to secure an additional floor at its head office premises for major projects. Regional offices were recontracted on new lease terms during the year.

Some light fleet vehicles were not initially adopted on 1 July 2019 as they had less than 12 months remaining on the lease and the practical expedient applied. Most of these vehicles have been replaced with new vehicles with longer lease terms and recognised as right-of-use assets.

Lease Liabilities

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

	2020 $'000	2019 $'000
Current	2,237	-
Non-current	20,082	-
	22,319	-

The total cash outflow for leases during 2020 was $4.05 million.

Lease liabilities are secured by the assets leased and represent the discounted future rental payments payable by the Group. The Group has leases for the head office, regional offices, light and heavy fleet and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Amounts recognised in the Consolidated Statement of Comprehensive Income

	2020 $'000	2019 $'000
Interest on lease liabilities	1,013	-
Expenses relating to short-term leases and low value assets	2,932	-
	3,945	-

Future minimum lease payments

The future minimum lease payments arising under the Group's lease contracts at the end of the reporting period are as follows:

	2020 $'000	2019 $'000
Not later than one year	-	2,046
Later than one year and no later than five years	-	11,225
Later than five years	-	8,795
	-	22,066

Note 14: Other liabilities

Accounting Policy

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

	2020	2019
Current	$'000	$'000
Income received in advance	28,538	38,453
Deposits payable	3,156	2,958
Other	26	25
	31,720	41,436
Non-current		
Deferred income	131,194	138,404
Deposits payable	830	-
	132,024	138,404

Deposits Payable

Deposits payable consist of customer securities for supply contracts entered into with Sunwater and are refundable at the completion of the contract.

Note 15: Provisions

Accounting Policy

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

- the Group has a present legal or constructive obligation 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 can be reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions for dam improvements are measured following Board approval and the scope of works have progressed to contractual arrangements from which a reliable measure can be derived. Where there is still uncertainty around the timing or amount, it will be disclosed as a contingent liability.

	Notes	2020 $'000	2019 $'000
Current			
Compensation for handover of assets		6,300	-
Dam improvements		5,939	17,449
Employee benefits		3,693	3,186
Employee entitlements		3,412	-
Restructuring costs		15	605
Income tax		-	8,492
Dividends	16	-	51,224
		19,359	80,956
Non-current			
Dam improvements		-	12,645
Compensation 2011 south-east Queensland Floods Class Action		330,000	-
Land commitment		1,268	1,262
Make good		180	-
		331,448	13,907

Employee benefits

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

Employee entitlements

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

Dam improvements

The provision represents management's best estimate of the present constructive obligation for the costs to carry out dam improvement works.

Compensation

During 2020, an adverse judgement from the 2011south-east Queensland Floods Class Action against Sunwater and the co-defendants. Due to the complexity and uncertainty of the case, the Group have relied on a range of possible outcomes to determine an estimate of the obligation. Information normally required to be disclosed around the nature and timing of, as well as the uncertainties associated with, the potential class action liability, further to paragraph 92 of AASB 137 Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that such information could seriously prejudice the position of Sunwater.

Sunwater is finalising negotiations to handover assets to another Government entity with a payment to compensate for future works bringing the assets up to a standard as set out in the agreement.

Land commitment

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

Make good

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

Movements in provisions

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

	Dam improvements	Compensation hand over assets	Compensation 2011 Flood Class Action	Restructuring	Employee Entitlements	Make Good	Land Commitment
	$000	$000	$000	$000	$000	$000	$000
Carrying amount at 1 July 2019	30,094	-	-	605	-	-	1,262
Provisions added	(30,125)	6,300	330,000	-	3,412	180	6
Payments made during the year	5,970	-	-	(590)	-	-	-
Carrying amount at 30 June 2020	5,939	6,300	330,000	15	-	180	1,268
Represented by:							
Current	5,939	6,300	-	15	3,412	-	-
Non-Current	-	-	330,000	-	-	180	1,268

Key estimates and judgements

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, a provision is to be raised if it is a present obligation due to a past event, if it is probable an outflow will occur in the future and the amount can be estimated reliably. Sunwater management has judged the 2011 south-east Queensland floods a past event that satisfies the various requirements set out above for recognition of a provision for the year ending 30 June 2020. The basis upon which management has formed this view is not being disclosed, as legal proceedings are currently underway that may be seriously prejudiced by such disclosure (para 92 AASB 137). It is important to highlight that the recognition and quantification of a provision in this situation reflects the application of the relevant accounting standards and principles, rather than legal principles. The existence of, and quantification of, a legal liability in relation to this matter will ultimately be a matter for the legal system to determine.

Section 4: Capital structure

Note 16: Capital management

Risk management

The Group'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, subject to Government's policy and directive.

The Group 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.

The Group has maintained an investment grade credit rating based on the following market gearing ratios:

	2020 $'000	2019 $'000
Total borrowings	284,020	284,107
Total equity	251,416	456,980
Total capital	535,436	741,087
Market gearing ratio	53%	38%

The Group's current ratio at 30 June 2020 is 1.84 (2019: 1.25).

Loan covenant

Under the terms of the major borrowing facility with Queensland Treasury Corporation (QTC), the Group is required to comply with financial covenants. During 2020, the Group breached the EBITDA Interest Coverage covenant ratio due to an EBITDA loss from booking a $330 million provision for Class Action compensation (refer note 8). The carrying value of the loan was $284 million.

The Group provided QTC with forecasts on how these future cash outflows would be funded and the covenant would be remedied and not expected to continue in future years.

Dividends

Accounting Policy

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.

	2020	2019
Ordinary shares	$'000	$'000
2020 first and final dividend of $nil (2019: $25.61 million) per share declared and provided for but not paid as at 30 June 2020	-	51,224
	-	51,224

(a) Dividends Paid

In the prior year, the Sunwater Board recommended a 2018-19 dividend of $51.224 million being 100% of 2018-19 adjusted audited consolidated net profit after tax. Ministers confirmed that it was appropriate and payment was made on 30 November 2019.

(b) Dividends Declared

In June 2020, the Sunwater directors recommended a dividend of 0% (2019:100%) of the Group's adjusted audited net profit after tax which has been accepted by Shareholding Ministers. No dividend has been provided in 2020 due to a net loss after tax result.

Note 17: Contributed equity

Accounting Policy

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

Share capital	2020 $'000	2019 $'000
Issued and paid up capital:		
2 ordinary shares of $119.572 million each	-	239,145
2 ordinary shares of $118.173 million each	236,347	-

	Number of shares	Contribution per share $'000	Total $'000
Movements in ordinary share capital			
Closing balance 30 June 2019	2	119,572	239,145
Closing balance 30 June 2020	2	118,173	236,347

During the financial year, Sunwater transferred ownership of the Eton channel water infrastructure assets and liabilities. Liabilities owing at the transfer date were settled via a cash transaction. The assets of the scheme were transferred through Sunwater's ultimate controlling entity the State of Queensland by way of a transfer notice which recognised the transfer to be a distribution to owners and a redemption of contributed equity (refer note 12).

Note 18: Investment in subsidiaries

The Group's principal subsidiaries are set out below:

Name of entity	Country of incorporation	Class of shares	Equity holding 2020 %	Equity holding 2019 %
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

These wholly owned subsidiaries have entered into a deed of cross guarantee with Sunwater Limited pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and are relieved from the requirement to prepare and lodge an audited financial report and director's report.

The consolidated statement of comprehensive income and consolidated of financial position of the entities party to the deed of cross guarantee are the same as the consolidated Financial Statements of the Group.

Section 5: Unrecognised items

Note 19: Commitments

(a) Capital commitments

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

	2020 $'000	2019 $'000
ICT projects	5,860	301
Water infrastructure projects	36,455	25,602
	42,315	**25,903**
Payable:		
Within one year	42,315	25,903

(b) Dam Improvement Program

The Group has a significant Dam Improvement Program (DIP) across most of its dams. Major projects that are currently underway with committed costs are:

Paradise Dam

Paradise Dam DIP works include the first stage Essential Works to lower the primary spillway by 5.8 metres as an early risk reduction measure. These works are currently in construction phase. In parallel, Sunwater is working with Building Queensland on the Detailed Business Case (DBC) and options assessment for the second stage works.

Burdekin Falls Dam

Burdekin Falls DIP is currently in Detailed Business Case (DBC) phase, which is being led by Building Queensland. Sunwater have currently a budget commitment of $15.8m to undertake this phase of work, which includes Preliminary Engineering, Geotechnical Investigations, Site survey, Cost Estimates and development of the DBC.

Note 20: Contingencies

The Group had contingent assets and liabilities at 30 June 2020 in respect of:

Contingent Liabilities

(a) Fred Haigh Dam suffered flood damage during 2013. Since the damage, the Group has carried out engineering assessments to ascertain the damage and the scale of works required to rectify it. Insurers have conducted site visits and were satisfied with the work carried out to date and any exclusion has been removed ensuring that the asset is covered under the Group's general property insurance. At 30 June, further engineering assessment was in progress, however the next stage of the project was not sufficiently advanced or approved to take up a reliable estimated provision for the full scale of works required.

(b) The Group has issued bank guarantees of $0.4 million as security against operations and maintenance service agreements. At the date of this report, there are no known claims or circumstances which would give rise to a claim under the guarantee.

(c) At 30 June 2020, the Group 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.

Contingent Assets

(a) Following the adverse 2011 south-east Queensland Flood Class Action judgement, Sunwater is in litigation with its upper layer insurers over a coverage issue under the relevant insurance policies. The recoverability of insurance proceeds to cover any eventual payments as a result of the class action judgement is not virtually certain and therefore has not been booked as a receivable at 30 June 2020.

(b) Eungella Water Pipeline Pty Ltd terminated a contract resulting in a termination payment becoming due and payable to Eungella Water Pipeline Pty Ltd. A settlement deed has been agreed for a portion of the customer's debt. At 30 June 2020, there was not sufficient certainty that the income would be realised due to liquidation of the customer.

(c) Sunwater holds a number of bank guarantees in the event of non-payment of services.

Note 21: Subsequent Events

On 9 July 2020, Queensland Treasury announced further details regarding the Queensland Government owned Future Fund, the creation of which was first announced in December 2019. The further details noted that the fund could hold "unregulated infrastructure" including "water infrastructure". Through formal correspondence received by Sunwater dated 22 July 2020, Queensland Treasury confirmed that Sunwater's industrial pipeline assets were under consideration in relation to this initiative. The Board considers that in the event a transaction relating to these assets is completed, Sunwater's future financial profile will likely be materially affected. It is not possible to make an estimate of the financial effect at this time.

In respect of insurance coverage, Sunwater's insurers have declined to provide insurance policy coverage for the period 1 July 2020 to 30 June 2021 in respect of some elements of Paradise Dam in light of the structural issues currently being addressed at that site. Specifically, Sunwater has been unable to obtain insurance policies relating to property damage to the dam and associated Sunwater assets, and for Directors and Officers Liability coverage for claims relating to Paradise Dam. Sunwater has continued to obtain insurance policies relating to third party liability claims linked to Paradise Dam for the period 1 July 2020 to 30 June 2021.

Section 6: Other notes

Note 22: Remuneration of auditors

During the year, fees of $184,500 (2019: $180,000) 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 23: Related party transactions

(a) Parent entity

The parent entity within the Group is Sunwater Limited. The ultimate Australian controlling entity is the State of Queensland which at 30 June 2020 owned 100% (2019: 100%) of the issued ordinary shares of Sunwater Limited.

(b) Transactions with related parties

All State of Queensland controlled entities meet the definition of a related party in AASB 124 Related Party Disclosures. In its normal commercial business activities, the Group transacts with Queensland

Government departments, statutory bodies, other GOCs and local government bodies. All material transactions are negotiated on terms equivalent to those that prevail in arm's length transactions or in accordance with government policy.

During 2020 the Group finalised the transition of Eton channel water infrastructure assets and liabilities. The transaction was done through a transfer notice from the State of Queensland and the assets and liabilities were transferred to the Department of Natural Resources, Mines and Energy before being passed on to the new local management entity (refer note 12).

During the year ended 30 June 2020, the following significant transactions occurred between the Group and other State of Queensland controlled entities.

	2020 $'000	2019 $'000
Distribution of Eton assets and liabilities	2,798	-
Distribution of Theodore assets and liabilities	-	4,527
Distribution of Emerald assets and liabilities	-	2,015
Interest received from QTC	1,644	2,237
Water sales, CSO, grants received	35,359	39,521
Rookwood Weir project funding received	10,000	66,000
Consultancies paid	3,906	2,375
Interest paid to QTC	13,458	14,754

(c) Transactions with subsidiaries

Interests in subsidiaries are set out in note 18. All transactions with subsidiaries are carried out under normal commercial terms and conditions or at cost. No transactions occurred between subsidiaries, other than with the Parent.

(d) Key management personnel

i. Directors

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

- Chairman
  - Ms Leith Boully
- Non-executive Directors
  - Ms Patrice Sherrie
  - Mr David Stewart
  - Ms Jo Sheppard
  - Ms Vanessa Sullivan

ii. Directors' contracts

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

Terms of appointment are as follows:

Directors as at 30 June 2020	Term of appointment	Appointment expiry date
Leith Boully, Chairman	3 years	30 September 2021
Patrice Sherrie	4 years	30 September 2022
David Stewart	3 years	30 September 2021
Jo Sheppard	3 years	30 September 2021
Vanessa Sullivan	3 years	30 September 2022

iii. Other key management personnel

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

Name	Position
Nicole Hollows	Chief Executive Officer
Lisa Dalton	Interim Chief Executive Officer
Colin Bendall	Executive General Manager, Operations
Kellie Breen	Executive General Manager, People and Transformation
Cameron Milliner	Executive General Manager, Customer and Stakeholder Relations
Tim Murphy	Chief Financial Officer
Simon Ellinor	Interim Chief Financial Officer
Peter MacTaggart	Executive General Manager, Corporate Development
Olivia Newman	General Manager, Major Projects and Technical Services
James Stuart	Executive General Manager, Water Resources and Dam Safety

iv. Shareholding Ministers

The GOC's shareholding Ministers are identified as part of the GOC's key management personnel and as at the date of the Financial Report these Ministers are The Honourable Cameron Dick MP, Treasurer and Minister for Infrastructure and Planning; and The Honourable Dr Anthony Lynham MP, Minister for Natural Resources, Mines and Energy.

The Honourable Annastacia Palaszczuk MP, Premer, temporarily assumed shareholding Ministerial responsibilities for the period 9 to 10 May 2020 until 11 May 2020 when a new Minister was appointed.

The then Honourable Jackie Trad, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islanders Partnerships was a shareholding Minister until 9 May 2020.

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.

v. Key management personnel compensation disclosures by category

Category	2020 $'000	2019 $'000
Short-term employee benefits – cash salary	2,717	2,506
Short-term employee benefits – cash bonus	287	73
Post-employment benefits - superannuation	198	174
Termination benefits	216	-
Total	3,418	2,753

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

vi. Compensation – Directors

	Short Term Benefits		Post-employment Benefits			
	Directors' Fees		Superannuation			Total
	2020	2019	2020	2019	2020	2019
Director's Remuneration	$000	$000	$000	$000	$000	$000
Leith Boully, Chairman	102	95	10	9	112	104
Neville Ide	–	13	–	1	–	14
Patrice Sherrie	52	52	5	5	57	57
Moya Steele	–	11	–	1	–	12
David Stewart	51	49	5	5	56	54
Vanessa Sullivan	42	47	4	4	46	51
Jo Sheppard	42	31	4	3	46	34
Total	**289**	**298**	**28**	**28**	**317**	**326**

Directors' remuneration excludes insurance premiums (exclusive of GST) of $218,644 (2019 - $184,426) 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.

vii. Compensation – Executives

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

(1) Ms Nicole Hollows resigned as Chief Executive Officer on 28 February 2020
(2) Ms Lisa Dalton was appointed as Interim Chief Executive Officer on 2 March 2020
(3) Ms Olivia Newman resigned as General Manager, Major Projects and Technical Services on 21 February 2020
(4) Mr Cameron Milliner was appointed as Executive General Manager, Customer and Stakeholder Relations on 9 September 2019
(5) Mr Peter MacTaggart resigned as Executive General Manager, Corporate Development on 31 January 2020
(6) Mr Tim Murphy resigned as Chief Financial Officer on 14 February 2020
(7) Mr Simon Ellinor was appointed as Interim Chief Financial Officer on 20 January 2020
(8) Cash bonuses paid were based on performance assessed as at 30 June 2019

2019* Name and Title of Executive	Short term employee benefits Cash salary $000	 Cash bonus $000	Post-employment benefits Superannuation $000	Termination Benefits $000	Total $000
Nicole Hollows, Chief Executive Officer	642	36	21	-	699
Colin Bendall, Executive General Manager, Operations	306	14	21	-	341
Olivia Newman, General Manager, Major Projects and Technical Services	239	3	21	-	263
Kellie Breen, Executive General Manager, People and Stakeholder Relations	294	7	21	-	322
James Stuart, General Manager, Water Resources and Dam Safety	207	3	20	-	230
Peter MacTaggart, Executive General Manager, Corporate Development	229	10	21	-	260
Tim Murphy, Chief Financial Officer	291	-	21	-	312
Total	**2,208**	**73**	**146**	**-**	**2,427**

** Figures in the table above are on an accrual basis, including leave, rather than cash payment basis.*

viii. Executive employment contracts

The Culture Committee review Senior Executive performance six monthly, and recommends remuneration levels to the Sunwater Board annually, in accordance with the Queensland Government's Policy for Government Owned Corporation Chief and Senior Executive Employment Arrangements 2014.

All Senior Executives are engaged on tenured employment contracts 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).

Remuneration and other terms of employment are formalised in each executive's Senior Executive Employment Agreement. Sunwater executives receive a Total Fixed Remuneration (TFR) inclusive of all rewards including base salary and superannuation for 2020 financial year. 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 and consideration by the Board at its discretion, on whether eligibility applies for an incentive bonus of up to 15% of TFR from 1 July.

ix. Compensation – Shareholder ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The GOC does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP (Key Management Personnel) of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2019-20, which are published as part of Queensland Treasury's Report on State Finances.

(e) Other transactions with key management personnel

A Director of the Group was also a Director of another organisation which had transactions with the Group. All transactions in the year ended 30 June 2020 between the Group and the organisation were on normal commercial terms and conditions.

A close member of the Chairman's family was engaged as a consultant to the Group during the year ended 30 June 2020 on a casual basis through an external recruitment agency. This engagement was for the rendering of professional services on normal commercial terms and conditions. The total amount paid by the Group to the recruitment agency in respect of these services for the period to 30 June 2020 was $22,967.

Note 24: New or 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 2020 reporting periods.

There are no other standards that are not yet effective and that would be expected to have material impact on the Group in the current or future reporting periods and or foreseeable future transactions.

Note 25: Summary of other accounting policies and activities

(a) Advance Facility

Under the Queensland Government's cash pooling arrangement, Government Owned Corporations (GOC's) advance surplus cash to Queensland Treasury. Queensland Treasury Corporation (QTC) pays interest on these advances at the QTC Cash Fund rate which averaged 1.60% in 2019-20 (2.70% 2019).

During 2020 $16.5m cash was withdrawn from the facility (2019: $47.8m advanced). It can be drawn down as required Access to the advances is generally subject to notification periods of 24 to 48 hours.

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

(b) Changes in liabilities arising from financing activities

The amounts disclosed in the Consolidated Statement of Cash Flows under Financing Activities relate to cash transactions arising from the Group's long term borrowing with Queensland Treasury Corporation and the 2018-19 dividend paid to Queensland Treasury consolidated fund (refer note 16).

(c) Interest and Finance Charges

Finance 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. No interest or finance costs were capitalised for the year ended 30 June 2020. Other borrowing costs are expensed.

(d) Inventories

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

(e) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Consolidated Statement of Financial Position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 46 to 91 are in accordance with the *Corporations Act 2001* (Cth), including:

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in the corporate structure.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

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

L Boully
Chairman

Brisbane

24 August 2020

P Sherrie
Director

Brisbane

24 August 2020

Independent Auditor's Report

To the Members of Sunwater Limited

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Sunwater Limited and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended

b) complies with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

I conducted my audit in accordance with the Auditor-General Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report.

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the Auditor-General Auditing Standards. I am also independent of the group in accordance with the auditor independence requirements of the Corporations Act 2001.

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

Key audit matters

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

Provision for litigation and contingent asset

Refer to notes 15 and 20 of the financial statements

Key audit matter	How my audit addressed the key audit matter
The recognition, measurement and disclosure of compensation provisions and the disclosure of a related contingent asset required significant judgement by management in assessing the range of possible outcomes when determining an estimate of the obligation and required disclosures.	My procedures included, but were not limited to: • Obtaining inputs from the group's legal counsel, making independent enquiries and obtaining confirmations from internal and external lawyers to understand the background of the case, legal position and the material risks that may impact the consolidated financial statements. • Comparing the outcomes of historical legal cases to current cases with similar fact patterns. Assessing the reasonableness of judgement made by management in determining the adequacy of the level of provisioning and disclosure in the consolidated financial statements.

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

Refer to note 10 of the financial statements

Key audit matter	How my audit addressed the key audit matter
Significant judgement is required by management in the determination of the carrying value of property, plant and equipment (water infrastructure assets), which due to prior impairments, is highly sensitive to changes in inputs. The key assumptions used in the financial model include: • Allocating assets to cash generating units that are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or group of assets. • Irrigation pricing arrangements including likely future pricing trends. • Estimating future capital expenditure and operating costs. • The discount rate applied to forecast cash flows.	My procedures included, but were not limited to: • Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices. • Evaluating whether the cash generating units used by management are consistent with the entity's internal reporting and our understanding of the business. • Checking, on a sample basis, the accuracy and relevance of the input and data used, including reconciling input data to supporting evidence such as approved budgets. • Assessing the reasonableness of cash flow forecasts by corroborating the key market related assumptions to relevant internal and external data. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process. • Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research. • Challenging the reasonableness of key assumptions based on our knowledge of the entity and industry. • Performing a sensitivity analysis to assist in considering the potential impact of reasonably possible changes (downside/upside) in these key assumptions. • Verifying the mathematical accuracy of the net present value calculations.

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

Refer to note 10 of the financial statements

Key audit matter	How my audit addressed the key audit matter
The straight-line depreciation method required significant judgements for: • Identifying the significant parts of infrastructure that have different useful lives. • Forecasting the remaining useful lives of those significant parts.	My procedures included, but were not limited to: • Evaluating management's approach for identifying the parts of water infrastructure that have different useful lives, having regard to recent replacement projects and long-term asset management plans. • Evaluating remaining useful life estimates for reasonableness with reference to management's documented assessments, historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets.

Responsibilities of the company for the financial report

The company's directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards, and for such internal control as the company's directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The company's directors are also responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.

- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

I communicate with the company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the company's directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

24 August 2020

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Sunwater

Green Square North

Level 9, 515 St Pauls Terrace

Fortitude Valley, Queensland, 4006

Head Office: (07) 3120 0000

Customer enquiries: 13 15 89

www.sunwater.com.au

Delivering water

For prosperity