

SUNWATER

ANNUAL
REPORT
2012-2013



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CEO AND CHAIR'S OUTLOOK

The year ahead presents SunWater with challenge and opportunity as the organisation continues to address the significant asset rectification works at a number of dams, weirs and other infrastructure, and at the same time looks to transform itself to deliver on the opportunities presented by the Queensland Commission of Audit (QCOA).

In 2013-14 SunWater will progress a significant program of repairs to existing water infrastructure, affected by flooding and cyclone weather events which occurred initially in January 2011 and again in January 2013. These weather events caused significant damage to SunWater's infrastructure, specifically in the Central Region. SunWater staff worked exceptionally long hours at the time of the flooding to ensure the safety and integrity of the sites and worked with the local disaster management groups to keep them informed of activities at the storages. Continuing to seek to provide cost effective services to ensure our projects meet and exceed our customers' expectations is always a key focus for SunWater.

The Queensland Government has accepted the four recommendations in the QCOA Report that relate to SunWater as follows;

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

SunWater will be looking to reshape the business to support the implementation of the above recommendations. In doing so, the Board and management will be looking to redefine the core purpose statements for each business line in the company as follows;

Bulk Water: To provide safe and reliable bulk water supplies in regional Queensland.

Irrigation Systems: To successfully transition the irrigation systems to local management entities, and

Industrial Pipelines: To provide water transport solutions for urban and industrial clients.

This will mean a period of substantial change for our people, for our clients and other stakeholders for what we expect will be a new beginning for the redefined lines of business. During this time we will work to improve our internal and external communications with all stakeholders to keep them abreast of our activities.

SunWater will continue its focus on delivering services for our new and existing clients, across all sectors in an efficient and productive manner. We will ensure the safety of our workforce, contractors and the general public remains a constant priority for us to deliver on our 'No Harm' commitment.

We are confident of our capabilities to meet the many challenges in the year ahead and that we are well placed to deliver significant and strategic outcomes for our staff, customers, communities, stakeholders and shareholders, whichever course the company may take.

As the Chair and the CEO we thank all SunWater staff and suppliers for their efforts in delivering the company's objectives and goals. We particularly thank the previous Chair Mr Will Siganto and Directors Mr John Gibson and Mr Tony Mooney for their significant contributions and their strong stewardship of the company during their time as directors.

PRINCIPAL ACTIVITIES

SunWater Limited (SunWater) owns and manages water infrastructure assets and provides bulk water supply services to commercial operators primarily located in Queensland. We also provide a full range of facility and water management services to other water supply asset owners

Moving forward, it is possible that SunWater's principal activities will change over the next few years, following further consideration of the recommendations relevant to SunWater from the QCOA Report and the implementation of Government's responses.

SunWater's core business includes, but is not limited to:

- bulk water storage and distribution
- water treatment, reticulation and drainage
- water infrastructure development
- water facilities management
- customer water account management and billing
- flood hydrology, hydraulics and flood management
- specialist consultancy services including design and design review services.

KEY BUSINESS

The main operating companies within SunWater and their activities include:

SunWater Limited owns, operates, develops and facilitates the development of bulk water supply infrastructure. Assets include 18 major dams, 63 weirs, 80 major pumping stations, 2,500 kilometres (km) of pipelines and open channels and 730 km of drains.

Eungella Water Pipeline P/L (EWP) owns and operates a 123 km-long pipeline and associated pumping equipment that transports water from Eungella Dam near Mackay to Moranbah principally for use by the mining industry. EWP also owns and operates 116 km of Eastern and Southern Spur pipelines that take water from the Eungella Water Pipeline and the Burdekin-Moranbah Pipeline to coal mines and related users in the northern Bowen Basin.

North West Queensland Water Pipeline P/L (NWQWP) owns and operates a 113 km-long pipeline and associated pumping equipment that transports water from Lake Julius near Mt Isa to the Ernest Henry Mine and a number of rural users. NWQWP also owns and operates the Cloncurry Pipeline, a 38 km extension pipeline from the NWQWP to the township of Cloncurry for domestic and industrial supply.

Burnett Water P/L (BW) owns and operates Paradise Dam and Kirar Weir in the Burnett River catchment and some 150,880 megalitres (ML) of water allocations which are being offered for sale/lease.

REVIEW OF OPERATIONS

SunWater's key objectives are structured around being both commercially successful in the conduct of its activities and efficient in delivering its community service obligations.

KEY RESULT AREAS

SunWater targets improvements across the six key result areas (KRAs) of:

1. Revenue growth – growing SunWater's payments received from customers in exchange for products and services delivered.
2. Operating margin – reducing the costs of providing goods and services.
3. Capital efficiency – maintaining appropriate value of capital used in running the business relative to the company's level of revenue.
4. Corporate responsibility – meeting or exceeding the organisation's responsibilities and contributions to the community, environment and employees.
5. Organisational effectiveness – improving the effectiveness of management, governance and delivery of business operations.
6. External stakeholder relations – improving the confidence of external stakeholders, including customers and the community, in SunWater's ability to deliver on business operations.

SunWater achieved corporate and operational performance outcomes, including:

KRA 1: Revenue Growth

Work closely with shareholders' nominated representatives to explore funding models for future water infrastructure developments which are acceptable to Government.

During the year, SunWater worked closely with Projects Queensland (PQ), State Development, Infrastructure and Planning (SDIP) and Infrastructure Queensland (IQ) to explore funding models for future water infrastructure developments, culminating in the approval by shareholders of the business case for the Woleebee Creek to Glebe Weir Pipeline project in late May 2013.

Progress and finalise a number of water infrastructure projects carried forward from previous years and advance new projects in line with the Queensland Government's expectations for future water infrastructure projects to be developed on the basis of external or proponent funding.

Active projects and investigations included:

WOLEEBEE CREEK TO GLEBE WEIR PIPELINE PROJECT

PROJECT PURPOSE: This project will deliver an additional water supply solution based on beneficial use of treated coal seam gas (CSG) water to the Dawson region of Central Queensland. Operational commencement is scheduled for mid 2014.

PIPELINE LENGTH: 119 km

PIPELINE CAPACITY: maximum pumped flow 36,5000 ML/annum

TIMING: Pipeline construction commenced April 2013 and the project is planned to be commissioned and ready to receive treated CSG water from QGC Limited (QGC) by mid 2014.

ESTIMATED COST: \$436 M

KEY BENEFITS: The pipeline will deliver a beneficial use of treated CSG water for agricultural and industrial purposes.

PROGRESS: Pipeline and pump station construction is planned to be completed by mid 2014. The completion of the project, including wet commissioning will be dependent on QGC's completion and commissioning of their Woleebee Creek water treatment facility and supply of treated CSG water. Operation will also be dependant on executing Water Supply Agreements with sufficient customers to allow for the supply volumes to be fully utilised within the Dawson Valley Water Supply Scheme.

KENYA TO CHINCHILLA WEIR PIPELINE PROJECT

PROJECT PURPOSE: QGC contracted SunWater to build, own, operate and maintain a pipeline to transport treated CSG water from QGC's Treatment Plant to the Chinchilla Weir. The pipeline provides treated CSG water for the agricultural community along the pipeline and in the Condamine River, within the boundaries of the Chinchilla Weir Water Supply Scheme. The project will supplement the town of Chinchilla's current water supply from the Chinchilla Weir.

PIPELINE LENGTH: 19 km

PIPELINE CAPACITY: Transport capacity approximately 36,500 ML/annum.

TIMING: Pipeline construction completed in December 2011. Initial release of water to customers along the pipeline route was completed in December 2012 and final commissioning into the Chinchilla Weir occurred in August 2013 following the commissioning of QGC's Kenya water treatment plant.

COST: \$55 M

KEY BENEFITS: The pipeline is the first of its kind in Queensland to deliver a beneficial use of treated CSG water for agricultural purposes and to provide additional water for the township of Chinchilla.

PROGRESS: Pipeline construction is complete, initial water releases have been completed and final pipeline commissioning occurred in August 2013.

NATHAN DAM AND PIPELINES PROJECT

PROJECT PURPOSE: This project aims to provide a reliable, long-term water supply in the Dawson-Callide sub-region of Central Queensland for mining, power, urban and existing agricultural customers. The Nathan Dam site is located on the Dawson River approximately 75 km downstream of Taroom, which is 11 km downstream of Glebe Weir and just upstream of Nathan Gorge. The pipeline will extend from the dam through the Surat Coal Basin, to Warra.

DAM CAPACITY: 888,000 ML

DAM YIELD: Expected to supply up to 66,000 ML/annum of high priority water for new customers in addition to providing for the existing customers in the Dawson Valley Water Supply Scheme.

PIPELINE LENGTH: 215 km (inclusive of Woleebee Creek to Glebe Weir Pipeline) from Nathan Dam to Warra.

TIMING: Project timing is dependent on the demand expectations of key customers in the coal sector, and the completion of a commercial business case. Based on current demand forecasts the project could commence a three year construction period in 2018.

ESTIMATED COST: \$1.4 billion (2012)

KEY BENEFITS: In addition to providing reliable water supplies for the region, the project will provide significant regional benefits including local employment, supply opportunities for local businesses, and recreational opportunities for local communities and visitors to the region.

PROJECT PROGRESS: Environmental Impact Statement (EIS) is complete; Supplementary EIS report is expected to be submitted to the Coordinator-General by September 2013. The project requires state and federal environmental approvals, and the final decision to proceed will depend on a commercial business case supported by customer demand.

LOWER FITZROY RIVER INFRASTRUCTURE PROJECT

PROJECT PURPOSE: SunWater and the Gladstone Area Water Board are seeking to identify water supply needs of the Rockhampton and Gladstone regions by the potential staging of a raised Eden Bann Weir and the construction and then raising Rookwood Weir.

CAPACITY: Approximately 172,000 ML for all stages.

YIELD: An additional 76,000 ML/annum of high priority water for all stages.

TIMING: The staging is dependant on drought and/or increasing demand triggers with financial approval subject to a commercial business case.

ESTIMATED COST: \$434 M (2012)

KEY BENEFITS: The additional water will be available for Rockhampton, Gladstone and surrounding regions.

PROJECT PROGRESS: State and Commonwealth EIS documents will be submitted before the end of 2013 with decisions likely in the first half of 2014.

BURDEKIN TO MORANBAH PIPELINE AUGMENTATION PROJECT

PROJECT PURPOSE: This project augmented an existing pipeline to provide an additional capacity of 5,600 ML of water per year for the Bowen Basin. The majority of the construction and commissioning works have been completed in the 2012-13 year, however minor works to improve access and safe operations of the new infrastructure will continue through to October 2013.

GORGE WEIR TO BYERWEN PIPELINE (INCLUDING DRAKE SPUR)

PROJECT PURPOSE: This project was originally proposed to supply water in a staged approach to currently identified new coal mines in the northern Bowen Basin. Initial scoping of the project involved a 'Main Pipeline' extending over 100 km from Gorge Weir to the proposed Byerwen coal mine, and running parallel to SunWater's existing Burdekin to Moranbah Pipeline. A smaller 7 km 'Drake Spur' was also proposed, branching from the main line to supply the proposed Drake coal mine.

Stage one activities – comprising design and investigations and environmental assessments – are currently on hold for the Main Pipeline, pending ongoing review of water supply needs and options by the customer for the Byerwen mine. Stage one activities are progressing for the Drake Spur on the basis of connecting into the existing Burdekin to Moranbah Pipeline. This component of the project has an expected completion date of end 2013.

Subject to customer and development approvals, procurement and construction work for stage two for the Drake Spur is anticipated to commence by mid 2014, with first water forecast to be delivered by early 2015.

TREATED CSG WATER FROM ARROW ENERGY PROJECT

PROJECT PURPOSE: This project involves the construction of a 1.4 km water pipeline to transport treated CSG water to SunWater's Moranbah terminal storage, where it will be diverted to the existing Eungella Water Pipeline Eastern Extension and Southern Extension for beneficial use and to provide water supply for our mining customers located along those pipeline routes. The project is underwritten by the proponent and the commercial business case has been approved for implementation. Progress includes the completion of preliminary and detailed design of the pipeline and associated structures and the submission of applications for relevant construction and environmental approvals.

The information regarding the above outlined projects is current at 30 August 2013. For updated projects status, please visit www.sunwater.com.au.

KRA 2: Operating Margin

Drive business improvements in an effort to deliver cost reductions and minimise community service obligation payments by Government.

Productivity Improvements –

Targeted actions and SunWater's response during the year included:

Implementing strategies to ensure the achievement of the Queensland Competition Authority (QCA) cost allocation for the business required by the 2012-17 irrigation water price path. Excluding the impact of additional insurance costs, SunWater achieved an efficiency saving of \$3.207 M during 2012-13. This amount included the annual saving identified by the QCA. Contributing a further \$5.904 M in effective savings through the cessation of the dividend re-investment projects. A number of SunWater's efficiency savings initiatives have been incorporated into SunWater's 2013-15 Enterprise Agreement (EA). The EA was certified and applied in May 2013 to a nominal expiry date of 30 June 2015 – ensuring future annual savings targets will also be achieved during the life of the EA.

Increase SunWater's pumping energy efficiency via its portfolio energy management program.

SunWater's infrastructure continues to operate within expectations. In recent years SunWater has identified and acted on several energy savings opportunities. Most significantly a project is underway that investigates the use of Variable Speed Drive technology on an existing industrial pipeline. The main objectives of this project are to improve the efficiency of delivering water and improve operational flexibility to better match the annual variability in water demand. Importantly this project should also reduce operating costs and carbon emissions.

SunWater conducts significant reporting to comply with Energy Efficiency Opportunities and *National Greenhouse and Energy Reporting Act 2007* (Cth) obligations. Further details are provided on page 8.

<i>Savings Targets</i>	2013 Target (\$M)	2013 Actual (\$M)	Comments
Statement of Corporate Intent 2012/2013 Targets			
Enterprise Agreement (EA) savings	1.926	0.586	EA savings are also part of the QCA savings
QCA savings	0.380	0.000	The QCA savings target is the amount in excess of the EA savings, achieved through Service Delivery Review etc
Service delivery review savings	0.456	0.467	
Other savings (human resources)	0.430	0.960	
Savings in sponsorships/advertising and other corporate and operational areas	0.015	0.351	
Revised EA implementation	-	0.883	
2012/2013 Saving (12 months)	3.207	3.247	

KRA 3: Capital Efficiency

Optimise SunWater's capital structure to maintain a credit rating of at least BBB+.

SunWater's current credit rating meets the Government's expectation for a minimum credit rating target.

Improve SunWater's credit rating by advancing the disposal of surplus land during the year, including:

The sale of two residential properties located in Home Hill in the Far North region. Remaining SunWater properties originally identified as surplus to future operational requirements will be further assessed in light of the potential changes to the business flowing from Local Management Arrangements (LMA) project investigations. The Paradise Dam 'surplus land disposal' investigation has now been completed. SunWater is currently in the process of assessing the final property investigation report. However, the initial assessment appears to indicate limited opportunities for BW to dispose of surplus lands on the open market. The proposed re-configuration of SunWater's Rocklea site continues to be negotiated with Brisbane City Council, following delays incurred in the surplus land disposal and re-configuration due to the 2012 flooding of the site.

KRA 4: Corporate Responsibility

Public safety advertising campaigns –

SunWater developed advertising campaigns to contribute to organisational goals and community safety outcomes. SunWater continues to advertise throughout the peak visitation months at its water infrastructure with an aim of ensuring the safe use and interaction of its users. An animated safety video was also developed to target school aged children living in the areas.

Fairbairn Dam Recreation Area –

SunWater established a community consultative group (CCG) to seek community feedback on issues associated with the recreation facilities at the Fairbairn Dam. The CCG included local community members, businesses, customers and local government representatives.

Commencing in October 2012, the CCG raised key issues such as the recreation area opening hours, maintenance of buoy lines at the dam, and signage. A summer trial period for the extended operating hours of the recreation area was implemented in late December 2012 and will continue in summer 2013. Water access to the bay at the entrance of the recreation area has also been improved by SunWater.

Registration of copper sulphate –

SunWater uses copper sulphate to control aquatic weed and filamentous algae in some irrigation channels which would otherwise significantly constrain the operation of water supply schemes and impact upon reliability of water supply. Registration of copper sulphate is required in 'closed' systems by the federal regulator, Australian Pesticides and Veterinary Medicines Authority. This registration has been received in four 'closed' water supply schemes, including Bundaberg, Theodore, Eton and Burdekin-Haughton. However, the Mareeba Dimbulah scheme requires further investigations. A two year research permit was granted to SunWater in January 2013 to permit SunWater's use of copper sulphate operationally in the Mareeba Dimbulah scheme while field trials are undertaken to support a later registration application.

Compliance with Government's policies and other requirements for Government Owned Corporations (GOCs) –

SunWater has complied with the appropriate government policies applying to Queensland GOCs, as published on the Queensland Treasury and Trade website.

Delivery of Dam Safety Upgrades –

SunWater considered the changes to the acceptable flood capacity (AFC) guidelines made by the Dam Safety Regulator in January 2013. A full review of the Dam Safety Upgrade Decision Criteria and Portfolio Risk Assessment was completed and reflected in the following projects:

The delivery of the Kinchant Dam Safety Upgrade progressed with two major components, including the extension of filter zones in the embankment and the installation of a foundation drainage system. Works are progressing until early calendar year 2014.

The Burdekin Falls Dam Safety Upgrade was placed on hold at the procurement stage due to changes made to the AFC guidelines set by the Dam Safety Regulator. The project remains on hold pending further assessment.

Effective management of repairs to SunWater's infrastructure damaged by flood and cyclone events - One major flood event and a second significant but lesser flood event occurred in the first quarter of 2013 impacting infrastructure in the Central Region. Significant flood damage occurred at Paradise Dam, Callide Dam and Kirar Weir and a range of other dams, weirs and pump stations. Work is also progressing on the flood damage repairs, including:

Callide Dam - During the January 2013 flood event, Callide Dam near Biloela filled to full supply level for the first time since 1988 when the spillway gates were installed. In December 2012, SunWater lowered the maximum operating level of Callide Dam by 2.1 m as a precaution based on a preliminary stability analysis of the earth embankment. SunWater is undertaking investigations and testing of the embankment materials to confirm the preliminary analysis. The final report is expected to be available in November 2013.

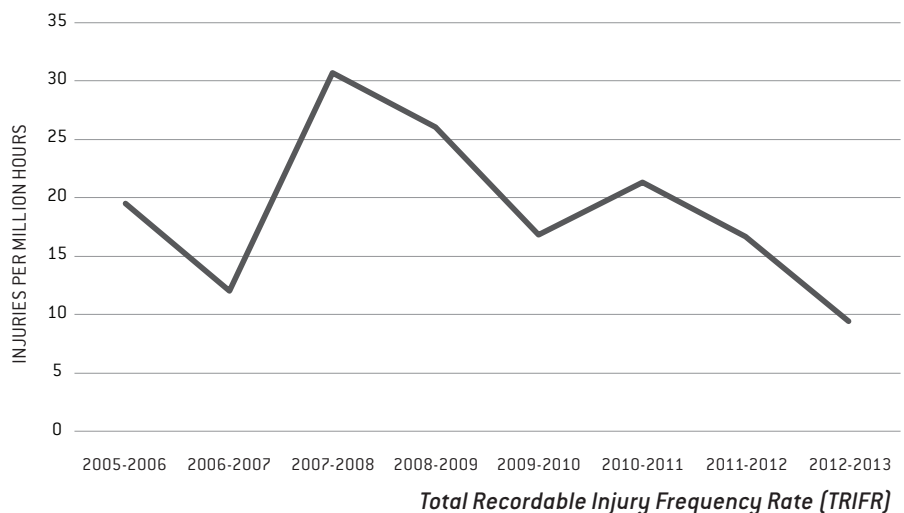
Paradise Dam - During the January 2013 flood event the dissipator floor and sill of the Paradise Dam suffered severe damage. The sill (apart from a short 7 m length) was completely washed away across the full width of the spillway. Significant areas of the dissipator floor were also scoured away. SunWater developed a repair sequence and schedule that progressively reduced the dam safety risks. The remedial works are planned to be undertaken in three phases and be completed over the next 18 months.

Boondooma Dam - Significant damage occurred to the spillway during the January 2010 flood and additional but less significant damage in the January 2013 flood. SunWater is continuing investigations into repair options.

Boondooma Dam - Significant damage occurred to the spillway during the January 2010 flood and additional but less significant damage in the January 2013 flood. SunWater is continuing investigations into repair options.

Repairs to Ned Churchward, Claude Wharton and Kirar Weirs are progressing as planned. Priority is being given to the repair of Kirar Weir by mid December 2013 subject to weather conditions. All other works are planned to be completed as soon as practical with the majority of works planned to be completed in early 2014 subject to weather conditions. SunWater has also progressed flood damage repairs for the remaining storages and for other infrastructure affected. The bulk of this work is planned for completion by the end of October 2013 before the next wet season.

SunWater has advanced negotiations with Councils on changes to the price of water supply services associated with SunWater's commercial pipelines and urban water contracts, resulting from QCA determined cost allocation outcomes. SunWater is currently working with Councils and Government representatives on the next steps of the process, which could involve developing and agreeing appropriate phase-in arrangements where price increases are significant.



SunWater's TRIFR for the end of June 2013 was 9.4 which compared to 16.66 twelve months ago (June 2012). The LTIFR for the end of June 2013 was 1.17 which did not increase past September 2012. SunWater's safety performance in 2012-13 continued to show significant improvement in line with the excellent results achieved in recent years.

Undertake routine internal review and auditing of the effectiveness of safety and environmental systems and processes.

During the year, SunWater's induction, training and supervision processes, systems, records and controls were reviewed and strengthened to ensure the competency of existing and new workers (including contractors) throughout SunWater.

An external audit of SunWater's Safety Management System was conducted recently by SAI Global and found no non-conformances.

Implement and refine initiatives that ensure no harm, support the further development of SunWater's safety culture and enhance the benchmarking of SunWater's safety performance.

SunWater has in place comprehensive safety programs that actively target all workers engaged either directly or indirectly by SunWater including our employees, contractors, consultants and visitors.

Workplace Health and Safety Management Systems have been updated to comply with harmonisation legislation.

A comprehensive program of staff training, inductions, communications and consultations in relation to environmental and safety issues remains in place. SunWater's Safety Net training was concluded in early 2013 with a total of 462 staff attending 34 training sessions delivered across the business.

During the initial stages of each infrastructure development project, SunWater safety staff conduct safety health checks to identify gaps in the risk control process early to reduce harm and impact on the project.

SunWater will comply with new legislative requirements and submit new Emergency Action Plans for 16 of its dams by October 2013 in accordance with the Queensland Floods Commission of Inquiry.

KRA 5: Organisational Effectiveness

Implement business improvement actions to further reduce overhead or indirect costs.

SunWater's replacement water information management system (BILL) was implemented in May 2013 and successfully created a portal for improving customer interface and expediting customers' online payments, purchase orders and access to SunWater services.

SunWater's replacement human resource management and payroll system was delivered in April 2013 and provides a fit for purpose and tailored Human Resource systems solution for the business.

Maintain Quality, Safety and Environmental Management Systems certification and Project Management Organisation (PMO) accreditation.

SunWater's key business certifications were successfully renewed during the year.

Meet regulatory reporting requirements during the year including Strategic Asset Management Plan (SAMP), Energy Efficiency Opportunities (EEO) and a National Greenhouse Emissions Report (NGER).

SunWater reports its greenhouse gas emissions in accordance with the requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth). SunWater's estimates its greenhouse equivalent gas emissions from operational activities in 2013 to be 131,484 t CO₂-e. Emission totals cannot be audited until data entry is made and confirmed on the government web based reporting platform. SunWater's 2013 NGER must be submitted by 31 October 2013.

For 2013, an estimated 128,779 t CO₂-e emissions resulted from the consumption of grid electricity (Scope 2 emissions). The range of Scope 2 emissions can vary significantly between years depending upon annual demand for pumped water. Scope 1 emissions are insignificant by comparison. Scope 1 emissions are almost entirely generated from the operational consumption of unleaded and diesel fuel.

A limited assurance audit was completed of SunWater's NGER in 2012 by an auditor registered under the National Greenhouse and Energy Reporting Act. No material reporting errors or major non-conformances were identified as a result of completion of the audit. A formal review of the system and documentation of reporting and calculation methodologies and facility boundary delineation will be completed prior to submission of the 2013 NGER. SunWater does not have a direct taxation liability for covered emissions under Section 22A of the *Clean Energy Act 2011* (Cth).

SunWater produced 5579 MWh of renewable energy from the grid embedded Tinaroo Falls Dam mini hydro generator. The Paradise Dam mini hydro generator remains offline due to flood damage and is expected to be back in service by January 2014.

SunWater meets all regulatory reporting requirements and releases a number of these documents through its website www.sunwater.com.au.

KRA 6: External Stakeholder Relations

Support and implement changes as per the recommendations in the Government's 2013 Commission of Audit Report.

SunWater moved quickly to consider the recommendations of the Queensland Commission of Audit (QCOA) and commenced discussions with shareholder representatives about transitioning the existing business to better align with Government's expectations for:

Local Management Arrangements (LMA) for SunWater's Irrigation Supply Schemes – SunWater

continues to facilitate and support a due diligence and proposal development process for LMA that will identify any potential critical issues and customer expectations that will be considered by Government prior to entering into negotiations.

Industrial Pipelines – SunWater's dedicated water supply infrastructure servicing commercial and industrial clients (industrial pipelines) will be considered for private ownership and/or private operation. The restructure of the business currently being considered will include the establishment of a separate business group to manage current commercial infrastructure development and management services, so that appropriate analyses can be undertaken to determine and consider which structuring solution provides best value for money outcomes for Government.

Bulk water management – The restructure of the business currently being considered will include the establishment of a bulk water group. The proposed bulk water group will continue its operations by managing and maintaining SunWater's established bulk water infrastructure.

Increase standing in the community through cost effective and positive initiatives.

SunWater continues to support, through its moderate sponsorship budget, important grass root community activities which demonstrate the company's commitment to the regions in which it operates.

Community and stakeholder management strategies have been established for all major infrastructure development projects and community liaison groups are established for projects with an EIS requirement.

<i>Marketing activity</i> (activities/events over \$5000 listed)	Budget 2012–13	Expenditure to 30 June 2013
Sponsorship		
Regional achievements and community awards ¹	15,000	-
ANCOLD conference ²	10,000	-
Indigenous sponsorship events	7,500	3,500
Community & business alignment sponsorships	15,000	4,500
Other (includes all sponsorships below \$5,000)	22,500	41,200
Total sponsorship	55,000	44,700
Advertising		
Water safety advertising campaign	220,000	200,000
School safety program	30,000	20,000
Other	-	-
Total advertising	250,000	220,000
Corporate entertainment		
Staff awards ceremony	12,000	12,800
Brisbane office christmas party	15,750	11,203
Other (includes expenditure below \$5,000 per event)	36,500	25,471
Total corporate entertainment	64,750	49,744
Donations ³	-	750
Strategic community and stakeholder engagement activities ⁴	30,000	11,600
Total all activities	399,750	326,794

1. Planned larger value sponsorship was not undertaken in 2012-13. The budgeted amount was transferred to the sponsorship of smaller local grass root events.

2. Sponsorship not progressed due to ANCOLD Conference taking place in New Zealand, outside of SunWater's area of business.

3. During the year, SunWater made a donation of \$750 to assist the Iman People with the funeral costs of one of its members.

4. Reduced spend in line with expectations for savings to be made wherever possible.

Key Performance Indicators

SunWater's key achievements can be further demonstrated by its performance against the KPIs agreed with shareholders for 2012-13.

<i>Key Performance Indicators</i>	Budget 2012-13	Actual 2012-13
Financial		
Operating revenue (\$M)	231.601	216.801
Total assets (\$M)	940.847	1,262.846
EBITDA (\$M)	118.438	81.240
EBIT (\$M)	51.988	44.715
NPAT (\$M)	27.220	20.908
Economic profit (\$M)	-22.277	-29.493
Return on operating assets (pro-rata)	3.42%	2.51%
Return on average contributed equity	7.16%	5.57%
Current ratio	1.080	1.170
Market gearing (debt to debt + equity ratio)	20.93%	39.10%
EBITDA interest cover	9.040	4.720
EBIT interest cover	3.970	2.600
FFO interest cover	8.580	3.570
Total capital expenditure (\$M)	149.191	165.974
Cost efficiency savings (including QCA targets) (\$M)	3.207	3.247
Non Financial		
Customer service levels - exceptions	0	8
Environmental compliance breaches (No.)	0	0
Distribution system efficiency %	76	76
Total recordable injury frequency rate (TRIFR) - annual target ¹	0	9.4
Lost time injury frequency rate (LTIFR) - annual target ¹	0	1.17
Lost time injuries (LTIs)	0	1
Medical treatment injuries (MTIs)	0	6

1. KPIs and targets are year to date and annual and relate to performance at the relevant point in time.

SunWater's new Greenhouse Gas emission KPIs developed during 2012-2013 will be reported from 2013-2014 year.

ORGANISATIONAL STRUCTURE

Board Committees

To increase its effectiveness, the Board has three committees. Charters approved by the Board set out the roles and terms of reference for these committees. SunWater's Board and committee charters are available at www.sunwater.com.au

INDUSTRY, REGULATION, SAFETY AND ENVIRONMENT COMMITTEE

Key functions:

Assists Board to carry out health, safety, environment, community, water and industry responsibilities
Independently reviews regulatory information presented by management to shareholders, regulators, other key stakeholders and the community
Reviews scheduled and regular reporting
Ensures strategic and operational risks of significance are subject to oversight, independent of management
Recommends to the Board policy, risk management and compliance improvements.

REMUNERATION COMMITTEE

Key functions:

Assists Board in discharging its duties in regard to executive appointments, employment conditions and remuneration issues
Recommends to the Board the remuneration of the CEO and Senior Executives
Direct involvement in Senior Executive performance planning and review processes
Assesses appropriateness of SunWater's remuneration strategy utilising community and industry standards and other external information.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

Key functions:

Oversees financial management and external reporting
Ensures integrity of financial reports
Advises Board on efficacy of internal and external audit functions
Advises on adequacy of accounting procedures and system controls including delegations
Advises on budget and financial forecasts
Carries out independent oversight of strategic and operational risks of financial reporting
Recommends policy, risk management and compliance improvements.

INTERNAL AUDIT

SHAREHOLDING MINISTERS

SunWater Limited is a Government Owned Corporation (GOC), and its shares are held by its shareholding Ministers on behalf of the State of Queensland.

BOARD OF SUNWATER

The Board of SunWater Limited is responsible for providing effective leadership, governance and management oversight.

The Board's functions include:

- Responsibility for SunWater's commercial policy and management
- Ensuring that, as far as possible, SunWater acts in accordance with its SCI and achieves its stated objectives
- Accounting to SunWater's shareholding Ministers
- Ensuring that SunWater otherwise performs its functions in a proper, effective and efficient way.

CHIEF EXECUTIVE

The Chief Executive is responsible for overall management and performance of SunWater and directly manages the internal audit function.

CORPORATE

Core services:

Supports the organisation in the areas of finance, legal, economic planning, procurement, information and communication technology, corporate governance and a range of other administrative and support functions

PEOPLE, PERFORMANCE AND SAFETY

Core services:

Provides organisational leadership and support in respect to the identification, control management and monitoring of strategic and operational risks and opportunities
Leads the organisation to achieve SunWater's 'No Harm' safety objective
Provides advice relating to water, safety, environment and quality
Facilitates business continuity planning and crisis management
Facilitates corporate communications and media liaison
Supports the organisation in the area of people, capability and workforce planning

INFRASTRUCTURE MANAGEMENT

Core services:

Manages SunWater's water infrastructure assets
Provides facility management services to other asset owners
Provides a broad spectrum of customer services ranging from asset management to water delivery, customer water accounting and billing while ensuring compliance with relevant legislation

INFRASTRUCTURE DEVELOPMENT

Core services:

Investigates and delivers new commercial assets for SunWater
Negotiates new facility management contracts
Seeks out new business opportunities with new and existing customers, including acquisition of assets, through the Business Development Group

The organisational structure in 2012-13 is likely to be amended, following consideration of the recommendations made within the Queensland Commission of Audit Report.

SUNWATER BOARD

William Siganto

BE (Civil), MBA, MIE Aust.

Chair

Initial Appointment 31.05.2012

Current Term 31.05.2012 – 30.06.2013

Skills, experience and expertise

Will brought more than 25 years engineering and strategic expertise to his Chairmanship at SunWater. Will's engineering career has seen him work as a civil and consultant engineer with International consulting firm Arup, where he worked on major infrastructure projects, including the M5 motorway project in Sydney, NSW.

Will is Executive Chair of Queensland's largest family owned air conditioning business with national interests, Siganto and Stacey P/L, having previously held the position of Managing Director for 16 years. Prior to that he worked at Pacific Dunlop, one of Australia's leading development industrial companies where he undertook national sales and marketing roles in Melbourne.

During the last decade Will has held Chair and Executive Chair roles at Airmech in Dubai and SigTech Construction in Singapore. In 2012 he took on the Executive Chair role at Siganto and Stacey P/L. Will holds Civil Engineering qualifications from the University of Queensland along with postgraduate business qualifications from London Business School and Harvard Business School.

Greg Moynihan

BCom, GradDipSIA, CPA, FFIN, MAICD

Deputy Chair

Initial Appointment 09.08.2007

Current Term 09.08.2010 – 30.09.2013

SunWater Board Committee

Membership Audit & Corporate Governance, Remuneration (Chair)

Skills, experience and expertise

Greg has spent the majority of his career within the broad finance sector including banking, general insurance and investment management. He is Former

Meetings attended during 2012-13

	Board of SunWater	Audit and Corporate Governance	Industry, Regulation, Safety and Environment	Remuneration
Will Siganto*	11			
Greg Moynihan	10	7		5
Tom Connor	10		4	
Kirstin Ferguson	11	7	4	5
Alan Millhouse	9	4	1	
Tony Mooney**	6			
John Gibson***	3	2		1
Will Wild****	5	1		

* Will Siganto resigned 30 June 2013

** Tony Mooney resigned 19 December 2012

*** John Gibson retired 30 September 2012

**** Will Wild appointed 20 December 2012

Chief Executive Officer of Metway Bank Limited and has held senior executive positions in Citibank Australia, Metway Bank and Suncorp Metway Limited.

Greg is currently a non-executive director of several public companies and private investment companies.

Tom Connor AO

BE (Civil), MEngSc, PhD, Hon Fellow IEAust, MASCE, FTSE, CPEng (Civil), RPEQ

Director

Initial Appointment 01.08.2003

Current Term 01.10.2010 – 30.09.2013

SunWater Board Committee

Membership Industry Regulation Safety & Environment (Chair)

Skills, experience and expertise

Tom is the Director of Engineering Technology and Sustainability of the Government and Infrastructure Division of the Asia Pacific operations of the global engineering and construction firm, Kellogg Brown and Root Pty Ltd.

Tom has more than 30 years' experience in engineering and project management in the water sector in Australia and internationally.

Kirstin Ferguson

BA (Hon), LLB (Hon), GAICD

Director

Initial Appointment 01.10.2008

Current Term 01.10.2011 – 30.09.2014

SunWater Board Committee

Membership Audit & Corporate Governance, Industry Regulation Safety & Environment, Remuneration

Skills, experience and expertise

Kirstin is a professional non-executive director and her current board appointments include Chairman of the Thiess Advisory Board, non-executive director of Hyne & Son, SunWater and the Queensland Theatre Company.

Kirstin's executive career included roles as CEO of Sentis, a global safety organisation operating in the mining and resources sector as well as COO of Deacons (now Norton Rose Fulbright). Kirstin is in the final stages of completing a PhD in Business at QUT.

John Gibson

BCom, MBA (Melb), FCPA, FAIM, FAICD
Director

Initial Appointment 01.08.2003

Current Term 01.07.2007 – 30.09.2012

SunWater Board Committee

Membership Audit & Corporate
Governance (Chair), Remuneration

Skills, experience and expertise

John has extensive experience at Senior Executive, Managing Director and Board level in a wide range of primary industries and agribusiness. Positions held include: Chairman, Queensland Market Corporation, Deputy Chairman, Australian Horticultural Corporation; Chairman, Queensland Horticulture Institute; and Member, Queensland Horticulture Industry Development Council.

Other previous positions include Managing Director, Australian Dairy Corporation; Managing Director, Austdairy Ltd; Member, Biosecurity Council of Queensland, Director, Thai Dairy Industry Co Ltd; and Deputy Secretary, Commonwealth Department of Primary Industries.

Alan Millhouse

BCom, LLB(Qld), LLM(Lond),
Hon LLD(Qld), MAICD
Director

Initial Appointment 01.10.2010

Current Term 01.10.2010 – 30.09.2013

SunWater Board Committee

Membership Audit & Corporate
Governance, Industry Regulation Safety &
Environment

Skills, experience and expertise

Alan was senior finance, commercial and infrastructure lawyer and partner of Allens Arthur Robinson for 30 years until retirement on 30 June 2009. He is now consulting to Allens Linklaters.

Alan has expertise in the water industry, having advised the Queensland Government and private sector corporations extensively in respect to the development of many major water projects in Queensland in recent years, including Wyaralong, Paradise and Nathan dam projects and the Western Corridor Recycled Water Project.

He has considerable experience in the financing and development of major infrastructure projects, both within Australia and in Asia.

Tony Mooney

AM FAICD BEd-BA (Hons)
Director

Initial appointment 01.10.2011

Current term 01.10.2011 – 19.12.2012

SunWater Board Committee

membership Industry Regulation, Safety
& Environment

Skills, experience and expertise

Tony was the Mayor of Townsville 1989 to 2008. He served as Deputy Chairman of NQ Water for almost 20 years until 2008 and was a Director of Ergon Energy until 2011. He has served on the Boards of numerous Government and community entities in the energy sector and acted as a specialist adviser in the indigenous recruitment sector. In November 2011 he was appointed to the Board of the Great Barrier Reef Marine Park Authority. Tony is currently General Manager Stakeholder Relations for Guildford Coal Limited.

Dr William Wild

PhD, B Com, LLB, LLM
Director

Initial Appointment 20.12.2012

Current Term 20.12.2012 – 30.09.2015

SunWater Board Committee

Membership Audit & Corporate
Governance

Skills, experience and expertise

Will is currently Managing Director at St Lucia Finance Group and a Senior Lecturer at QUT Business School at the Queensland University of Technology. He has a 21 year career in international banking with Masters and Doctoral degrees in law and finance, full time finance academic work and has also been an expert witness before the Federal Court of Australia.

Former Principal Adviser and Head of Project Finance Syndication at KBC Bank in London and Vice President of the Bank of America in Hong Kong with extensive experience in international project finance, corporate finance and loans syndications.

SUNWATER MANAGEMENT

Peter Boettcher

BE(Agric), MBA

Chief Executive

Appointment April 2008

Skills, experience & expertise

As CEO, Peter is charged with providing leadership and overall business management to SunWater. Peter is a water industry professional with over 24 years' experience in the development, management and commercial operations of bulk water infrastructure. Prior to his appointment as CEO in 2008, Peter held the positions of Chief Operating Officer and General Manager Water Supply Services.

Mark Browne

BBus (BusMgt), DipEng (Elec), MBA(UQ),
Dip PM, MAICD, CPPD

**General Manager, Infrastructure
Development**

Appointment September 2007

Skills, experience and expertise

Mark is responsible for delivering SunWater's project portfolio. He has more than 25 years' experience in project management, business development and business management in the infrastructure construction and defence industries. Mark is a Certified Practising Project Director (CPPD).

Geoff White

BCom, FCA

**General Manager Corporate and
Company Secretary**

Appointment June 2004

Skills, experience & expertise

Geoff has substantial commercial experience in all aspects of business and financial management, as well as audit and corporate governance. Geoff has previously worked with a wide range of organisations including public and private companies, joint ventures and Non Profit Organisations. He was a partner in a leading accounting firm for 14 years.

Tim Donaghy

BE (Civil) Hons, MBA, Med. (IAMA), AIPM
Acting General Manager Infrastructure Management

Appointment August 2012

Skills, experience & expertise

Tim, a civil engineer of 36 years experience, has a vital knowledge of infrastructure project management with a focus on providing business needs and surpassing strategic outcomes. He achieves best practice project management with quality communication and interpersonal skills, through his mediation qualifications. Tim is currently completing a legal qualification in commercial arbitration.

Tom Vanderbyl

BE(Civil) Hons, MIEAust, MAICD
General Manager People, Performance and Safety

Appointment March 2011

Skills, experience and expertise

Tom has over 25 years experience as a water industry professional in Queensland. He has been instrumental in the development and implementation of water management, planning and institutional policies, processes and practises his expertise both within Queensland and nationally.

Renee Butterfield

BA/LLB, ACIS
Alternate Company Secretary
Appointment December 2008

Skills, experience and expertise

Renee is an experienced corporate lawyer and accredited Company Secretary.

Renee assists in co-ordinating SunWater's corporate governance processes to maintain best industry practice.

Prior to joining SunWater, Renee worked as in-house counsel for ASX listed companies and in private law firms in Queensland.

Brad Watkins was appointed Alternate Company Secretary on 1 July 2013.

DIRECTOR'S REPORT

For the year ended 30 June 2013

Your directors present their report together with the financial report of SunWater Limited and its subsidiaries (SunWater) for the financial year ended 30 June 2013 and the auditor's report thereon.

Directors

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

Mr G Moynihan, Chair
Mr T Connor
Ms K Ferguson
Mr A Millhouse

In addition the following retirements and appointments occurred during the year:

Mr J Gibson retired as a Director on 30 September 2012.
Mr A Mooney retired as a Director on 19 December 2012.
Mr W Siganto retired as Chair on 28 June 2013.
Mr W Wild was appointed as a Director on 20 December 2012.

Further information about directors' qualifications, experience, term of appointment and attendance at meetings are detailed in the SunWater Board section on pages 12 to 13 of the Annual Report 2012-2013. Information about the qualifications and experience of the company secretaries of SunWater Limited is detailed in the SunWater Management section on pages 13 to 14 of the Annual Report 2013-2013.

Principal activities

SunWater owns and operates bulk water supply and distribution infrastructure located throughout regional Queensland and provides water-related engineering and facilities management services. Water is supplied to mining companies, industrial companies, power stations, manufacturing companies, irrigators, water boards and local governments. SunWater's principal activities are further detailed in the Principal Activities section on page 2 of the Annual Report 2012-2013.

Financial performance

The consolidated after tax profit for the financial year amounted to \$20.908 M (2012: \$17.070 M loss). Further details of SunWater's financial performance are provided in the Financial Report section on page 17 of the Annual Report 2012-2013.

Dividends

SunWater's Dividend Policy, as stated in the 2012-13 Statement of Corporate Intent (SCI), takes into account the return its shareholders expect on their investment.

During the 2013 year, a dividend of \$12.870 M was declared and payable to the holders of fully paid ordinary shares.

No dividend was declared for the year ended 30 June 2012.

Review of operations

Information on the operations of SunWater and the results of those operations are detailed in the Review of Operations section on page 3 of the Annual Report 2012-2013.

Significant changes in the state of affairs

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

The recommendations are:

1. SunWater finalise the transfer of its irrigation channels to private irrigators and withdraw fully from this activity.
2. SunWater's dedicated water supply infrastructure servicing commercial and industrial clients be offered for private ownership and/or private operation, depending on which solution provides the best value for money outcome for the Government.
3. SunWater remain as a Government Owned Corporation with a residual function to retain ownership and management of existing bulk water assets in regional Queensland.

4. Any future bulk water storage facilities be developed by the private sector, unless there are compelling public good or market failure reasons not to do so.

SunWater, in consultation with Government, has commenced the process of restructuring the organisation to be able to implement these recommendations. At this stage, the timeframes for implementation of the respective recommendations has not been confirmed. However, significant preliminary work has been carried out in preparation for the transfer of irrigation channels to private irrigators.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

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

except as set out elsewhere in this report and notes 29, 30 and 31 in the financial report.

Likely developments

An outline of the likely developments in SunWater's operations is included in the Review of Operations section of the Annual Report 2012-2013.

Impact of natural disasters

During the flood event in the Burnett River catchment in early 2013, significant damage occurred to SunWater's infrastructure throughout the system. In particular, Paradise Dam located near Childers in South East Queensland suffered major damage to the spillway dissipator and the river bed downstream of the dissipator.

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

flood, and further Phase 2 interim works are currently underway to mitigate any potential failure path. These works are expected to be completed in October 2013, prior to the next wet season.

In the longer term, further works may be required to the dam. However, as a preliminary step, a full dam safety review will be undertaken over the next 18 months to provide a comprehensive understanding of the impacts of the flood damage, and inform the development of a long term solution.

At this stage, the solution and the costs are not known and may not be known with any certainty for some time. Further information is set out in note 28.

Remedial work progressed throughout the 2012-13 year, associated with the damage caused by the 2010-2011 and the 2013 floods.

Efforts are focussed on repairing SunWater's infrastructure to ensure both the safety of that infrastructure and its ability to provide reliable future water deliveries to our customers. A provision, based on reliable estimates has been taken up in the financial statements at 30 June 2013 for damage incurred but not yet rectified.

Dam safety upgrade program

Recently, the Regulator has issued revised Dam Safety Upgrade Criteria, which have the potential effect of delaying the commencement of SunWater's proposed program of dam safety upgrades, and establishing a different order of priority of upgrade. SunWater is in discussions with the Regulator and the government over these revisions and the potential impacts on timing of delays and priorities. Further information is set out in note 29.

Environmental regulation

SunWater's operations are subject to significant environmental regulation under both Commonwealth and State legislation. Details of SunWater's activities and processes applied in response to these regulatory requirements are provided under Environmental management in the Compliance in Key Areas section on page 58 of the Annual Report 2012-2013.

Safety

SunWater's water infrastructure assets which are located throughout Queensland have an increasing age profile. During the year, SunWater's safety program continued to focus attention on the safety of SunWater's employees, contractors, customers and the public and included:

- the ongoing construction of the Kinchant Dam safety upgrade;
- the continuation of a wide-ranging upgrade program for the safe operation of the assets;
- the continuation of a media campaign to encourage positive safety behaviours on and around SunWater's infrastructure by members of the public; and
- the continuation of internal programs to eliminate or minimise risks to health and safety, and processes to receive and respond to information about incidents, hazards and risks.

Insurance of officers

During the financial year, SunWater paid a premium of \$84,021 (exclusive of GST) (2012: \$81,773 exclusive of GST) to insure the directors and secretaries of SunWater Limited and its wholly owned subsidiary companies, and the executive officers of SunWater.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as officers of SunWater and its subsidiaries, 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 SunWater. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Auditor's independence declaration

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

Inclusion of parent entity financial statements

SunWater has elected, under Class Order 10/654 issued by the Australian Securities and Investments Commission, to continue to include parent entity financial statements in the financial report because the parent entity financial statements provide information that is relevant to the users of SunWater's financial report.

Rounding of amounts

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

Auditor

The Auditor-General of Queensland continues in office in accordance with section 30 of the *Auditor-General Act 2009 (Qld)*. No non-audit services are provided to SunWater by the Auditor-General. Further information is set out in note 24 to the financial statements.

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



G Moynihan
Chair



A Millhouse
Director

Brisbane, Qld
28 August 2013

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 2013, 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.



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

Brisbane, Qld
27 August 2013

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

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GENERAL INFORMATION

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

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

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

Level 10, 179 Turbot Street
BRISBANE QLD 4000

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	CONSOLIDATED		PARENT	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue from continuing operations	4	227,474	220,771	208,728	200,096
Other income	5	505	4,464	505	3,672
Expenses from continuing operations:					
Employee benefits expense		(39,643)	(40,039)	(39,640)	(40,039)
Depreciation and amortisation expense	13, 14	(23,695)	(22,972)	(19,045)	(18,326)
Impairment expense	13	(12,832)	(95,895)	(12,832)	(95,895)
Contracted services expense		(41,830)	(22,737)	(22,490)	(20,970)
Electricity expense		(23,459)	(17,747)	(21,920)	(16,457)
Materials expense		(9,589)	(6,136)	(9,096)	(5,559)
Plant hire expense		(5,291)	(4,183)	(5,250)	(3,920)
Motor vehicle operating leases expense		(1,798)	(1,836)	(1,798)	(1,836)
IT charges		(994)	(925)	(994)	(925)
Loss on disposal of assets		(278)	(468)	(278)	(468)
Travel expense		(1,890)	(1,388)	(1,887)	(1,388)
Accommodation expense		(2,738)	(2,322)	(2,738)	(2,322)
Insurance expense		(8,842)	(5,338)	(8,324)	(5,061)
Legal expense		(1,845)	(2,281)	(1,687)	(2,267)
Rates and land tax expense		(1,778)	(1,688)	(1,618)	(1,522)
Telephone, facsimile and data lines expense		(1,308)	(1,369)	(1,306)	(1,367)
Cost of water allocations sold		(100)	(427)	-	-
Other expenses		(4,961)	(3,254)	(4,097)	(3,170)
Finance costs	6	(17,598)	(18,236)	(17,420)	(18,070)
Profit/(loss) before income tax equivalents		27,510	(24,006)	36,813	(35,794)
Income tax equivalents expense/(credit)	7	(6,602)	6,936	(9,393)	12,722
Profit/(loss) for the year		20,908	(17,070)	27,420	(23,072)
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		20,908	(17,070)	27,420	(23,072)

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

BALANCE SHEETS

AS AT 30 JUNE 2013

	NOTES	CONSOLIDATED		PARENT	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
ASSETS					
Current assets					
Cash	8	338,818	187,785	327,628	176,159
Receivables	9	26,865	7,580	30,887	12,976
Inventories	10	2,273	2,223	2,273	2,223
Other current assets	11	22,576	21,351	23,881	17,810
Total current assets		390,532	218,939	384,669	209,168
Non-current assets					
Receivables	9	-	-	10,541	18,021
Other financial assets	12	-	-	81,296	81,296
Property, plant and equipment	13	778,166	685,727	675,836	579,708
Intangible assets	14	72,237	59,725	23,947	11,335
Deferred tax assets	15	20,912	15,550	11,688	12,566
Total non-current assets		871,315	761,002	803,308	702,926
Total assets		1,261,847	979,941	1,187,977	912,094
LIABILITIES					
Current liabilities					
Payables	16	77,159	25,627	78,798	24,395
Provisions	17	60,308	26,310	33,911	21,362
Borrowings	18	189,781	1,985	231,666	40,984
Other	19	6,061	5,962	6,061	5,962
Total current liabilities		333,309	59,884	350,436	92,703
Non-current liabilities					
Provisions	17	1,210	1,199	1,210	1,199
Borrowings	18	238,480	240,247	217,501	217,522
Other	19	1,397	1,707	1,397	1,707
Deferred tax liabilities	20	20,328	17,819	6,866	2,946
Total non-current liabilities		261,415	260,972	226,974	223,374
Total liabilities		594,724	320,856	577,410	316,077
Net assets		667,123	659,085	610,567	596,017
EQUITY					
Contributed equity	22	380,269	380,269	380,269	380,269
Retained earnings		286,854	278,816	230,298	215,748
Total equity		667,123	659,085	610,567	596,017

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	CONTRIBUTED EQUITY \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
Consolidated				
Balance at 30 June 2011		380,047	295,886	675,933
Total comprehensive income for the year		-	(17,070)	(17,070)
Transactions with owners as owners				
Contributions of equity	22	222	-	222
Dividends	23	-	-	-
Balance at 30 June 2012		380,269	278,816	659,085
Total comprehensive income for the year		-	20,908	20,908
Transactions with owners as owners				
Dividends	23	-	(12,870)	(12,870)
Balance at 30 June 2013		380,269	286,854	667,123
Parent				
Balance at 30 June 2011		380,047	238,820	618,867
Total comprehensive income for the year		-	(23,072)	(23,072)
Transactions with owners as owners				
Contributions of equity	22	222	-	222
Dividends	23	-	-	-
Balance at 30 June 2012		380,269	215,748	596,017
Total comprehensive income for the year		-	27,420	27,420
Transactions with owners as owners				
Dividends	23	-	(12,870)	(12,870)
Balance at 30 June 2013		380,269	230,298	610,567

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

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	NOTES	CONSOLIDATED		PARENT	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<i>Cash flows from operating activities</i>					
Receipts from customers (inclusive of GST and refunded GST)		245,793	232,784	213,647	202,861
Government grant received		711	3,107	711	3,107
Community service obligations received		9,754	9,434	4,718	4,217
Interest received		1,045	202	1,016	154
Intercompany taxes received		-	-	8,242	5,320
Payments to suppliers and employees (inclusive of GST)		(120,909)	(147,853)	(105,509)	(139,080)
Income taxes paid		(21,947)	(21,175)	(21,947)	(21,175)
Net cash inflow (outflow) from operating activities	25	114,447	76,499	100,878	55,404
<i>Cash flows from investing activities</i>					
Proceeds from sale of property, plant and equipment		708	1,454	708	1,454
Proceeds from term debtors		29	49	29	49
Repayments of intercompany borrowings		-	-	7,888	8,741
Interest received		9,706	13,337	10,135	15,436
Dividends received		-	-	-	7,500
Payments for property, plant and equipment		(142,622)	(103,202)	(141,758)	(103,200)
Net cash inflow (outflow) from investing activities		(132,179)	(88,362)	(122,998)	(70,020)
<i>Cash flows from financing activities</i>					
Government grant received		-	286	-	-
Equity contributions		-	222	-	222
Repayments of advances		-	1,000	-	-
Proceeds from external borrowings ⁽¹⁾		188,100	-	188,100	-
Proceeds from intercompany borrowings		-	-	5,000	6,000
Interest paid		(17,264)	(18,213)	(17,080)	(17,567)
Repayments of borrowings		(2,071)	(3,006)	(2,431)	(21)
Dividends paid		-	(34,005)	-	(34,005)
Net cash inflow (outflow) from financing activities		168,765	(53,716)	173,589	(45,371)
Net increase (decrease) in cash and cash equivalents held		151,033	(65,579)	151,469	(59,987)
Cash & cash equivalents at the beginning of the financial year		187,785	253,364	176,159	236,146
Cash & cash equivalents at the end of the financial year	8	338,818	187,785	327,628	176,159

⁽¹⁾ An interest free bridging loan of \$188.100 M was received from a customer to part fund the construction of the Woleebee Pipeline and deposited into a separate account. Withdrawals from this account can only be made to pay for construction expenditure and can only be made with the approval of the customer. The account is not available on demand and is not available to meet SunWater's short-term cash commitments.

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

Compliance with IFRS

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

Historic cost convention

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

Critical accounting estimates

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

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the parent entity as at 30 June 2013 and the financial results of all subsidiaries for the year then ended. The parent entity and its subsidiaries together are referred to in this financial report as the consolidated entity. Subsidiaries are those entities over which the parent entity has the power to govern the financial and operating policies. SunWater wholly owns all of its subsidiaries (refer note 12).

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

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

(c) Segment reporting

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

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates, trade allowances and amounts collected on behalf of third parties. Revenue from water operations is recognised when water has been delivered to customers or, in cases where no water has been delivered, is accrued in accordance with contractual provisions. Recognition of all other service revenue is based on work completed at the reporting date. Revenue from electricity generation is recognised on the amount of electricity generated and measured at the reporting date. Water allocations sales revenue is recognised at the point of sale. Interest income is recognised as interest accrues. Lease income from operating leases is recognised in revenue on a straight-line basis over the lease term.

(e) Government grants

(i) Community service obligation (CSO) payments

The consolidated entity receives community service obligation (CSO) payments from the Queensland Government. The payments fund the Rural Water CSO in recognition of the current rural water pricing policies set by the government, urban water deliveries to a local council, and certain other activities for which there are no other revenue sources. As these are subsidies from the Queensland Government, no conditions (apart from normal commercial considerations in maintaining water deliveries) are required to be met. These amounts are recorded as revenue. New rural water infrastructure assets or extensions to existing assets that are built by clear direction from government for other than commercial return may also incorporate a CSO component. These amounts are initially recorded as unearned revenue. Revenue is recognised on a systematic basis over the accounting periods in which the consumption of the asset is recognised.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Water allocations

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

(f) Income tax

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

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

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

Tax consolidation legislation

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

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

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

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

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

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 income tax payable and current tax expense.

(g) Leases

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

Leases in which a significant portion of the risks and rewards are retained by the lessor are classified as operating leases (refer note 26(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Business combinations

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(i) Impairment of assets

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

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

Non-financial assets (other than goodwill) that were impaired in a prior period are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which cannot exceed the original cost or deemed cost of that asset. A reversal of an impairment loss is recognised in the statements of comprehensive income.

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

(j) Cash and cash equivalents

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

(k) Receivables

Trade receivables

All trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the invoice date. Collectibility of receivables is assessed at balance date. All known bad debts are written off. An allowance for impairment of trade receivables is established when there is objective evidence that all amounts due according to the original terms of the receivables will not be able to be collected. The amount of the impairment loss is recognised in the statements of comprehensive income. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the statements of comprehensive income.

(l) Inventories

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

(m) Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The cost of self-constructed items includes the direct cost of construction plus costs incidental to the construction, including all other costs incurred in preparing the assets ready for use, such as engineering design fees, an appropriate proportion of overheads and borrowing costs (refer note 1(r)).

The cost also includes the initial estimate of the costs of decommissioning the items and restoring the site on which they are located where such estimate is relevant and reliable in the context of the very long life of most of these assets. Costs attributable to pre-feasibility activities and alternative approach assessments are expensed as incurred.

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

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

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

(n) Depreciation and amortisation

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

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

ASSET CLASS	DEPRECIATION RATES
Land	Land is not depreciated
Buildings and land improvements	1.65% to 20%
Plant and equipment	8% to 33.33%
Infrastructure	0.5% to 10%

(o) Non-current intangible assets

(i) Water allocations

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

After initial recognition, all water allocations are carried at cost less any accumulated impairment losses. Water allocations have an indefinite life and are not amortised but are tested annually for impairment by comparing their carrying amounts with their recoverable amounts. No recognition threshold is applied.

(ii) Software

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

(p) Payables

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

(q) Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(r) Borrowing costs

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

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

(s) Provisions

Provisions are recognised when:

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

Provisions are not recognised for future operating losses. Provisions for certain types of repairs, legal costs and restructuring are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(t) Refurbishment annuity

A refurbishment annuity forms part of the approved irrigation price path for each water supply scheme, and is billed to irrigation customers as part of the normal water billing process. Under the irrigation price path, SunWater is obliged to set apart the annuity for the sole purpose of applying the funds to refurbishment activities on each particular water supply scheme. To give effect to this requirement, SunWater accounts for the annuity as unearned revenue until the funds have been applied to refurbishment activities at which point revenue is recognised. Expenditures applied to refurbishment activities are immediately matched by recognising available annuity (unearned revenue) as income for each water supply scheme. Any unspent annuity at year end (unearned revenue) is recognised as a current liability on the balance sheet.

(u) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

SunWater is levied under the Queensland Government's long service leave scheme at rates determined by actuarial assessment. Levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken. No provision for long service leave entitlements is taken up in the financial statements as the liability is held on a whole-of-government basis.

(iii) Sick leave

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

(iv) Superannuation

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

(v) Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Goods and Services Tax (GST)

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

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

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

(x) Rounding of amounts

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

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. SunWater's assessment of the impact of these new standards and interpretations is set out below.

- (i) **AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from first full reporting period after 1 January 2015).**

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. SunWater is yet to assess its full impact and has not yet decided when to adopt AASB 9. However, a preliminary view is that when adopted, the standard is not expected to significantly affect the group's accounting for its financial assets and liabilities.

- (ii) **AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (effective from first full reporting period after 1 January 2013).**

In August 2011, the AASB issued a suite of six new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. SunWater is yet to assess their full impact. However, a preliminary view is that when adopted, the standards are not expected to significantly affect the group's accounting for its financial assets and liabilities.

The group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014.

- (iii) **AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective from first full reporting period after 1 January 2013).**

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. SunWater has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to assess the impact, if any, of the new rules on amounts recognised in the financial statements.

The group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014.

- (iv) **Revised AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 September 2011* (effective from first full reporting period after 1 January 2013).**

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income. This standard will not apply to SunWater because it does not operate a defined benefit superannuation scheme (refer note 1(u)(iv)).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 2 FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign exchange risk

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

During 2012–13, SunWater had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

(ii) Price risk

During 2012–13, SunWater had no significant exposure to price risk.

(iii) Cash flow and fair value interest rate risk

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

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

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

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

CONSOLIDATED	CARRYING AMOUNT \$'000	2012 INTEREST RATE RISK			
		PROFIT \$'000	-1% EQUITY \$'000	PROFIT \$'000	+1% EQUITY \$'000
FINANCIAL INSTRUMENTS					
Cash	187,785	(2,152)	(2,152)	2,152	2,152
QTC borrowings	242,232	2,849	2,849	(2,849)	(2,849)
Overall effect on profit and equity		697	697	(697)	(697)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk largely arises from the potential failure of counterparties to meet their obligations under the respective contracts. Credit evaluations are performed on all customers requiring credit over a certain amount and on all counterparties to significant contracts. Exposure to credit risk is monitored on an ongoing basis.

Cash is invested under the following approved policy conditions:

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

During 2012-13, SunWater had no transactions involving derivative financial instruments.

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

MAXIMUM EXPOSURE TO CREDIT RISK CATEGORY	NOTE	2013 \$'000	2012 \$'000
Consolidated			
Cash at bank and at call invested in Australian institutions rated AA- or higher*	8	172,401	40,501
Held-to-maturity investments in Australian institutions rated A- to A+*	8	50,256	45,724
Held-to-maturity investments in Australian institutions rated AA- or higher*	8	116,156	101,554
Other cash and cash equivalents	8	5	6
Receivables – current	9	26,865	7,580
		365,683	195,365
Parent			
Cash at bank and at call invested in Australian institutions rated AA- or higher*	8	161,211	28,875
Held-to-maturity investments in Australian institutions rated A- to A+*	8	50,256	45,724
Held-to-maturity investments in Australian institutions rated AA- or higher*	8	116,156	101,554
Cash and cash equivalents	8	5	6
Receivables – current	9	30,887	12,976
Receivables – non-current	9	10,541	18,021
		369,056	207,156

* Inclusive of accrued interest.

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

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

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

(c) Liquidity risk

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

SunWater had an approved borrowing program of \$305 M during 2012-13 (undrawn). This facility is reviewed and renewed annually. SunWater has a rolling \$50 M working capital facility with QTC. This facility (undrawn during 2012-13) operates as an overdraft arrangement which is used to cover temporary funding shortfalls. The facility is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

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

	CARRYING AMOUNT \$'000	LESS THAN 1 YEAR \$'000	1 – 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL CASH FLOWS (CONTRACTUAL) \$'000
2013					
Consolidated					
Payables	90,029	90,029	-	-	90,029
Borrowings – QTC	240,161	18,467	73,909	229,846*	322,222
Borrowings – bridging loan	188,100	188,100	-	-	188,100
Deposits payable	578	39	38	501	578
	518,868	296,635	73,947	230,347	600,929
Parent					
Payables	91,669	91,669	-	-	91,669
Borrowings – QTC	217,501	15,005	60,061	215,536*	290,602
Borrowings – bridging loan	188,100	188,100	-	-	188,100
Intercompany loan	43,566	43,566	-	-	43,566
Deposits payable	578	39	38	501	578
	541,414	338,379	60,099	216,037	614,515
2012					
Consolidated					
Payables	25,627	25,627	-	-	25,627
Borrowings – QTC	242,232	19,243	77,016	232,485*	328,744
Deposits payable	408	39	38	331	408
	268,267	44,909	77,054	232,816	354,779
Parent					
Payables	24,395	24,395	-	-	24,395
Borrowings – QTC	217,522	15,686	62,788	215,232*	293,706
Intercompany loan	40,984	40,984	-	-	40,984
Deposits payable	408	39	38	331	408
	283,309	81,104	62,826	215,563	359,493

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

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated impairment of assets

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

Water charges applied to irrigators are regulated by the Queensland Government which subsidises water prices by way of community service obligation payments for the forecast shortfall between revenue raised in accordance with the regulated charges and the estimated efficient costs of storage and distribution of water for irrigation purposes. As the regulated price does not provide for a commercial return on capital, the reduced cash flows substantially impact on the values assigned to the water infrastructure assets. The Queensland Competition Authority (QCA), appointed to conduct an independent review and make recommendations to government on future irrigation water pricing, handed down its final report *SunWater Irrigation Price Review: 2012-17* in May 2012. In June 2012, SunWater's shareholding Ministers directed SunWater to charge its irrigation customers the final recommended prices as defined in this report for the period commencing 1 July 2012 and ending 30 June 2017.

The cash flow projections used in SunWater's model are based on these approved irrigation pricing arrangements and likely future pricing trends.

SunWater applied its pre-tax weighted average cost of capital (WACC) as the discount rate. WACC includes a market-determined rate that reflects the risks associated with operating the business. The risk-free factor, used in the calculation of WACC, is based on a five year moving average of the daily risk-free rate.

There is no open market for the sale of water infrastructure owned by SunWater.

The cash flow projections anticipate that business efficiencies will be achieved over time to meet QCA determined efficient costs and that future price paths will recover efficient costs.

(ii) Useful life of property, plant and equipment

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

(iii) Non-current intangible assets

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

NOTE 4 REVENUE

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue from continuing operations				
Industrial water charges	119,019	109,599	90,540	80,864
Irrigation water charges	47,159	48,893	46,213	48,019
Urban water charges	9,225	8,624	8,872	8,449
Drainage charges	1,407	1,364	1,407	1,364
Water allocations revenue	12,323	12,784	11,931	11,552
Consulting and facilities services revenue	12,368	13,418	28,480	21,003
Electricity generation	489	491	489	485
Community service obligation – irrigation	8,997	6,289	8,997	6,289
Community service obligation – urban	5,037	4,971	-	-
Community service obligation – other	-	-	-	-
Other fees and charges	279	286	279	285
Grants	27	302	27	16
Interest	9,851	12,523	10,251	13,097
Dividends received	-	-	-	7,500
Rent received	458	283	458	283
Other	835	944	784	890
Total revenue from continuing operations	227,474	220,771	208,728	200,096

NOTE 5 OTHER INCOME

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Other income				
Gain on disposal of non-current assets	474	1,022	474	1,022
Proceeds from insurance settlement	31	3,442	31	2,650
Total other income	505	4,464	505	3,672

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 6 FINANCE COSTS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Interest and finance charges paid/payable	17,598	18,238	17,420	18,072
Amount capitalised	-	(2)	-	(2)
Finance costs expended	17,598	18,236	17,420	18,070

NOTE 7 INCOME TAX AND INCOME TAX EQUIVALENTS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(a) Income tax equivalents expense				
Current tax equivalents expense	10,982	21,698	6,122	13,457
Deferred tax equivalents expense/(credit)	(2,853)	(28,903)	4,798	(26,448)
Prior year (over)/under provision	(1,527)	269	(1,527)	269
	6,602	(6,936)	9,393	(12,722)
Income tax equivalents expense/(credit) is attributable to:				
Profit/(loss) from continuing operations	6,602	(6,936)	9,393	(12,722)
Deferred tax equivalents expense/(credit) included in income tax equivalents expense comprises:				
Decrease/(increase) in deferred tax assets (note 15)	(5,362)	(7,522)	878	(6,326)
Increase/(decrease) in deferred tax liabilities (note 20)	2,509	(21,381)	3,920	(20,122)
	(2,853)	(28,903)	4,798	(26,448)

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(b) Numerical reconciliation of income tax equivalents expense/(credit) to prima facie tax equivalents payable				
Profit/(loss) from continuing operations before income tax equivalents expense/(credit)	27,510	(24,006)	36,813	(35,794)
Tax at 30%	8,253	(7,202)	11,044	(10,738)
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:				
Entertainment expenses	20	23	20	23
Non deductible payment	33	-	33	(2,250)
Sundry items	(178)	(26)	(178)	(26)
Prior year (over)/under provision	(1,526)	269	(1,526)	269
Income tax equivalents expense/(credit)	6,602	(6,936)	9,393	(12,722)

NOTE 8 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash on hand	5	6	5	6
Cash at bank ⁽¹⁾	130,036	2,482	129,733	1,767
Deposits on call	42,365	38,019	31,478	27,108
Term deposits	166,412	147,278	166,412	147,278
	338,818	187,785	327,628	176,159

⁽¹⁾ During the year, an interest free bridging loan of \$188.100 M was received from a customer to part fund the construction of the Woleebee Pipeline and deposited into a separate account (note 18). Withdrawals from this account can only be made to pay for construction expenditure and can only be made with the approval of the customer. The account is not available on demand and is not available to meet SunWater's short-term cash commitments. Construction is expected to be finalised by 30 June 2014. At 30 June 2013, \$127.883 M was undrawn.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 8 CASH AND CASH EQUIVALENTS (continued)

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

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

Balances as per statement of cash flows	388,818	187,785	327,628	176,159
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(b) Risk exposure

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

NOTE 9 RECEIVABLES

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Trade debtors ⁽¹⁾	29,065	8,969	24,637	5,047
Term trade debtors	85	111	85	111
Intercompany receivables	-	-	667	1,076
Intercompany taxation receivables	-	-	7,783	8,242
	29,150	9,080	33,172	14,476
Allowance for impairment of receivables	(2,285)	(1,500)	(2,285)	(1,500)
	26,865	7,580	30,887	12,976
Non-current				
Intercompany receivables	-	-	10,541	18,021
	-	-	10,541	18,021

⁽¹⁾ Includes costs recoverable from customers in respect of projects which did not proceed to construction.

(a) Impaired receivables

The ageing of trade receivables is as follows:

	GROSS RECEIVABLE		GROSS RECEIVABLE	
	2013 \$'000	IMPAIRMENT 2013 \$'000	2012 \$'000	IMPAIRMENT 2012 \$'000
Consolidated				
Not past due	20,570	217	6,219	203
Past due 0 – 30 days	1,277	262	530	200
Past due 31 – 60 days	1,408	148	1,005	302
More than 60 days	5,810	1,658	1,215	795
	29,065	2,285	8,969	1,500

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

	2013 \$'000	2012 \$'000
At 1 July	1,500	1,300
Allowances added/(written back)	785	200
Carrying amount at 30 June	2,285	1,500

The addition to the allowance for impairment of receivables has been included in "other expenses" in the statements of comprehensive income.

(b) Foreign exchange and interest rate risk

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

(c) Fair value and credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 10 INVENTORIES

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Materials and stores	2,273	2,223	2,273	2,223

Inventory expense

Inventories recognised as expense during the year ended 30 June 2013 amounted to \$1.618 M (2012: \$2.000 M). There were no write-downs of inventories to net realisable value charged as an expense during the year ended 30 June 2013 (2012: nil). Inventory to the value of \$0.001 M was written off during the year (2012: \$0.060 M). There were no reversals of previous write-downs (2012: nil).

NOTE 11 OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
GST receivable	2,544	1,783	2,315	1,689
Prepayments	693	710	690	710
Prepaid income tax	1,706	-	1,706	-
Accrued revenue ^[1]	17,633	18,858	19,170	15,411
	22,576	21,351	23,881	17,810

^[1] Includes water delivered to 30 June but not invoiced.

NOTE 12 OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Shares in controlled entities – at cost	-	-	81,296	81,296

Information relating to the controlled entities is set out below.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2013 %	2012 %
North West Queensland Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Eungella Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Burnett Water Pty Ltd	Australia	Ordinary	100	100

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Land^[1]	7,987	7,653	7,987	7,653
Buildings and land improvements ^[1]	19,802	16,277	19,768	16,243
Accumulated depreciation	(4,072)	(3,580)	(4,061)	(3,570)
Total buildings and land improvements	15,730	12,697	15,707	12,673
Plant and equipment ^[1]	19,058	19,205	19,045	19,193
Accumulated depreciation	(12,101)	(11,315)	(12,097)	(11,311)
Accumulated impairment	(365)	(365)	(365)	(365)
Total plant and equipment	6,592	7,525	6,583	7,517
Water infrastructure ^[1]	870,842	810,990	715,411	655,559
Accumulated depreciation	(143,841)	(123,799)	(94,379)	(78,985)
Accumulated impairment	(183,141)	(172,781)	(176,784)	(166,424)
Total water infrastructure	543,860	514,410	444,248	410,150
Assets under construction^{[1][2]}	203,997	172,186	201,311	170,459
Accumulated impairment	-	(28,744)	-	(28,744)
Total assets under construction	203,997	143,442	201,311	141,715
Total property, plant and equipment	778,166	685,727	675,836	579,708

^[1] At cost or deemed cost.

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 13 PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliations

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

	LAND \$'000	BUILDINGS & LAND IMPROVEMENTS \$'000	PLANT & EQUIPMENT \$'000	WATER INFRASTRUCTURE \$'000	ASSETS UNDER CONSTRUCTION \$'000	TOTAL \$'000
Consolidated						
Year ended 30 June 2013						
Carrying amount at 1 July 2012	7,653	12,697	7,525	514,410	143,442	685,727
Additions	395	3,764	1,161	60,187	141,806	207,313
Disposals	(61)	(175)	(44)	(230)	-	(510)
Transfer between classes	-	-	-	-	(78,779)	(78,779)
Depreciation expense	-	(556)	(2,050)	(20,147)	-	(22,753)
Impairment loss	-	-	-	(10,360)	(2,472)	(12,832)
Carrying amount at 30 June 2013	7,987	15,730	6,592	543,860	203,997	778,166

	LAND \$'000	BUILDINGS & LAND IMPROVEMENTS \$'000	PLANT & EQUIPMENT \$'000	WATER INFRASTRUCTURE \$'000	ASSETS UNDER CONSTRUCTION \$'000	TOTAL \$'000
Year ended 30 June 2012						
Carrying amount at 1 July 2011	7,904	11,762	8,963	586,093	89,884	704,606
Additions	-	1,680	802	15,393	101,129	119,004
Disposals	(251)	(224)	(53)	(372)	-	(900)
Transfer between classes	-	-	-	-	(18,827)	(18,827)
Depreciation expense	-	(521)	(2,187)	(19,553)	-	(22,261)
Impairment loss	-	-	-	(67,151)	(28,744)	(95,895)
Carrying amount at 30 June 2012	7,653	12,697	7,525	514,410	143,442	685,727

Parent

Year ended 30 June 2013						
Carrying amount at 1 July 2012	7,653	12,673	7,517	410,150	141,715	579,708
Additions	395	3,764	1,160	60,186	140,847	206,352
Disposals	(61)	(175)	(44)	(230)	-	(510)
Transfer between classes	-	-	-	-	(78,779)	(78,779)
Depreciation expense	-	(555)	(2,050)	(15,498)	-	(18,103)
Impairment loss	-	-	-	(10,360)	(2,472)	(12,832)
Carrying amount at 30 June 2013	7,987	15,707	6,583	444,248	201,311	675,836

Year ended 30 June 2012						
Carrying amount at 1 July 2011	7,904	11,737	8,955	477,260	89,768	595,624
Additions	-	1,680	802	15,321	99,446	117,249
Disposals	(251)	(224)	(53)	(372)	-	(900)
Transfer between classes	-	-	-	-	(18,755)	(18,755)
Depreciation expense	-	(520)	(2,187)	(14,908)	-	(17,615)
Impairment loss	-	-	-	(67,151)	(28,744)	(95,895)
Carrying amount at 30 June 2012	7,653	12,673	7,517	410,150	141,715	579,708

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 13 PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment

Cash generating units

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

	CONSOLIDATED		PARENT	
	LOSS	(REVERSED)	LOSS	(REVERSED)
	\$'000	\$'000	\$'000	\$'000
<i>Bowen Broken Water Supply Scheme</i>		(3,643)		(3,643)
This CGU comprises all of the water infrastructure assets in the Bowen Broken Water Supply Scheme. The reversal of previously recognised impairment losses arises mainly because revised cash inflows are now expected to recover certain previously recognised future cash outflows. Recoverable amount is determined as value in use. The discount rate used was 9.4% (2012:10.6%).				
<i>Boyne Water Supply Scheme</i>	2,922		2,922	
This CGU comprises all of the water infrastructure assets in the Boyne Water Supply Scheme. The impairment loss mainly arises because additional future cash outflows are expected to fully absorb currently forecast cash inflows. Recoverable amount is determined as value in use. The discount rate used was 9.4% (2012:10.6%).				
<i>Mareeba Dimbulah Water Supply Scheme</i>	13,192		13,192	
This CGU comprises all of the water infrastructure assets in the Mareeba Dimbulah Water Supply Scheme. The impairment loss mainly arises because additional future cash outflows are expected to fully absorb currently forecast cash inflows. Recoverable amount is determined as value in use. The discount rate used was 9.4% (2012: 10.6%).				
<i>Nogoa Mackenzie Water Supply Scheme</i>		(4,498)		(4,498)
This CGU comprises all of the water infrastructure assets in the Nogoa Mackenzie Water Supply Scheme. The reversal of previously recognised impairment losses arises mainly because revised cash inflows are now expected to recover certain previously recognised future cash outflows. Recoverable amount is determined as value in use. The discount rate used was 9.4% (2012: 10.6%).				
Other cash generating units – individually not significant. Recoverable amount is determined as value in use. The discount rate used was 9.4% (2012: 10.6%).	4,616	(2,229)	4,616	(2,229)
Total	20,730	(10,370)	20,730	(10,370)

Assets under construction

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

	CONSOLIDATED		PARENT	
	LOSS	(REVERSED)	LOSS	(REVERSED)
	\$'000	\$'000	\$'000	\$'000
Connors River Dam and Pipeline	2,472		2,472	

On 25 July 2012, SunWater's Board resolved to cease all project activities associated with the Connors River Dam and Pipeline projects due to insufficient customer commitment to the projects to enable them to continue. Impairment of \$28,744 M being pre-construction costs of \$45.100 M (ex GST) of which \$16.356 M (ex GST) was recoverable from customers, was recorded in last year's financial statements. Since that time, additional expenditure has been incurred to fully close out the project.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 14 INTANGIBLE ASSETS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Software ⁽¹⁾	29,702	16,433	29,702	16,433
Accumulated amortisation	(15,255)	(14,315)	(15,255)	(14,315)
Accumulated impairment	(359)	(359)	(359)	(359)
	14,088	1,759	14,088	1,759
Trade names	8	8	8	8
Water allocations ⁽¹⁾	58,141	57,958	9,851	9,568
	72,237	59,725	23,947	11,335

⁽¹⁾ At cost or deemed cost.

Reconciliations

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

	SOFTWARE \$'000	TRADE NAMES \$'000	WATER ALLOCATIONS \$'000
Consolidated			
Year ended 30 June 2013			
Carrying amount at 1 July 2012	1,759	8	57,958
Additions – at cost	13,271	-	283
Disposals/retirements	-	-	(100)
Amortisation expense	(942)	-	-
Carrying amount at 30 June 2013⁽¹⁾	14,088	8	58,141
Year ended 30 June 2012			
Carrying amount at 1 July 2011	1,518	8	53,329
Additions – at cost	952	-	5,055
Disposals/retirements	-	-	(426)
Amortisation expense	(711)	-	-
Carrying amount at 30 June 2012⁽¹⁾	1,759	8	57,958
Parent			
Year ended 30 June 2013			
Carrying amount at 1 July 2012	1,759	8	9,568
Additions – at cost	13,271	-	283
Disposals/retirements	-	-	-
Amortisation expense	(942)	-	-
Carrying amount at 30 June 2013⁽¹⁾	14,088	8	9,851
Year ended 30 June 2012			
Carrying amount at 1 July 2011	1,518	8	4,513
Additions – at cost	952	-	5,055
Disposals/retirements	-	-	-
Amortisation expense	(711)	-	-
Carrying amount at 30 June 2012⁽¹⁾	1,759	8	9,568

⁽¹⁾ Net of retirements (fully written down).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 15 DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:				
Allowance for impairment of receivables	685	450	685	450
Property, plant and equipment	1,299	7,362	-	5,865
Accrued payables	179	18	173	15
Accrued employee benefits	1,338	1,348	1,338	1,348
Revenue received in advance	2,098	530	2,098	530
Provision for Rocklea land commitment	363	360	363	360
Unearned renewal annuity	1,545	1,569	1,545	1,569
Rent incentive	512	605	512	605
Provision for natural disaster repairs	11,175	2,467	3,622	1,408
Provision for legal fees	368	416	323	416
Provision for repairs Paradise Dam	321	425	-	-
Provision for restructuring	1,029	-	1,029	-
Balance at 30 June	20,912	15,550	11,688	12,566

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Movements:				
Opening balance at 1 July	15,550	8,028	12,566	6,240
Credited/(charged) to the income statement	5,362	7,522	(878)	6,326
Closing balance at 30 June	20,912	15,550	11,688	12,566
Deferred tax assets to be recovered after 12 months	19,395	13,759	9,492	10,753
Deferred tax assets to be recovered within 12 months	1,517	1,791	2,196	1,813
Closing balance at 30 June	20,912	15,550	11,688	12,566

NOTE 16 PAYABLES

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade creditors	30,847	5,990	30,844	5,990
Intercompany taxation payables	-	-	2,923	-
Other creditors and accruals	46,312	19,637	45,031	18,405
	77,159	25,627	78,798	24,395

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 17 PROVISIONS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Employee benefits (note 21) ⁽¹⁾	4,462	4,497	4,462	4,497
Natural disaster repairs ⁽²⁾	37,251	8,225	12,075	4,694
Legal costs ⁽³⁾	1,225	1,385	1,075	1,385
Paradise Dam repairs ⁽⁴⁾	1,071	1,417	-	-
Restructuring ⁽⁵⁾	3,429	-	3,429	-
Income tax	-	10,786	-	10,786
Dividends	12,870	-	12,870	-
	60,308	26,310	33,911	21,362
Non-current				
Land commitment ⁽⁶⁾	1,210	1,199	1,210	1,199
	1,210	1,199	1,210	1,199

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

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

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

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

⁽⁵⁾ In April 2013, the Commission of Audit recommended, and the Queensland Government accepted, that SunWater is to transfer its irrigation channels to private irrigators and to withdraw fully from this activity. The provision represents management's estimate of the present obligation required to implement this recommendation. (Refer also to Note 30).

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

Movements in provisions

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

	NATURAL DISASTER REPAIRS \$'000	LEGAL COSTS \$'000	PARADISE DAM REPAIRS \$'000	RESTRUCTURING \$'000	INCOME TAX \$'000	LAND COMMITMENT \$'000
Consolidated						
Carrying amount at 1 July 2012	8,225	1,385	1,417	-	10,786	1,199
Provisions added/(written back)	32,221	210	-	3,429	11,161	11
Payments made during the year	(3,195)	(370)	(346)	-	(21,947)	-
Carrying amount at 30 June 2013	37,251	1,225	1,071	3,429	-	1,210
Parent						
Carrying amount at 1 July 2012	4,694	1,385	-	-	10,786	1,199
Provisions added/(written back)	8,356	60	-	3,429	11,161	11
Payments made during the year	(975)	(370)	-	-	(21,947)	-
Carrying amount at 30 June 2013	12,075	1,075	-	3,429	-	1,210

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 18 BORROWINGS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Unsecured⁽¹⁾				
QTC loan	240,161	242,232	217,501	217,522
Bridging loan	188,100	-	188,100	-
Intercompany loans	-	-	43,566	40,984
	428,261	242,232	449,167	258,506
Represented by:				
Current	189,781	1,985	231,666	40,984
Non-current	238,480	240,247	217,501	217,522
	428,261	242,232	449,167	258,506

⁽¹⁾ Borrowings by subsidiary company are secured by parent entity guarantee.

(a) Financing arrangements

The loans from QTC are interest bearing. Parent entity non-current borrowings are interest only and have no fixed repayment date. The terms of the facilities are reviewed by QTC annually. Subject to the annual approval of the Queensland Treasurer, borrowings are sourced from the SunWater Client Specific Pool, except in the case of borrowings by SunWater's subsidiary companies which borrow externally through QTC's generic debt pool. SunWater may draw up to the amount of the approved borrowing program of \$305 M in 2013 (2012: \$159 M). This facility was unused at 30 June 2013.

SunWater has a rolling \$50 M 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 2013 (2012: undrawn).

An interest free bridging loan of \$188.100 M was received from a customer to part fund the construction of the Woleebee Pipeline. Once construction is finalised and the pipeline is commissioned (anticipated to be 30 June 2014), the loan will be replaced with a prepaid (unearned) revenue liability, of equivalent amount, which will be progressively amortised to revenue over the period of the water supply and transportation contracts with the customer. (See also note 8.)

(b) Fair value

	CONSOLIDATED			
	2013 CARRYING AMOUNT \$'000	2013 FAIR VALUE \$'000	2012 CARRYING AMOUNT \$'000	2012 FAIR VALUE \$'000
The carrying amounts and fair values of interest bearing liabilities at balance date are:				
Borrowings	240,161	261,085	242,232	265,176

	PARENT			
	2013 CARRYING AMOUNT \$'000	2013 FAIR VALUE \$'000	2012 CARRYING AMOUNT \$'000	2012 FAIR VALUE \$'000
The carrying amounts and fair values of interest bearing liabilities at balance date are:				
Borrowings	217,501	234,780	217,522	236,566

Note: The difference between carrying amount and fair value represents the market realisation adjustment on borrowings from QTC. Generally, the SunWater group repays borrowings in accordance with the requirements of the relevant agreement, hence no adjustment to fair value is appropriate.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 19 OTHER LIABILITIES

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Deposits payable	578	408	578	408
Unearned annuity ⁽¹⁾	5,150	5,231	5,150	5,231
Rent incentive	310	310	310	310
Other	23	13	23	13
	6,061	5,962	6,061	5,962
Non-current				
Rent incentive	1,397	1,707	1,397	1,707
	1,397	1,707	1,397	1,707

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 19 OTHER LIABILITIES (continued)

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

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

	OPENING BALANCE \$'000	ANNUITY REVENUE \$'000	REFURBISHMENT EXPENDITURE \$'000	MOVEMENT \$'000	CLOSING BALANCE \$'000
Consolidated					
Year ended 30 June 2012					
Water Supply Scheme					
Barker Barambah Supply	675	(137)	270	133	808
Bowen Broken Supply	189	(7)	270	263	452
Boyne Supply	(418)	(46)	-	(46)	(464) *
Bundaberg Supply	804	(626)	901	275	1,079
Burdekin Supply	(809)	(856)	575	(281)	(1,090) *
Callide Supply	147	(81)	240	159	306
Chinchilla Weir Supply	(26)	(3)	6	3	(23) *
Cunnamulla Weir Supply	11	(11)	1	(10)	1
Dawson Supply	(2,031)	(173)	617	444	(1,587) *
Eton Supply	542	(256)	288	32	574
Lower Mary Supply	2	(96)	-	(96)	(94) *
Macintyre Brook Supply	1,782	(213)	200	(13)	1,769
Maranoa Supply	(2)	(5)	-	(5)	(7) *
Mareeba Supply	(1,365)	(431)	25	(406)	(1,771) *
Nogoa Supply	521	(411)	732	321	842
Pioneer Supply	1,895	(238)	558	320	2,215
Proserpine Supply	40	(31)	137	106	146
St George Supply	(49)	(203)	935	732	683
Tarong Pipelines	7	(3)	12	9	16
Three Moon Creek Supply	79	(66)	95	29	108
Upper Burnett Supply	268	(290)	530	240	508
Upper Condamine Supply	688	(196)	280	84	772

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 19 OTHER LIABILITIES (continued)

	OPENING BALANCE \$'000	ANNUITY REVENUE \$'000	REFURBISHMENT EXPENDITURE \$'000	MOVEMENT \$'000	CLOSING BALANCE \$'000
Distribution System					
Bundaberg Distribution	(378)	(1,719)	1,902	183	(195) *
Burdekin Distribution	3,521	(1,765)	1,411	(354)	3,167
Dawson Distribution	792	(107)	513	406	1,198
Emerald Distribution	1,900	(314)	649	335	2,235
Eton Distribution	962	(449)	681	232	1,194
Lower Mary Distribution	909	(245)	95	(150)	759
Mareeba Distribution	2,039	(1,114)	1,332	218	2,257
St George Distribution	1,365	(271)	225	(46)	1,319
Total	14,060	(10,363)	13,480	3,117	17,177

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

NOTE 20 DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
The balance comprises temporary differences attributable to:				
Inventories	574	558	574	558
Accrued revenue	1,338	2,584	726	1,034
Water allocations	9,207	7,134	1,354	1,354
Property, plant and equipment	9,209	7,543	4,212	-
Closing balance at 30 June	20,328	17,819	6,866	2,946
Movements				
Opening balance at 1 July	17,819	39,200	2,946	23,068
Charged/(credited) to the income statement	2,509	(21,381)	3,920	(20,122)
Closing balance at 30 June	20,328	17,819	6,866	2,946
Deferred tax liabilities to be settled after 12 months	18,416	14,677	5,566	1,354
Deferred tax liabilities to be settled within 12 months	1,912	3,142	1,300	1,592
Closing balance at 30 June	20,328	17,819	6,866	2,946

NOTE 21 EMPLOYEE BENEFITS

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Employee benefits liability				
Provision for employee benefits (note 17)	4,462	4,497	4,462	4,497
Aggregate employee benefits liability	4,462	4,497	4,462	4,497
Employee numbers				
Number of employees (full time equivalents excluding casuals) as at 30 June	498	490	498	490

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 22 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000

(a) Share capital

Issued and paid up capital:

2 ordinary shares of \$190.1345 M each⁽¹⁾	380,269	380,269	380,269	380,269
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⁽¹⁾ Shares have no par value.

	NUMBER OF SHARES \$'000	CONTRIBUTION PER SHARE \$'000	TOTAL \$'000
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(b) Movements in ordinary share capital

Opening balance 1 July 2011	2	190,023	380,047
Equity injections	-	111	222
Closing balance 30 June 2012	2	190,134	380,269
Closing balance 30 June 2013	2	190,134	380,269

(c) Capital risk management

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

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

During 2013, SunWater's strategy was to maintain a market gearing ratio with a 50% upper limit (2012: 50%). The market gearing ratios at 30 June 2013 and 30 June 2012 were as follows:

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Total borrowings ⁽¹⁾	428,261	242,232	449,167	258,506
Total equity	667,123	659,085	610,567	596,017
Total capital	1,095,384	901,317	1,059,734	854,523
Market gearing ratio	39%	27%	42%	30%

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

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

NOTE 23 DIVIDENDS

	PARENT	
	2013 \$'000	2012 \$'000

Ordinary shares

2013 first and final dividend of \$6.435 M per share declared and provided for but not paid as at 30 June 2013⁽¹⁾⁽²⁾

	12,870	-
	12,870	-

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

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

NOTE 24 REMUNERATION OF AUDITORS

During the year, fees of \$0.156 M (2012: \$0.122 M) 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; and
- other services provided as a support to SunWater's internal audit function.

No other services were provided.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

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

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Profit/(loss) for the year	20,908	(17,070)	27,420	(23,072)
Non-cash items:				
Depreciation and amortisation	23,695	22,972	19,045	18,326
Impairment	12,832	95,895	12,832	95,895
Bad and doubtful debts	854	208	854	208
Net (gain)/loss on sale or disposal of non-current assets	(197)	(554)	(197)	(554)
Interest received	(9,706)	(13,337)	(10,134)	(15,436)
Interest paid	17,264	18,213	17,079	17,567
Dividends received		-		(7,500)
Change in assets and liabilities:				
(Increase)/decrease in inventories and intangibles	(232)	(4,495)	(332)	(4,922)
(Increase)/decrease in deferred tax assets	(5,362)	(7,522)	878	(6,326)
(Increase)/decrease in receivables	(19,381)	(5,010)	(18,883)	673
(Increase)/decrease in other assets	(5,047)	(4,288)	(4,695)	(6,681)
(Decrease)/increase in creditors	62,284	9,160	38,948	3,650
(Decrease)/increase in deferred revenue	26,519	2,916	26,635	2,906
(Decrease)/increase in income taxes payable	(12,492)	792	(12,492)	792
(Decrease)/increase in deferred tax liabilities	2,508	(21,381)	3,920	(20,122)
Net cash inflow from operating activities	114,447	76,499	100,878	55,404

NOTE 26 COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		PARENT	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000

(a) Capital expenditure commitments

Capital expenditure commitments (including GST) contracted for but not brought to account are as follows:

ICT projects	287	731	287	731
Water infrastructure projects	285,568	38,203	285,487	38,135
	285,855	38,934	285,774	38,866

Payable:

Not later than one year	285,855	38,934	285,774	38,866
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(b) Non-cancellable operating lease expense commitments

Future operating lease commitments (including GST) not brought to account and payable:

Within one year	3,286	3,619	3,286	3,619
Later than one year but not later than five years	14,645	15,169	14,645	15,169
Later than five years	2,649	7,074	2,649	7,074
	20,580	25,862	20,580	25,862

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

Future projects and acquisitions

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 27 RELATED PARTIES DISCLOSURES

Key management personnel compensation

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

Key management personnel compensation disclosures by category

CATEGORY	2013 \$'000	2012 \$'000
Consolidated		
Short-term employee benefits	1,657	1,665
Post-employment benefits	154	143
At-risk performance remuneration	138	139
Total	1,949	1,947
Parent		
Short-term employee benefits	1,623	1,636
Post-employment benefits	152	141
At-risk performance remuneration	138	139
Total	1,913	1,916

Compensation – directors

NAME OF DIRECTOR	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST-EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
Consolidated – 2013			
Greg Moynihan, Chair	39	3	42
Will Siganto, Chair (retired 28 June 2013)	55	5	60
Tom Connor	32	3	35
John Gibson (retired 30 September 2012)	12	1	13
Kirstin Ferguson	36	3	39
Alan Millhouse	43	4	47
Anthony Mooney (retired 19 December 2012)	17	2	19
William Wild (appointed 20 December 2012)	14	1	15
Consolidated – 2012			
Scott Spencer, Chair (retired 20 May 2012)	53	5	58
Will Siganto, Chair (appointed 31 May 2012)	-	-	-
Margaret (Jane) Bertelsen, Deputy Chair (retired 21 June 2012)	44	4	48
Tom Connor	32	3	35
John Gibson	39	3	42
Greg Moynihan	38	3	41
Kirstin Ferguson	34	3	37
Alan Millhouse	25	2	27
Anthony Mooney (appointed 1 October 2011)	21	2	23

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 27 RELATED PARTIES DISCLOSURES (continued)

NAME OF DIRECTOR	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST-EMPLOYMENT BENEFITS \$'000	TOTAL \$'000
Parent – 2013			
Greg Moynihan, Chair	35	3	38
Will Siganto, Chair (retired 28 June 2013)	55	5	60
Tom Connor	28	3	31
John Gibson (retired 30 September 2012)	8	1	9
Kirstin Ferguson	36	3	39
Alan Millhouse	25	2	27
Anthony Mooney (retired 19 December 2012)	17	2	19
William Wild (appointed 20 December 2012)	10	1	11
Parent – 2012			
Scott Spencer, Chair (retired 30 May 2012)	53	5	58
Will Siganto, Chair (appointed 31 May 2012)	-	-	-
Margaret (Jane) Bertelsen, Deputy Chair (retired 21 June 2012)	27	2	29
Tom Connor	28	3	31
John Gibson	35	3	38
Greg Moynihan	34	3	37
Kirstin Ferguson	34	3	37
Alan Millhouse	25	2	27
Anthony Mooney (appointed 1 October 2011)	21	2	23

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$84,021 (2012 - \$81,773) paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers.

Compensation – executives

TITLE OF EXECUTIVE	SHORT-TERM EMPLOYEE BENEFITS \$'000	POST- EMPLOYMENT BENEFITS \$'000	AT-RISK PERFORMANCE REMUNERATION \$'000	TOTAL \$'000
Parent 2013				
Chief Executive Officer	455	19	56	530
General Manager, Corporate	271	35	31	337
General Manager, Infrastructure Management (completed service 20 August 2012)	28	3	-	31
Acting General Manager, Infrastructure Management (appointed 20 August 2012)	182	23	-	205
General Manager, Infrastructure Development	261	25	28	314
General Manager, People, Performance and Safety	212	27	23	262
Parent 2012				
Chief Executive Officer	444	15	54	513
General Manager, Corporate	262	33	34	329
General Manager, Infrastructure Management	230	22	26	278
General Manager, Infrastructure Development	249	23	25	297
General Manager, People, Performance and Safety	194	25	-	219

Transactions with director-related entities

SunWater and its controlled entities used the legal services of Allens Linklaters, a firm of which Mr Alan Millhouse is a consultant. During the period of Mr Millhouse's directorship, total value of those legal services (inclusive of GST) was \$671,853. The services were procured on a commercial basis in accordance with board-approved processes and the State Purchasing Policy.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 27 RELATED PARTIES DISCLOSURES (continued)

Transactions with subsidiaries

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

During the year ended 30 June 2013, the following significant transactions occurred between the parent entity and its subsidiaries:

	2013 \$'000	2012 \$'000
Sales of water to subsidiaries	4,755	4,630
Sales of services to subsidiaries	16,111	7,647
Interest received from subsidiaries	943	1,736
Interest paid to subsidiaries	1,739	1,822
Current tax payable assumed from tax consolidated subsidiaries	4,860	7,866
Dividends received from subsidiaries	-	7,500
Loan received from subsidiary	5,000	6,000

Transactions with entities subject to common control

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

During the year ended 30 June 2013, the following significant transactions occurred between SunWater Limited and other State of Queensland controlled entities.

	2013 \$'000	2012 \$'000
Equity contributions from shareholders	-	222
Dividends declared	12,870	-
Interest received from QTC	528	911
Water sales, CSO, grants	26,737	21,844
Consultancies	10,359	11,672
Interest paid to QTC	17,206	17,849

NOTE 28 CONTINGENCIES

SunWater had contingent liabilities at 30 June 2013 in respect of:

- (a) In November 2008, one of two inflatable dams mounted on top of Bedford Weir failed. In the ensuing unexpected release of a large volume of water downstream, a fatality occurred. The incident is the subject of an ongoing Workplace Health and Safety Queensland prosecution and may be subject to a later inquiry by the Coroner. In September 2009, the relatives of the deceased person also instituted legal action for personal injuries. At the date of this report, legal proceedings are continuing. A provision of \$0.250 M has been made in the financial statements for legal costs associated with these proceedings.
- (b) Since the finalisation of the Commission of Inquiry into the 2010/11 flood event and the release of the final report, it has been reported that landowners whose properties were inundated during the floods will seek compensation through one or more class actions against the dam operator. SunWater provided assistance to the dam operator under a contract to provide flood operations support. At the date of this report, SunWater is not aware of any claims against it in this matter.
- (c) SunWater was directed by the Treasurer of Queensland under section 68 of the *South East Queensland Water (Restructuring) Act 2007* (Qld) to indemnify the Queensland Bulk Water Supply Authority in relation to assets transferred on 1 July 2008. This indemnity may give rise to claims on SunWater if any of the conditions are triggered. At the date of this report, there are no known claims or circumstances which would give rise to a claim under the indemnity.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 28 CONTINGENCIES (continued)

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

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

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

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

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

The dam is safe, however, there was a potential risk to the dam if it was subjected to a further major flood event. To mitigate this risk, Phase 1 Emergency Works have been carried out to enable the dam to withstand a late season flood, and further Phase 2 interim works are currently underway to mitigate any potential failure path. These works are expected to be completed in October 2013, prior to the next wet season.

In the longer term, further works may be required to the dam. As a preliminary step, a full dam safety review will be undertaken over the next 18 months to provide a comprehensive understanding of the impacts of the flood damage, and inform the development of a long term solution.

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

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

- (f) At 30 June 2013, SunWater was engaged in commercial disputes under various contracts.

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

SunWater had contingent liabilities at 30 June 2013 in respect of:

- (a) SunWater has made a claim under its insurance policies for losses attributable to the flood events in 2010/11 and is preparing a claim for losses from further flooding in early 2013. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2013.
- (b) SunWater has made a claim under its insurance policies for legal costs associated with the Bedford Weir incident. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2013.
- (c) SunWater anticipates that it will make a claim under its insurance policies for legal costs associated with the Commission of Inquiry into the recent flood events and Marian Weir. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2013.

NOTE 29 DAM SAFETY UPGRADE

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

The dam safety program has previously identified the need to upgrade a number of dam spillways in response to spillway adequacy reviews. Spillway upgrades have been completed for Fred Haigh Dam (2006), Bjelke Petersen Dam (2008), Borumba Dam (2009) and Tinaroo Falls Dam (2011).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2013

NOTE 29 DAM SAFETY UPGRADE (continued)

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

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

SAFETY UPGRADE	COMMENCEMENT	ESTIMATED COSTS
Kinchant Dam	2011	\$30.000M
Burdekin Falls Dam – stage 1a*	2012	\$4.600M
Burdekin Falls Dam – stage 1b	2014	\$7.400M
Eungella Dam	2014	\$5.400M
Wuruma Dam	2014	\$9.600M
Burdekin Falls Dam – stage 2	2017	\$150.000M
Teemburra Dam	2019	\$5.800M
Coolmunda Dam	2021	\$4.400M
Fred Haigh Dam – stage 2	2023	\$3.200M
Leslie Dam	2024	\$4.000M
Peter Faust Dam	2034	\$0.900M

* *Design work only*

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

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

NOTE 30 COMMISSION OF AUDIT RECOMMENDATIONS

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

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

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

NOTE 31 SUBSEQUENT EVENTS

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

DIRECTORS DECLARATION

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

- (a) in their opinion, there are reasonable grounds to believe that SunWater Limited will be able to pay its debts as and when they become due and payable;
- (b) the notes to the financial statements of SunWater Limited for 2012-2013 as set out on pages 22 to 50 of the Financial Report comply with:
 - (i) Accounting Standards;
 - (ii) International Financial Reporting Standards, and this statement has been included in the notes to the financial statements of SunWater Limited for 2012-2013 as set out in note 1(a);
- (c) in their opinion, the financial statements and notes of SunWater Limited for 2012-2013 as set out on pages 17 to 50 of the Financial Report of SunWater Limited for 2012-2013 are in accordance with the *Corporations Act 2001* (Cth) including:
 - (i) that the financial statements and notes of SunWater Limited for 2012-2013 comply with Accounting Standards; and
 - (ii) give a true and fair view of:
 - a. the financial position and performance of SunWater Limited; and
 - b. the financial position and performance of the consolidated entity.

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



G Moynihan
Chair



A Millhouse
Director

Brisbane, Qld
29 August 2013

INDEPENDENT AUDITOR'S REPORT

To the Members of SunWater Limited

Report on the Financial Report

I have audited the accompanying financial report of SunWater Limited ("the Company"), which comprises the balance sheets as at 30 June 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

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

Opinion

In my opinion -

- (a) the financial report of SunWater Limited is in accordance with the *Corporations Act 2001*, including -
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Other Matters - Electronic Presentation of the Audited Financial Report

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



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



Brisbane, Qld
30 August 2013

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

Our focus is to ensure our business systems, processes and capabilities are consistent with ensuring compliance with regulatory and good governance obligations.

SunWater was established as a statutory GOC on 1 October 2000 under the *Government Owned Corporations Act 1993 (Qld)* (GOC Act). On 1 July 2008, SunWater transitioned to become a public company limited by shares under the *Corporations Act 2001 (Cth)* and became SunWater Limited ACN 131 034 985. SunWater is wholly owned by the Queensland Government.

SunWater is committed to best-practice corporate governance to ensure appropriate degrees of accountability and transparency to stakeholders. SunWater's corporate governance practices and frameworks have been established in compliance with the governance requirements set out in relevant legislation, including the GOC Act and the *Financial Accountability Act 2009 (Qld)*, and having regard to the Queensland Government's *Corporate Governance Guidelines for GOCs*.

SunWater has implemented significant processes to ensure its internal policies, guidelines and practices remain aligned with the wider legislative and GOC policy framework relevant to SunWater and its subsidiaries. Through regular monitoring, reporting and disclosure, SunWater is able to demonstrate that its corporate governance practices are adequate and appropriate.

PRINCIPLE 1: FOUNDATIONS OF MANAGEMENT AND OVERSIGHT

To ensure that the Board is able to effectively fulfil the requirements of section 88 of the GOC Act and relevant provisions of the *Corporations Act*:

The Board Charter defines the roles and responsibilities of the Board and matters which are delegated to management. The Board Charter is published on SunWater's website: www.sunwater.com.au as part of SunWater's release of information publication scheme.

The Audit and Corporate Governance Committee, the Industry, Regulation, Safety and Environment Committee, and the Remuneration Committee have specific committee charters. These Charters are published on

SunWater's website: www.sunwater.com.au as part of SunWater's release of information publication scheme.

A register of committees and their functions is maintained by SunWater. There is a formal induction process in place for new Board members in relation to their Board and committee functions and responsibilities.

The Board Handbook is regularly reviewed and is available to facilitate Board induction, operations and self-evaluation processes.

Management's responsibilities are defined and documented in formal position descriptions and performance plans.

A performance evaluation for the CEO and Senior Executives takes place as part of SunWater's annual achievement development system. The evaluation process and results are overseen by the Remuneration Committee.

Separately, the Board undertakes a process of self-evaluation every 18 to 24 months.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

There is a range of procedures and controls in place to ensure that the interests of shareholding Ministers and the public are properly protected:

The Board is appointed by the Governor-in-Council in accordance with the GOC Act. As such, the Board does not have a formal role in setting the composition or size of the Board. The Board is comprised of non-executive Directors, all of whom are considered to be independent and have declared any business or other relationships that could compromise their ability to exercise unfettered and independent judgement. The skills, experience and expertise of each Director are set out on pages 12 to 13 of this report.

Work undertaken for SunWater by any business in which a Director has an interest is recorded and assessed against materiality thresholds to ensure ongoing director independence. Depending on the nature and amount of work undertaken, SunWater has defined the materiality threshold for: a supplier of SunWater at 40% or more and a customer of SunWater at 5% or more; of the total of the relevant expenditure or revenue category or categories in any rolling 12 month period.

Directors declare their business interests and any business or other relationships and must notify the Board of changes to business interests and appointments.

The Board generally reviews all Director independence information on a monthly basis and directors are required to disclose at the commencement of every Board and Committee meeting any matters relevant to their independence.

The Board and Committees regularly review their information needs to ensure the information received is appropriate for the effective discharge of their charters.

While the Chair continuously monitors the performance of individual Directors, the Board and Committees, a formal self-evaluation process is undertaken every 18 to 24 months. The latest self-evaluation process was completed during 2012/2013. The evaluation process which is coordinated and managed by an independent consultant, considers the effectiveness of the Directors, Board and Committees, including Board and Committee structure and roles, strategy and planning, Board dynamics and relationship with management, internal processes, organisational performance, risk assessment and external communication. The results of these assessments are communicated to shareholding Ministers in writing. The Board has established and administers an ongoing performance evaluation and reporting process. As part of the process, training and development requirements are identified to ensure that Directors have appropriate skills and knowledge of water industry and corporate governance issues. Where necessary, Directors may seek (with the consent of the Chair) independent professional advice at the Company's expense.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

SunWater holds all Directors and employees to the highest standards of ethical behaviour. SunWater is committed to corporate practices which recognise the interests of employees, clients and the community as a whole and obligations of corporate social responsibility:

SunWater has implemented a Code of Conduct outlining the practices necessary to maintain stakeholder, industry and community confidence in the behaviour of all individuals at SunWater. SunWater also maintains and regularly updates a Board Handbook which establishes Directors' ethical obligations. The Code of Conduct is available on SunWater's website: www.sunwater.com.au.

SunWater has established a Trading in Securities Policy which applies to regulate any situation where Directors, officers or employees may in the course of their duties have access to inside information about any securities or where dealings in securities may create a conflict of interest. The Trading in Securities Policy is available on SunWater's website:

www.sunwater.com.au

SunWater's CEO is obliged by law to notify the Crime and Misconduct Commission (CMC) if the CEO suspects that a complaint may involve official misconduct under the *Crime and Misconduct Act 2001 (Qld)*. A 'Complaints of Alleged Impropriety and Misconduct Framework' is in place to evaluate, report and investigate matters as required. Further, SunWater has partnered with EthicsPoint to provide an independent telephone and on-line disclosure reporting line for employees and third parties to report misconduct anonymously (SunWater Whistleblower Hotline). There is also a dedicated on-line portal on SunWater's website; the 'Reporting Unlawful or Unethical Behaviour Contact' under the Contact Us tab to facilitate reporting of allegations of unethical behaviour, misconduct and fraud.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

SunWater has appropriate structures and rigorous procedures and controls in place to ensure complete and accurate reporting of its financial position:

SunWater has established an Audit and Corporate Governance Committee to assist the Board to fulfil its financial reporting and corporate governance responsibilities. The Committee reviews financial information presented by management, oversees the quality of audits conducted by internal and external auditors, assesses the adequacy of accounting policies and effectiveness of control systems. In addition, the Committee monitors significant business transactions and processes including capital structure and taxation.

The Audit and Corporate Governance Committee comprises up to four independent non-executive Director members who, as far as possible, have appropriate financial experience and understand the water industry. The Audit and Corporate Governance Committee ensures that strategic and operational risks of significance are subject to review by independent management and makes recommendations to the Board about policy, risk management and compliance improvements. Details of committee members, meetings held and attendances are set out on pages 12 to 13 of this report.

The CEO, General Manager Corporate and Manager Finance have confirmed in writing that the 2012-13 financial statements present a true and fair view and are in accordance with accounting standards.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURES

As a GOC, SunWater is accountable to its shareholding Ministers who are in turn accountable to the Queensland Parliament. SunWater is committed to maintaining a level of disclosure that provides shareholding Ministers with timely and complete access to information:

SunWater submits detailed Quarterly Scorecards to its shareholding Ministers on its performance against the annual SCI, and comprehensive information on operations, financial performance and financial position is publicly released through annual and interim reports as required.

SunWater provides timely advice to inform its shareholding Ministers of any significant matter that impacts upon its ability to achieve the objectives in SunWater's SCI and Corporate Plan.

SunWater adopts a broad approach to disclosure by regularly providing submissions and briefing notes to shareholding Ministers on specific matters.

To ensure that SunWater meets its disclosure requirements, SunWater regularly assesses the key information needs of stakeholders.

SunWater also maintains a publication scheme on its website, in accordance with its obligations under the *Right to Information Act 2009 (Qld)*.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

SunWater is committed to providing balanced and comprehensive information to shareholding Ministers to ensure that the requirements of open and accountable government are met:

SunWater engages with stakeholders through a range of communication strategies to ensure effective and active consultation.

Shareholding Ministers are advised in a timely manner of all issues that have a significant financial, operational, employee, community or environmental impact.

SunWater seeks to actively engage with shareholding Ministers and their department heads to meet legislative and regulatory requirements, promote integrity and confidence and promote awareness and understanding of emerging issues of significance to SunWater's commercial operations. Approval of the shareholding Ministers is sought for significant matters in accordance with the Investment Guidelines for GOCs.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

SunWater has in place a comprehensive framework and procedures for the identification, monitoring and management of key risks associated with its business activities:

The Board and its Committees monitor management's performance in identifying areas of risk and implementing effective strategies to manage and mitigate identified risks. A risk management methodology and process based on AS/NZS ISO31000:2009 has been adopted. SunWater maintains a number of specific project and operational risk management registers which use (as much as practicable) common processes, categories and assessment criteria. Management of SunWater's business risks includes the use of a hierarchy of registers which elevate risks of higher importance to management team, Committee and Board consideration as required. SunWater has implemented and maintains systems, policies and procedures which ensure:

- Integration and alignment of risk management systems with corporate and operational objectives
- Clear communication throughout SunWater of the Board and Senior Management's position on risk
- Common risk management terminology issued
- Risk management forms part of normal business practice and is not undertaken as a separate task at set times
- Information systems for reporting on risk are integrated to enable aggregation and reporting at a corporate level.

SunWater has a high level commitment to the prevention of fraud both within SunWater and against SunWater. It has implemented policies and procedures to address the risks of fraud which include:

- Staff responsibilities in relation to fraud prevention and identification
- Responsibility for fraud investigation once a 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.

The CEO, General Manager Corporate, and Manager Finance confirm to the Board that the statement given under the recommendations applying to Principle 4 is founded on a sound system of risk management and internal compliance and control which implements Board policies; and the risk management and control system is operating efficiently and effectively in all material respects.

At the highest level of risk consideration, SunWater has established a strategic issues log and corporate risk register which are regularly reported to the Board (monthly) and Committees (in line with review schedules agreed for each identified corporate risk). Risks are assigned by the Board to the Committees based on their impact on the business and their external consequences. The Audit and Corporate Governance Committee oversees general business risk management issues and the Industry, Regulation, Safety and Environment Committee oversees risks in the water, regulatory and environmental management areas.

Higher risks are aligned with established business priorities and assessed against a comprehensive risk intelligence framework developed by an external advisor. Identified risks are typically categorised under the areas of governance, strategy and planning, operations and infrastructure, compliance and reporting.

Internally, SunWater has dedicated internal audit, legal, business improvement and governance resources to oversee management of risk identification, planning, mitigation and review processes and additionally, sources external advice as required. Management has reported to the Board as to the effectiveness of SunWater's management of its material business risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

SunWater has established a Remuneration Committee which meets at least four times each year and assists the Board in discharging its duties in regard to executive appointments, executive performance, staff remuneration and industrial relations matters. It considers and recommends to the Board the remuneration and terms of employment for the CEO and Senior Executives and is directly involved in the associated performance planning and review processes.

The Remuneration Committee also oversees the SunWater Enterprise Agreement renewal process. The appropriateness of SunWater's remuneration strategy is assessed utilising community and industry standards and other external information. Details of committee members, meetings held and attendances are set out on pages 12 to 13 of this report.

Remuneration of Directors

Remuneration of Directors is determined by the shareholding Ministers. Total remuneration levels for individual Directors are reported earlier in this Report.

Senior Executive and Staff Remuneration

The Remuneration Committee of the Board oversees all Senior Executive remuneration. SunWater remuneration policies for the majority of SunWater staff, excluding staff members on individual contract, are determined by an Enterprise Agreement in accordance with the Queensland Government approved bargaining framework. SunWater does not have a performance payment scheme for employees covered by the Enterprise Agreement.

Senior Executive remuneration is set by the Board in accordance with Queensland Government guidelines. Their remuneration is based on external independent advice on position evaluation and having regard to Queensland Government policy. Remuneration levels are set on the basis of Total Fixed Remuneration, and are inclusive of all payments and benefits. Existing senior positions are based on a mix of outer limit and tenured employee arrangements.

A Performance Pay Scheme for the CEO and Senior Executives based on agreed targets set by the Board and CEO was in place during 2012-13. The scheme was reviewed in accordance with Queensland Government guidelines.

Subsidiary Companies

Each subsidiary company has a Board of Directors drawn from the SunWater Board, and meets on average three times per year to overview the management, operations, performance and financial reporting activities of that company.

COMPLIANCE IN KEY AREAS

Dam safety

SunWater has in place a comprehensive dam safety program that meets or exceeds dam safety guidelines set by the dam safety regulator, Department of Energy and Water Supply (DEWS), and monitors dam safety as required by the *Water Supply (Safety and Reliability) Act 2008 (QLD)* and in accordance with the Australian National Committee on Large Dams (ANCOLD) guidelines. Annual updates are provided to SunWater's insurance broker to comply with insurance policy disclosure requirements. In recognition of revised maximum probable flood estimates and relevant ANCOLD and Queensland Government regulatory Guidelines on AFC for Dams, SunWater has established and is implementing a program of dam safety upgrades. The upgrade program has been developed using a decision criteria methodology that optimises the reduction of safety risks and ensures value for money investments.

QCA pricing practices implementation plan

SunWater prepared an implementation plan detailing the scope of works, timetable and cost estimates addressing all the eight pricing practices recommendations provided in the QCA Irrigation Pricing Review 2012-2017. The recommendations from the pricing review aimed at improving SunWater's ability to report on and apportion costs to irrigation, as well as improving transparency of its operating and renewals expenditure through the publication of annual Network Service Plans (NSPs). SunWater has successfully implemented all of the actions planned up until 30 June 2013, including the publication of prototype annual NSPs in April 2013, a full year ahead of the QCA's deadline. SunWater will continue to work with the QCA and customers over the next two years to ensure successful implementation of all eight of the QCA's recommendations.

Quality management

SunWater is certified under ISO9001:2008 for Quality Management Systems, supporting and implementing continuous improvement of quality and compliance management. SunWater is a PMO as certified by the Australian Institute of Project Management.

Environmental management

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

As part of the certification requirements, SunWater hosted an audit team from SAI Global in the period 4-15 March 2013. No non-conformances were reported for the environmental system and the ISO certification was formally confirmed for three additional years. Furthermore, the audit noted that "Since February 2012, ongoing review of EMS documentation has progressed to demonstrate a centrally managed EMS as opposed to regional based."

The SunWater Environmental Management System covers the following:

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

Workplace Health and Safety Management

The SunWater Workplace Health and Safety Management System is certified under AS/NZS 4801:2001. An external audit conducted annually reviews SunWater's degree of compliance within its workplace health and safety practices. The audit report considers the outcomes of the organisation's policies, objectives, and continual improvement processes to ensure that best-practice management and legislative compliance are achieved.

Financial management

SunWater has complied with the relevant requirements of the *Financial Accountability Act 2009 (Qld)*, *Corporations Act* and the *GOC Act*.

Local industry policy

During the year, SunWater complied with the Queensland Government's Local Industry Policy and supports competitive local industry access to tender for work on relevant infrastructure and resource-based projects and major procurements in Queensland. Amongst other commitments to the Queensland Government's Local Industry Policy, SunWater, in its planning for works, ensures consideration is given to offer opportunities to capable local suppliers in the development of work packages. SunWater reports on local industry involvement in these projects as required by submitting local industry participation plans and outcome reports to SDIP in line with the Queensland Government's policy and guidelines.

Right to Information

In compliance with the *Right to Information Act 2009 (Qld)*, SunWater publishes (and regularly updates) its publication scheme and disclosure log on its website.

SunWater Compliance Program

SunWater is committed to delivering its strategic and operational objectives in accordance with laws and principles of good governance. SunWater has developed a Compliance Policy and a Legislative Compliance Procedure. In

accordance with this procedure, changes to laws are monitored. The aim of this is to ensure that SunWater complies with its changing legislative obligations.

Legal Proceedings

SunWater's internal Legal Services team provides representation for SunWater in respect to litigation or disputes with a view to resolving these in an appropriate and commercial manner. Legal proceedings are continuing in respect of a failure of an inflatable rubber dam at Bedford Weir in November 2008 which resulted in the fatality of a member of the public.

SunWater's Legal Services team manages legal proceedings with a view to resolving disputes efficiently and effectively. In addition to this, SunWater maintains a full range of commercial insurances.

Internal audit

Internal Audit is a key component of SunWater's corporate governance framework. It operates under a Charter approved and regularly reviewed by the Audit and Corporate Governance Committee. SunWater Internal Audit provides an independent assurance activity over the internal control systems across SunWater by delivering audit work against an annual audit plan which is approved by the Audit and Corporate Governance Committee.

The function is performed independently using an objective, systematic, disciplined and proactive approach and in conformance with the International Standards of Professional Practice of Internal Auditing. The audit plan is risk based and focuses on areas of highest risk with consideration of industry trends and other external factors affecting the business.

The Audit and Corporate Governance Committee monitors the status of internal audit projects under the approved annual audit plan and management actions on previous audit recommendations on a regular basis.

Internal Audit has engaged two co-source partners to assist with the delivery of the annual audit plan. The focus of this year's Audit Plan is on areas of highest risk inherent within a rapidly changing business and organisational structure.

Corporate planning and reporting

SunWater produces a Corporate Plan with a five year outlook, and a SCI that is the annual performance agreement between the Board and shareholding Ministers. Quarterly Scorecards provide shareholding Ministers with details of SunWater's progress towards key undertakings and financial performance against targets and budgets documented in the SCI. Consolidated business and group performance reports are provided to the Board on a monthly basis.

Modifications to the SCI 2012-13: There were no modifications.

Debt drawdown: Debt drawdown associated with the proponent underwritten Woleebee Creek to Glebe Weir Pipeline Project during 2012-13 totaled \$188,100,000. This aligns with the approved Business Case and SunWater's contracted arrangements with QGC and Queensland Treasury Corporation.

Derivative transactions: No derivative transactions occurred during 2012-13.

Significant revenue/expenditure contracts: During the year, SunWater entered into the following significant expenditure contracts:

- Pentair Water Solutions – contract value of \$81 M (fully underwritten by QGC) signed on 21 December 2012 for the supply of pipes for the Woleebee Creek to Glebe Weir Pipeline Project.
- Murphy Pipe and Civil Constructions Pty Ltd – contract value of \$235.06 M (fully underwritten by QGC) signed on 27 March 2013 for construction services associated with the Woleebee Creek to Glebe Weir Pipeline Project.
- Structural Systems (Northern) Pty Ltd – contract value of \$14.48 M signed on 26 June for services associated with the flood repairs at Paradise Dam.

Water Trading Activity: The annual audit of SunWater's water trading activity was performed by BDO (Australia) Ltd during the second quarter confirming SunWater was compliant with its obligations under the Water Trading Code of Conduct for the 2012 financial year. The audit recommended SunWater should assess the particular impacts (if any) on the conduct of its water trading activities due to firstly, the Basin Plan for the Murray-Darling Basin and secondly the Queensland Government's review into LMA for SunWater's channel irrigation systems.

SunWater has until 30 June 2014 to meet the water trading requirements of the Basin Plan for the Murray-Darling Basin and will amend its documentation and processes as required to ensure compliance. Once the outcome is known from the LMA review, SunWater will assess to determine if any further changes are required to be made to its water trading activities.

Recycling Initiatives during 2012-13: SunWater recycled 4T of scrap metal, 1,183kg of batteries, 1,000 litres of oil and 240 litres of oil absorbent material.

SUBSIDIARY REPORTING

SunWater's subsidiaries – Burnett Water Pty Ltd, Eungella Water Pipeline Pty Ltd and North West Queensland Water Pipeline Pty Ltd, being small proprietary companies, are not required to prepare separate special purpose financial statements. For public reporting purposes, the subsidiaries are consolidated into SunWater Limited financial report.

GOVERNMENT DIRECTIVES

Claude Wharton Sub-scheme

SunWater received a directive from its shareholding Ministers in November 2010 in relation to the Claude Wharton sub-scheme of the Upper Burnett Water Supply Scheme; this direction was confirmed and extended in September 2011.

The directive stated that any announced allocations of Medium Priority water allocations held by SunWater (Burnett Water Allocations) in the Claude Wharton sub-scheme (Zones NB, NA, GB and GY) must be made available for seasonal assignment, with the following conditions:

Water can only be 'temporary transferred' to Medium Priority allocation holders within the Claude Wharton sub-scheme,

The volume to be 'temporary transferred' to Medium Priority water allocation holders is in proportion to their individual nominal volumes, and

No Part A charge is to be levied by SunWater however, the relevant Part B charges will apply for any water taken.

Additionally, SunWater cannot transfer or lease allocations that it holds without approval by Minister and Treasurer.

Connors River Dam

In late 2011 the Government advised SunWater that it was not in a position to provide debt or equity funding for continued development of the Connors Rivers Dam (CRD) Project. As a result, SunWater commenced a process with Customers to explore alternative funding mechanisms. Due to insufficient financial support for continuation of the CRD Project by Customers, SunWater ceased the project in July 2012.

Irrigation Pricing

The Queensland Government provided SunWater with an irrigation pricing directive that requires SunWater to apply the QCA's recommended irrigation prices across the five year price path beginning 1 July 2012. SunWater has continued to apply this directive during 2012-13.

Key Statistics: Scheme Summary

Scheme	Customer Segment	No. of Customers	Water Entitlements (ML)	Available Water (ML)	Available Water (%)	Water Deliveries (ML)	Water Deliveries (%)	TT Purchase Volume (ML)
Awoonga Callide Pipeline	Industrial		0	15,178	0	15,178	100	0
	Other		0	32	0	32	100	0
	Total	29	0	15,210		15,210	100	0
Barker Barambah	Industrial		60	60	100	0	0	0
	Irrigation		31,361	31,361	100	9,292	30	230
	Urban		2,200	2,100	95	527	25	0
	SunWater		694	794	114	0	0	0
	Total	173	34,315	34,315	100	9,819	29	230
Bowen Broken Rivers	Industrial		30,299	30,599	101	12,757	42	300
	Irrigation		5,677	5,676	100	1,094	19	0
	Urban		1,785	1,485	83	969	65	0
	Other		290	291	100	364	125	14
	SunWater		879	530	60	369	70	0
Total	52	38,930	38,581	99	15,553	40	314	
Boyne River and Tarong	Industrial		30,134	30,453	101	13,567	45	0
	Irrigation		9,566	9,142	96	2,192	24	10
	Urban		2,755	2,755	100	348	13	0
	Other		375	479	128	117	24	2
	SunWater		1,625	1,625	100	1,620	100	0
Total	158	44,455	44,454	100	17,844	40	12	
Bundaberg	Industrial		986	887	90	110	12	103
	Irrigation		199,114	198,890	100	77,942	39	4,204
	Urban		9,571	9,571	100	3,645	38	198
	Other		46	40	87	17	42	0
	SunWater		170,869	170,873	100	15,957	9	0
Total	1126	380,586	380,261	100	97,671	26	4,504	
Burdekin Haughton	Industrial		17,547	17,547	100	5,909	34	20
	Irrigation		634,473	634,645	100	404,332	64	9,367
	Urban		10,533	10,325	98	916	9	271
	Other		8	11	138	64	581	0
	SunWater		417,031	417,730	100	108,934	26	0
Total	397	1,079,592	1,080,258	100	520,154	48	9,658	
Callide Valley	Industrial		3,772	3,634	96	3,528	97	0
	Irrigation		18,106	14,148	78	7,167	51	1,005
	Urban		2,187	1,990	91	999	50	0
	SunWater		22	22	100	21	97	0
Total	138	24,087	19,794	82	11,715	59	1,005	

Scheme	Customer Segment	No. of Customers	Water Entitlements (ML)	Available Water (ML)	Available Water (%)	Water Deliveries (ML)	Water Deliveries (%)	TT Purchase Volume (ML)
Chinchilla Weir	Industrial		290	151	52	6	4	0
	Irrigation		2,594	2,733	105	1,395	51	555
	Urban		1,160	1,160	100	755	65	0
	SunWater		5	5	100	0	0	85
	Total	32	4,049	4,049	100	2,156	53	640
Cunnamulla	Irrigation		2,412	1,664	69	1,586	95	613
	Urban		80	55	69	76	138	23
	SunWater		120	83	69	0	0	0
	Total	24	2,612	1,802	69	1,662	92	636
Dawson Valley	Industrial		4,037	3,288	81	1,325	40	5
	Irrigation		51,767	45,580	88	25,830	57	4,740
	Urban		1,959	1,689	86	1,166	69	251
	Other		1	0	0	0	0	0
	SunWater		4,173	4,414	106	1,488	34	10
	Total	158	61,937	54,971	89	29,809	54	5,006
Eton	Industrial		100	100	100	1	1	0
	Irrigation		51,837	52,270	101	15,347	29	393
	Urban		176	175	99	47	27	9
	Other		1,061	128	12	20	16	0
	SunWater		9,389	9,389	100	9,388	100	0
	Total	322	62,563	62,062	99	24,804	40	402
Julius Dam	Industrial		30,100	30,100	100	8,676	29	0
	Urban		7,900	7,900	100	0	0	0
	SunWater		10,850	10,850	100	0	0	0
	Total	5	48,850	48,850	100	8,676	18	0
Lower Fitzroy	Industrial		24,006	24,006	100	18,405	77	0
	Irrigation		3,101	3,101	100	0	0	0
	Other		39	39	100	88	225	54
	SunWater		1,475	1,475	100	0	0	0
	Total	24	28,621	28,621	100	18,493	65	54
Macintyre Brook	Industrial		217	207	95	0	0	0
	Irrigation		17,112	16,015	94	7,020	44	1,399
	Urban		453	300	66	202	67	5
	Other		6,400	6,400	100	6,400	100	0
	SunWater		815	286	35	84	29	771
	Total	97	24,997	23,208	93	13,706	59	2,174
Maranoa River	Irrigation		800	800	100	17	2	0
	SunWater		5	5	100	5	100	0
	Total	4	805	805	100	22	3	0

Scheme	Customer Segment	No. of Customers	Water Entitlements (ML)	Available Water (ML)	Available Water (%)	Water Deliveries (ML)	Water Deliveries (%)	TT Purchase Volume (ML)
Mareeba Dimbulah	Industrial		8,038	5,287	66	5,008	95	3,296
	Irrigation		151,298	151,262	100	112,265	74	26,486
	Urban		81	11	14	392	3568	379
	Other		0	12	0	0	0	0
	SunWater		45,007	47,852	106	34,150	71	35
	Total	1133	204,424	204,424	100	151,815	74	30,196
Lower Mary River	Industrial		70	70	100	5	8	0
	Irrigation		19,327	19,327	100	6,824	35	0
	Urban		120	120	100	64	53	0
	SunWater		10,892	10,892	100	3,784	35	0
	Total	171	30,409	30,409	100	10,677	35	0
Nogoa Mackenzie	Industrial		29,390	29,408	100	11,781	40	495
	Irrigation		160,121	160,556	100	132,320	82	55,450
	Urban		8,536	7,304	86	5,868	80	0
	Other		522	523	100	203	39	700
	SunWater		32,053	35,012	109	14,804	42	0
	Total	380	230,622	232,803	101	164,976	71	56,645
Pioneer River	Industrial		1,920	1,920	100	861	45	0
	Irrigation		46,526	46,526	100	8,088	17	103
	Urban		16,520	16,520	100	15,182	92	1
	Other		864	864	100	203	23	0
	SunWater		12,280	12,280	100	1	0	0
	Total	22	78,110	78,110	100	24,335	31	104
Proserpine River	Industrial		550	550	100	424	77	0
	Irrigation		41,717	39,145	94	17,420	45	728
	Urban		10,992	10,942	100	5,240	48	2,518
	Other		300	0	0	0	0	0
	SunWater		9,317	9,317	100	0	0	0
	Total	94	62,876	59,954	95	23,083	39	3,246
St George	Industrial		60	74	123	9	12	0
	Irrigation		71,770	84,459	118	61,077	72	9,914
	Urban		3,024	3,734	123	1,142	31	0
	SunWater		9,721	13,164	135	5,058	38	868
	Total	162	84,575	101,431	120	67,286	66	10,782
Three Moon Creek	Irrigation		14,124	14,124	100	3,838	27	769
	Urban		610	610	100	234	38	0
	Total	92	14,734	14,734	100	4,073	28	769

Scheme	Customer Segment	No. of Customers	Water Entitlements (ML)	Available Water (ML)	Available Water (%)	Water Deliveries (ML)	Water Deliveries (%)	TT Purchase Volume (ML)
Upper Burnett	Industrial		119	119	100	30	25	0
	Irrigation		28,457	28,457	100	11,087	39	205
	Urban		1,930	1,930	100	687	36	0
	SunWater		18,032	18,032	100	0	0	2
	Total	160	48,538	48,538	100	11,803	24	207
Upper Condamine	Irrigation		30,363	22,314	73	22,958	103	4,661
	Urban		3,332	3,332	100	1,473	44	0
	Other		4	4	95	5	122	0
	SunWater		98	59	60	0	0	143
	Total	99	33,797	25,709	76	24,436	95	4,804
Total		5052	2,624,484	2,633,353	100	1,269,778	48	131,389

1. Water Entitlements are as at 30 June 2013
2. Available Water, Water Deliveries and Temporary Transfers are for the most recently completed water year. This is the year ending 30/9/2012 for Lower Dawson, 31/3/2013 for Eton and 30/6/2013 for all other Schemes
3. Riparian Allowance, Channel Harvesting, River Harvesting etc are excluded from all figures
4. All reporting is preliminary with final reporting being provided to DEWS
5. Water Deliveries include Risk-A water in Upper Condamine

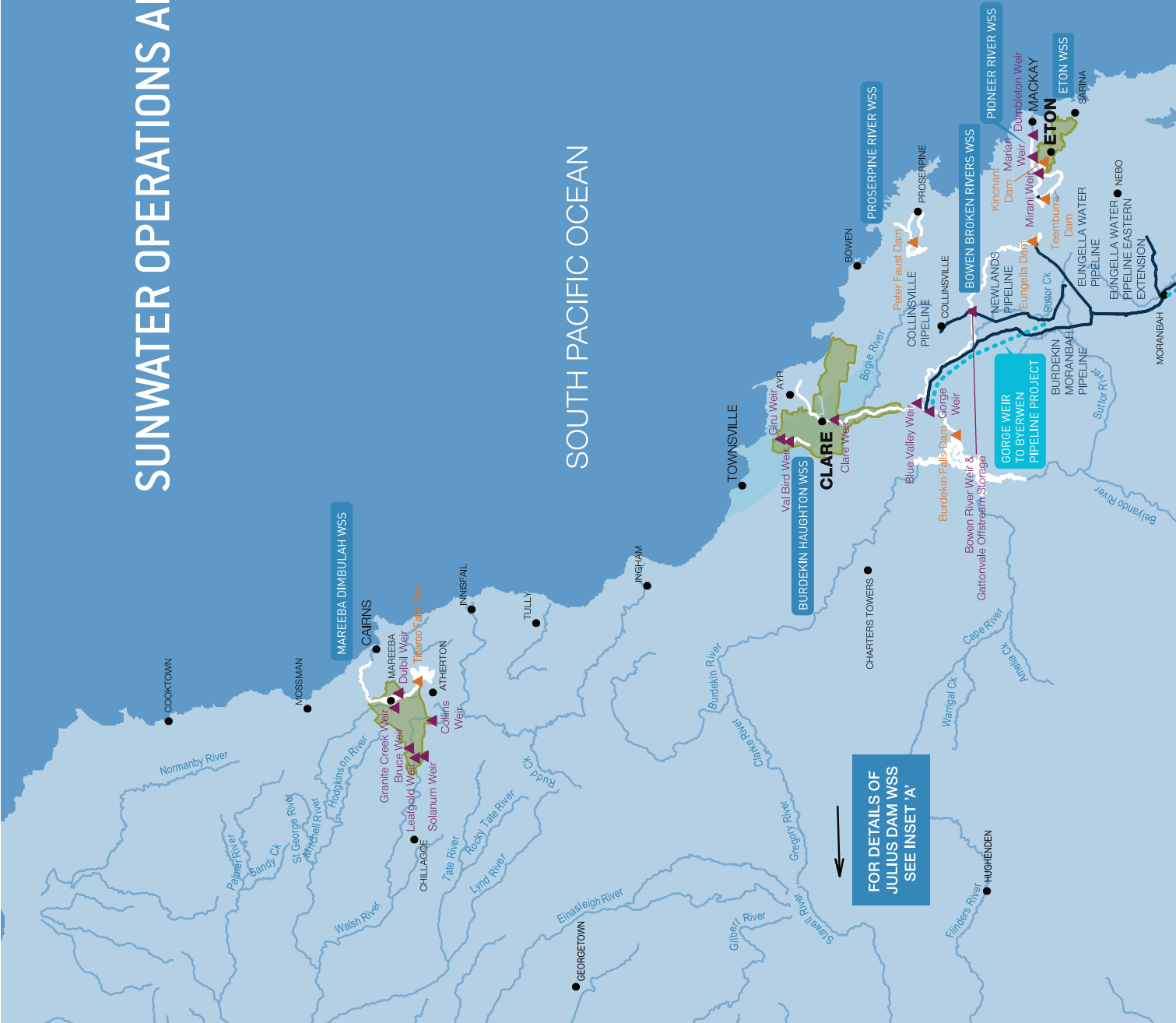
SunWater Dams – Summary Statistics

Dam name	Stream name	Nearest town	Structure description	Storage level above original bed (metres)	Storage capacity (ml)	Surface area at full supply level (ha)	Year completed
E J Beardmore	Balonne River	St George	Earthfill and mass concrete (vertical lift gates)	12.1	81,700	2,850	1972
Bjelke-Petersen	Barker Creek	Murgon	Earth and rockfill	26.3	134,900	2,250	1988
Boondooma	Boyne River	Proston	Concrete faced rockfill	47.8	204,200	1,815	1982
Burdekin Falls	Burdekin River	Ravenswood	Mass concrete	40.0	1,860,000	22,000	1987
Callide	Callide Creek	Biloela	Earthfill (radial gates)	34.8	136,300	1,240	1965-98
Cania	Three Moon Creek	Monto	Earth and rockfill	40.1	88,500	760	1982
Coolmunda	Macintyre Brook	Inglewood	Earthfill (radial gates)	16.1	69,000	1,645	1968
Eungella	Broken River	Eungella	Earth and rockfill	39.6	112,400	848	1969
Fairbairn	Nogoa River	Emerald	Earthfill	31.7	1,301,000	15,000	1972
Fred Haigh	Kolan River	Gin Gin	Earth and rockfill	43.0	562,000	5,345	1975
Julius	Leichhardt River	Mount Isa	Multiple arch concrete buttress	25.2	107,500	1,255	1976
Kinchant	Sandy Creek (North Branch) – water harvested from Pioneer River	North Eton	Earth and rockfill	18.1	62,800	920	1977-86
Kroombit	Kroombit Creek	Biloela	Earth and rockfill, RCC spillway	18.6	14,600	289	1992
Leslie	Sandy Creek	Warwick	Mass concrete (radial gates)	28.9	106,200	1,288	1965-86
Paradise*	Burnett River	Biggenden	Roller compacted concrete	37.1	300,560	2,950	2005
Peter Faust	Proserpine River	Proserpine	Earth and rockfill	39.6	491,400	4,325	1990
Teemburra	Teemburra Creek	Finch Hatton	Concrete faced rockfill	54.0	147,500	1,107	1996
Tinaroo Falls	Barron River	Atherton	Mass concrete	41.8	438,900	3,500	1958
Wuruma	Nogo River	Eidsvold	Mass concrete	36.6	165,400	1,639	1968

* Owned by Burnett Water Pty Ltd – a subsidiary of SunWater

SUNWATER OPERATIONS AND INFRASTRUCTURE 2013

SOUTH PACIFIC OCEAN



FOR DETAILS OF JULIUS DAM WSS SEE INSET 'A'



SCALE 1:4,000,000 (before reduction A3)

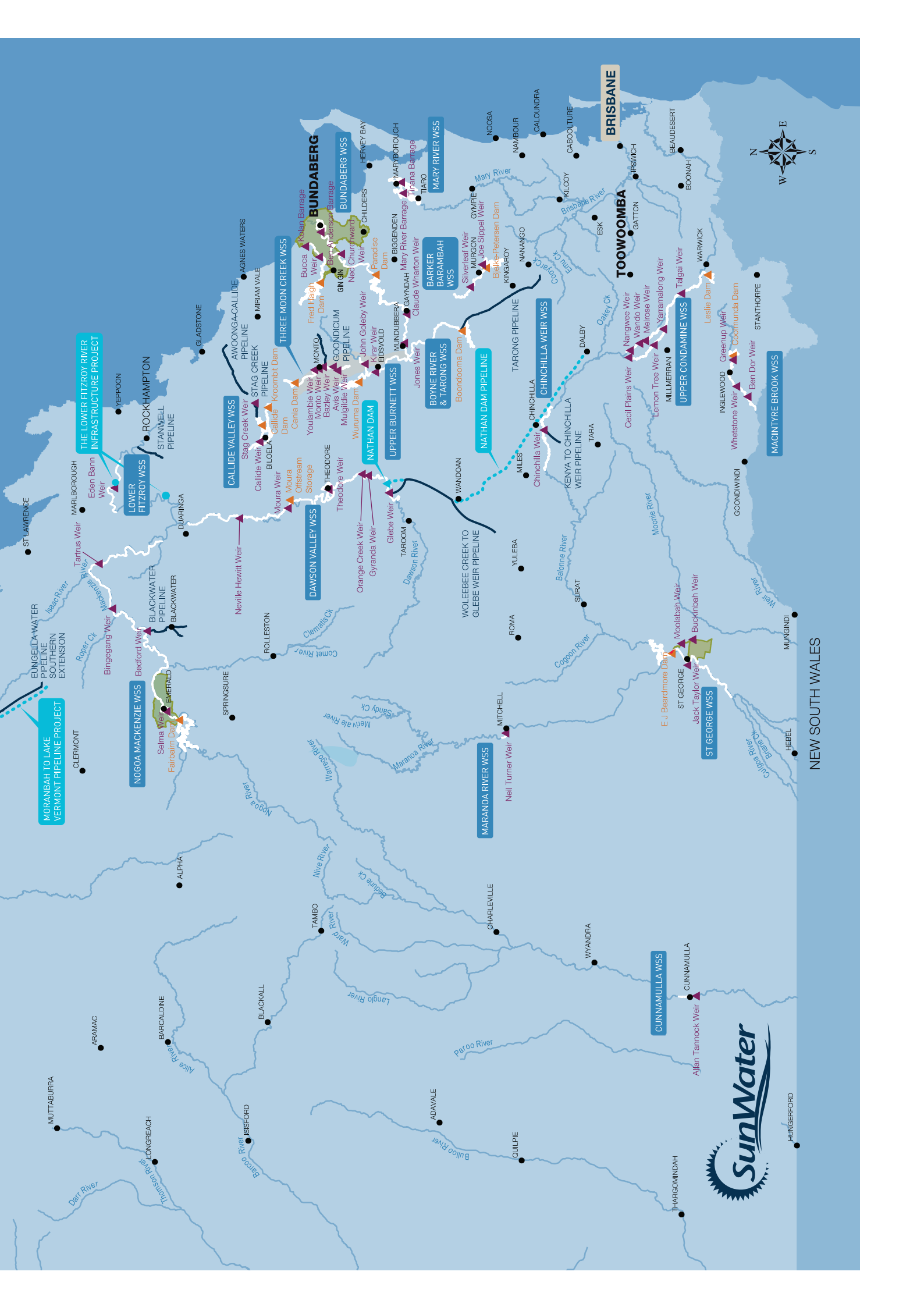


LEGEND

- SunWater Weirs
- SunWater Dams
- Major Rivers
- SunWater Owned/Operated Pipelines
- SunWater Regulated Stream
- SunWater Proposed Pipelines
- SunWater Proposed Weirs
- SunWater Proposed Dams
- SunWater Channel Systems
- SunWater Brisbane Office
- SunWater Regional Depots

BRISBANE

AYR



MORAMBAH TO LAKE VERWONT PIPELINE PROJECT

THE LOWER FITZROY RIVER INFRASTRUCTURE PROJECT

EUNGELLA WATER PIPELINE SOUTHERN EXTENSION



NEW SOUTH WALES



NOGODA MACKENZIE WSS

LOWER FITZROY WSS

CALLIDE VALLEY WSS

DAWSON VALLEY WSS

THREE MOON CREEK WSS

NATHAN DAM

MARANDIA RIVER WSS

BOYNE RIVER & TARONG WSS

CUNNAMULLA WSS

BARKER BARAMBAH WSS

ST GEORGE WSS

NATHAN DAM PIPELINE

CHINCHILLA WEIR WSS

UPPER BURNETT WSS

UPPER CONDAMINE WSS

WOLLEEBEE CREEK TO GLEBE WEIR PIPELINE

MACINTYRE BROOK WSS

MARY RIVER WSS

TOOWOOMBA

BRISBANE

HUNGERFORD

BEAUBERT

STANTHORPE

BOONAH

MUNGINJINDI

WARRICK

HERBEL

WARWICK

HERBEL

WARWICK

HERBEL

WARWICK

HERBEL



SunWater Brisbane Office

Level 10, 179 Turbot Street

PO Box 15536 City East

BRISBANE Q 4002

Phone (07) 3120 0000

Fax (07) 3120 0260

Customer Information Line 131589