

SUNWATER
ANNUAL
REPORT
2013-2014



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CEO AND CHAIRMAN'S REVIEW

SunWater's resilience as a company was clearly evident during financial year 2014 (FY14). Throughout the year we continued the substantial repair program of our water infrastructure that sustained significant damage from the January 2011 and January 2013 flooding and cyclone weather events.

The most impacted region was our Central region with critical flood damage repairs completed to: the Boondooma Dam spillway; the Callide Dam spillway gates; Ben Anderson Barrage; and the Paradise Dam dissipator slab.

Although Paradise Dam remains safe, the damage it sustained during the record flood event in 2013 was extensive and, as a result, further investigations and repairs are being undertaken in four stages.

- Phase 1: Emergency repairs to the dissipator were completed on 11 June 2013.
- Phase 2: Interim repairs to reinforce the dissipator were completed on 1 November 2013.
- Phase 3: SunWater has commenced a dam safety review in accordance with Dam Safety Regulator guidelines and a comprehensive risk assessment in accordance with ANCOLD guidelines. The safety review will inform future decisions regarding long term remedial requirements.
- Phase 4: Long term repair works identified during Phase 3 to ensure the long-term integrity of the Dam. Phase 4 will be incorporated into SunWater's Dam Safety Upgrade Program.

The safety of staff, local communities and the general public continues to remain a key focus for the organisation. All (19) referable dam Emergency Action Plans (EAPs) were updated throughout the year, in line with updated legislation requirements. As part of this process we engaged with all of the local disaster management groups that operate downstream of SunWater dams. The disaster groups reviewed the SunWater EAPs and have a good understanding of the roles and responsibilities under each EAP.

From an organisational safety perspective, SunWater's safety performance stabilised during FY14 year following a continued period of significant annual improvements in key industry recognised metrics. SunWater remains committed to delivering continuous improvements in its safety performance and achievements.

The continued decline in the market conditions of our current and potential customers, has contributed to several of our potential pipeline projects being placed on hold. However the business made good headway on other developments including the completion of the \$360M Woleebee Creek to Glebe Weir Pipeline, the Environmental Impact Statement (EIS) for the proposed Nathan Dam and Pipelines Project and the EIS for the Lower Fitzroy River Infrastructure Projects in partnership with the Gladstone Area Water Board.

Construction of the 119 km Woleebee Creek to Glebe Weir Pipeline, an integral part of our second beneficial use project, was completed after a 13 month construction period in May 2014. The dedication, professionalism and innovation of staff as we worked closely with QGC and contractor Murphy Pipe and Civil, enabled delivery of the project on time and significantly under budget.

Sound progress was made with the Nathan Dam and Pipelines Project environmental approvals, with work on the supplementary report for the EIS almost complete. Work also progressed on the development of the EIS for the Lower Fitzroy River Infrastructure Project, a joint project between SunWater and the Gladstone Area Water Board.

In mid 2012, the Queensland Government

announced an investigation into the potential for local management arrangements for SunWater's eight distribution channel systems. Since then we have been working with the independent Chair, the departmental project team and the eight interim Boards to provide information and assistance for the completion of the individual scheme business proposals.

The first objective of the Stage Two LMA process has been met with all eight interim boards completing their business proposals for local management. A decision by Government is not expected before the end of 2014. In the meantime SunWater will continue to deliver efficient and reliable services and support to all our water supply customers.

SunWater delivered significant efficiency improvements during FY14. Delivered savings included those targeted through SunWater's most recent enterprise agreement, the irrigation water pricing review process and more recently, the business efficiencies made in response to the Queensland Commission of Audit recommendations and changes in customer demand.

We are confident in our ability as a whole to deliver on these objectives. We sincerely thank our senior management team and our talented employees, who are focussed on ensuring stakeholder and customer needs are met, for all their hard work over the past year.

We would also like to thank our retiring directors Allan Millhouse and Tom Connor who have provided valuable insight, guidance and advice during their combined 15 years as directors of SunWater.

We are uniquely positioned to face the challenges of the year ahead, and to capitalise on opportunities as they arise.

Ross Dunning
Chairman

Peter Boettcher
Chief Executive

PRINCIPAL ACTIVITIES

SunWater Limited (SunWater) owns and manages bulk water, pipeline and irrigation distribution assets throughout Queensland. We also provide a full range of facility and water management services to other water supply asset owners.

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

- bulk water storage and distribution
- water treatment, reticulation and drainage
- water infrastructure development (where it aligns with Government expectations)
- 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 19 major dams, 63 weirs, 82 major pumping stations, 3100 kilometres (km) of pipelines and open channels and 740 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 Mount 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 147,261 megalitres (ML) of water allocations which are being offered for sale/lease.

REVIEW OF OPERATIONS

In 2013–14 SunWater underwent an internal restructure to realign its business with the Queensland Commission of Audit (QCOA) recommendations to enhance Queensland bulk water operations. This was achieved while continuing to meet shareholder expectations for reducing the cost of living pressures on all Queenslanders, encouraging investment in the State, and delivering on agreed services to customers.

These objectives were achieved by delivering the outcomes agreed with shareholders in the 2013–14 Statement of Corporate Intent, including:

OUTCOME 1: Water infrastructure projects enabled in accordance with Government's preferred business model and funding approach

SunWater actively seeks opportunities to partner and collaborate with key organisations to secure funding for critical water infrastructure that supports economic growth across the State.

In 2013–2014 SunWater continued its engagement with Projects Queensland and other relevant agencies regarding emerging proposals, to ensure investment in and delivery of water infrastructure remains consistent with the Government's expectations.

Active projects and investigations included:

WOLEEBEE CREEK TO GLEBE WEIR PIPELINE PROJECT

PROJECT PURPOSE: This project will deliver an additional water supply solution of treated coal seam gas (CSG) water to the Dawson Valley region of Central Queensland.

PIPELINE LENGTH: 119 km

PIPELINE CAPACITY: Maximum pumped flow 36,500 ML/annum.

TIMING: Pipeline construction commenced in April 2013 with the final section of pipe installed in December 2013. Dry commissioning of the pipeline was completed on 20 May 2014 and practical completion of the project, including wet commissioning, is expected in September 2014. Operational commencement of the pipeline, with the first supply of treated CSG water, is anticipated in early 2015.

ESTIMATED COST: \$360M

KEY BENEFITS: The pipeline will deliver an additional water supply solution of treated CSG water to customers along the pipeline and improve scheme supplies for customers within the Dawson Valley Water Supply Scheme.

PROGRESS: Construction of the pipeline, pump station, balancing storage and associated structures was completed in early 2014. SunWater is currently working with the Government to simplify operational approvals and the availability of water to customers. First supply of treated CSG water will be dependent on QGC's infrastructure works, and is currently anticipated in early 2015.

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 Kenya water treatment plant to the Chinchilla Weir. The pipeline provides treated CSG water for the agricultural community along the pipeline and along the Condamine River, within the boundaries of the Chinchilla Weir Water Supply Scheme. The project also supplements the town of Chinchilla's current water supply from the Chinchilla Weir.

PIPELINE LENGTH: 19 km

PIPELINE CAPACITY: Transport capacity approximately 31,025 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: \$55M

KEY BENEFITS: The pipeline was the first of its kind in Queensland to deliver treated CSG water for agricultural purposes and can 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. The pipeline is providing the targeted benefits to agricultural communities along the pipeline and in the Condamine River, within the boundaries of the Chinchilla Weir Water Supply Scheme. The pipeline also supplements the town of Chinchilla's current water supply from the Chinchilla Weir.

NATHAN DAM AND PIPELINES PROJECT

PROJECT PURPOSE: This project aims to provide a reliable, long-term water supply in the Surat-Dawson 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 and 11 km downstream of Glebe Weir. 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 improved supply performance 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.

ESTIMATED COST: \$1.4 billion (2012)

KEY BENEFITS: In addition to providing reliable water supplies to enable industrial and mining developments in the region, the project will provide significant regional economic benefits including local employment, new opportunities for local businesses, and recreational opportunities for local communities and visitors to the region.

PROJECT PROGRESS: The Environmental Impact Statement (EIS) is complete. The pipeline route was adjusted post EIS. Consultation with newly impacted landholders is complete and no major issues identified.

Further studies into the Boggomoss Snail populations in the area have confirmed the snail is more widespread than previously thought. This new information will support a review of the Recovery Plan for the snail. This process is expected to take at least nine months, after which time the secondary EIS can be finalised.

The supplementary EIS report is expected to be submitted to the State and Commonwealth for adequacy review in May 2015.

A market demand assessment for the project is ongoing.

LOWER FITZROY RIVER INFRASTRUCTURE PROJECT

PROJECT PURPOSE: SunWater and the Gladstone Area Water Board (GAWB) are investigating supplementing the urban and industrial water supply needs of the Rockhampton and Gladstone regions by the potential staged raising of Eden Bann Weir and/or the construction and then raising of Rookwood Weir.

CAPACITY: This project is expected to be delivered over several stages and will potentially deliver maximum capacities of 91,500 ML for Eden Bann Weir Stage 3 and 117,293 ML for Rookwood Weir Stage 2.

YIELD: The additional high priority yield for the full development scenario (i.e. Eden Bann Weir Stage 3 and Rookwood Weir Stage 2) allowed for by the Fitzroy Basin Water Resource Plan is 76,000 ML.

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

ESTIMATED COST: The total estimated project cost for Eden Bann Weir Stage 3 is \$234M, and for Rookwood Weir Stage 2 is \$261M.

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

PROJECT PROGRESS: SunWater and GAWB accepted a Commonwealth Government offer to combine State and Commonwealth EIS processes. The transition to the Bilateral Arrangement involves reviewing, re-advertising and then finalising the Terms of Reference which is expected to result in the formal submission of the finalised EIS towards the end of 2014.

BURDEKIN TO MORANBAH PIPELINE AUGMENTATION PROJECT

PROJECT PURPOSE: This project augmented an existing pipeline to provide an additional capacity of 5600 ML of water per year for the Bowen Basin. The majority of the construction and commissioning works were completed in the 2012–13 year however, minor works to improve operations of the new infrastructure will continue through to early 2015.

The information regarding the above outlined projects is current as at August 2014. For updated projects status, please visit www.sunwater.com.au.

OUTCOME 2: Operational efficiencies delivered

SunWater is focused on delivering balanced outcomes for the community, customers and shareholders.

In 2013–14, SunWater reviewed and adjusted its business structure and resourcing to meet the expectations of our shareholders, while maintaining the reliable delivery of bulk water services to regional Queensland.

IMPLEMENTATION OF QCOA RECOMMENDATIONS

In 2012–13, the QCOA made four recommendations regarding SunWater in their report, which have been accepted by the Queensland Government.

In 2013–14, SunWater proactively sought opportunities to increase efficiency and deliver balanced outcomes in line with the QCOA recommendations by realigning our business to meet future requirements, resulting in significant reductions in operating expenditure.

Relevant Government departments and unions were kept informed of the changes as they were being made and regular staff communications and presentations were delivered. Merit-based appointment processes were applied for all positions advertised under the new structure.

IMPLEMENTATION OF TARGETED EFFICIENCIES

SunWater's 2013–14 program of efficiency savings targeted improvements in areas of:

- Enterprise Agreement 2013–15
- SunWater's 30 Regulated Service Contracts
- additional business-initiated savings in the functional areas of service delivery, corporate services and operations

Across these three components SunWater achieved \$3.570M in efficiency savings against the targeted \$3.409M (the table below provides further detail). These efficiencies are based on the targets agreed in the 2013–14 Statement of Corporate Intent (SCI) and exclude the significant additional efficiencies delivered as part of SunWater's 2013–14 business realignment.

INSURANCE ISSUES MANAGEMENT

SunWater targets value for money from its insurance renewals. To achieve this, in early 2014, senior SunWater representatives delivered multiple presentations in Sydney and London to address business issues around SunWater's 2014–15 Industrial Special Risks (ISR) and Liability renewals, resulting in the introduction of new insurers to the panel, together with an alternative ISR offering sourced from a global insurer.

OUTCOME 3: Utilisation and efficiency of existing assets improved

SunWater is committed to operating and maintaining our infrastructure to deliver reliable and efficient bulk water services to our customers.

In 2013–14 SunWater worked to improve the utilisation and efficiency of existing assets through proven asset management planning and maintenance practices.

AUGMENTATION PROJECTS

SunWater continues to work with customers to identify augmentation opportunities.

FLOOD DAMAGE REPAIRS

Following the aftermath of severe weather events in 2011 and 2013, SunWater has undertaken a flood repair program to restore our infrastructure to normal operations.

STAKEHOLDER CONSULTATION

SunWater ensured continued communication with customers and owners on potential asset utilisation and efficiency and prudency considerations through consultation on Network Service Plans for each scheme. SunWater also engaged with shareholders and their departments to provide timely advice on the impact of flood damage and the level of repair work required.

OUTCOME 4: Continuous improvement in safety and environmental performance achieved

The safety of our staff and local communities continues to be our first priority. We are committed to delivering a high standard of safety performance through the continuous improvement of our safety management systems and a series of initiatives to drive a positive safety culture.

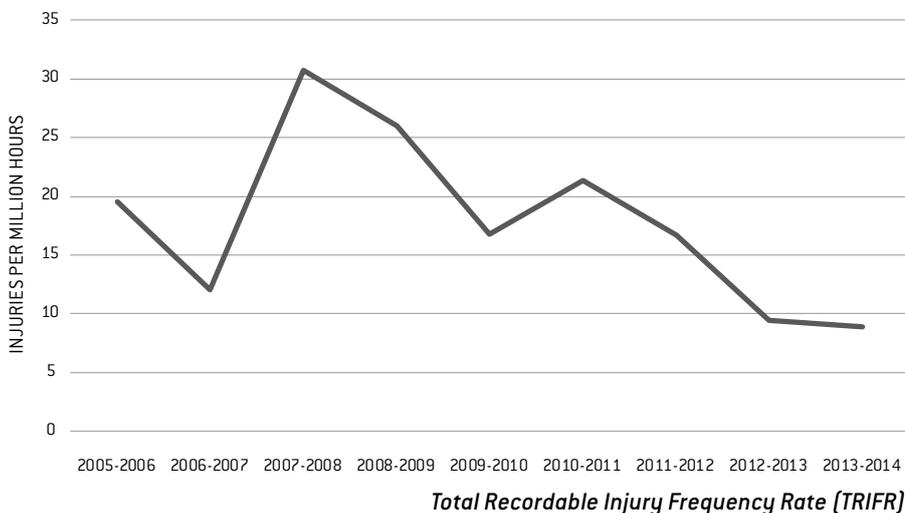
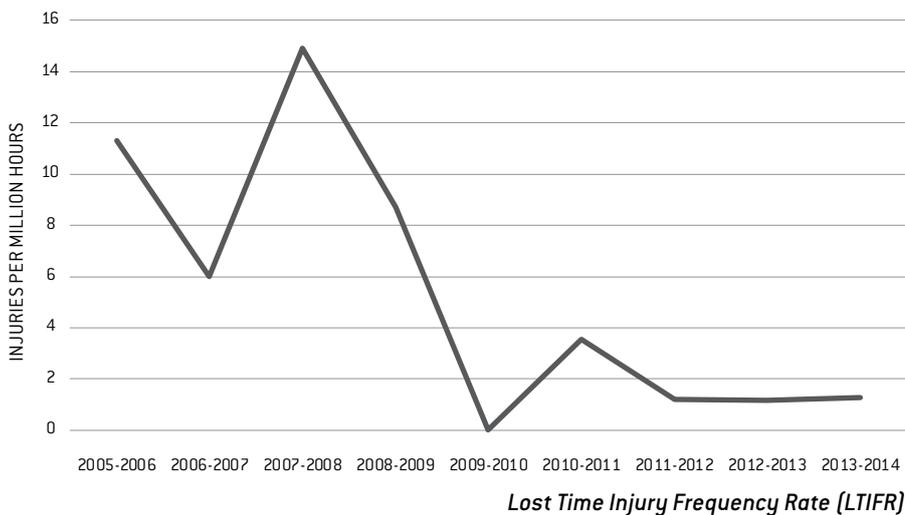
In 2013–14 SunWater continued to work towards the safety target of "No Harm" and improve environmental performance in all operations and business activities. This was achieved through a number of undertakings, including:

- Rigorous adherence to, and continual evaluation and improvement of, SunWater's comprehensive Safety Management System.
- Ensuring compliance with due diligence obligations under the *Queensland Work Health and Safety Act 2011* through safety training for new staff and refresher training for existing staff.
- Internal review and audits by third party ISO certification bodies to improve SunWater's systems and training programs and drive environmental and safety performance.
- The conducting of workplace health and safety risk assessments for operations at a range of SunWater sites.

SAFETY STATISTICS

SunWater's primary safety statistics – Lost Time Injury Frequency Rates (LTIFR) and Total Recordable Injury Frequency Rates (TRIFR) – continue to benchmark well against comparable industry standards. New work cover claims within SunWater are better than industry averages with SunWater achieving 10% below the comparable industry premium rate. Significant savings continue to be realised from a reduction in SunWater's Work Cover insurance premiums (estimated \$0.25M annually comparing 2011–12 and 2013–14).

SunWater's incident statistics continue to trend towards "No Harm" with a Total Recordable Injury Frequency Rate (TRIFR) of 8.86 at end of June 2014.



SunWater's safety performance stabilised during the 2013–14 year when compared to the results from previous years. SunWater's TRIFR for the end of June 2014 was 8.86 which compared to 9.4 for end of June 2013. The LTIFR for the end of June 2014 was 1.27 which compared to 1.17 for end of June 2013.

OUTCOME 5: Organisational capacity and workforce capability managed

With a focus on ensuring a sustainable workforce, SunWater aims to balance resourcing needs and skill development with the requirement to maintain safe and reliable bulk water supply to customers and communities throughout Queensland.

During the year SunWater:

- Continued to maintain a close alignment between its capacity to deliver services, the expectations of shareholders for cost effectiveness and customers' demand for the services it provides.
- In response to the recommendations raised in the QCOA and a slowing in demand for SunWater's services, particularly from the mining sector, SunWater implemented significant internal changes and efficiency improvements. Improvements included the realignment of its business structure to the Industrial Pipelines, Irrigation Systems, and Bulk Water lines of business consistent with the QCOA recommendations.
- SunWater's longer-term workforce planning continues to consider industry sector trends and business development opportunities that are consistent with Government's expectations.

OUTCOME 6: Service capability and safety of water infrastructure maintained

SunWater strives to deliver a safe and reliable source of bulk water and irrigation supply to more than 5000 customers throughout Queensland.

In 2013–14, following a series of cyclones and flood events across the State, SunWater has continued to undertake repairs to damaged infrastructure to ensure the ongoing safety and functionality of our assets.

SunWater also continued to implement planned maintenance programs to ensure the ongoing safety and functionality of its assets. Flood damage repairs effected during the year included:

PARADISE DAM REPAIRS

The January 2013 flood event in the Burnett Region resulted in the loss of the concrete end sill of the Paradise Dam dissipator, scour to significant areas of the dissipator floor and bedrock downstream of the dissipator, and extensive scouring across the spillway rock cutting and the left and right-hand side downstream abutments.

In response, SunWater developed a repair sequence and investigation schedule to progressively reduce dam safety risks. Remedial works included:

- Emergency repairs to enable the dissipator to withstand a late-season flood event (completed in June 2013).
- Interim repairs to reinstate the design hydraulic performance of the dissipator and treat scour risk in the rock foundation downstream of the dissipator (completed in September 2013).
- Further repairs to the dissipator, involving the construction of a capping slab over the dissipator, were completed on 18 December 2013, in advance of the wet season.
- Reinstatement of the Mini Hydro roof and installation of the generator and turbine.
- Progressing the repairs to the outlet works and fishway.

The full dam safety review, physical hydraulic modelling, geotechnical investigations and risk assessments to define any additional works required to fully satisfy dam safety requirements and the development of long-term remedial strategies remain on target for delivery in 2014–15.

CALLIDE DAM REPAIRS

In December 2012, SunWater lowered the maximum operating level of Callide Dam by 2.1m as a precaution based on a preliminary stability analysis of the earth embankment. Throughout the year SunWater continued its investigations and embankment stability analyses.

In response a number of additional piezometers were installed and performance data recorded. Geotechnical material testing was also undertaken.

With this better information, a revised stability analysis was completed in November 2013 which supported a decision to raise the interim reduced operating level of 214m to an operating level of 215.1m which is 1m below the design Full Supply Level (FSL) of 216.1m.

A record flood event occurred at Callide Dam in January 2013 that resulted in damage to the gates and other dam infrastructure.

Repair and testing of the Callide Dam spillway gates was completed during the first half of the year, with all six spillway gates returned to service in advance of the 2013–14 wet season.

The Callide Dam emergency action plan and operation and maintenance manual were modified in December 2013 in response to the new operational rules.

BOONDOOMA DAM SPILLWAY

A flood event in January 2010 caused significant scouring of the Boondooma Dam spillway chute and downstream of the erosion control structure (ECS). Major scouring on the spillway chute between the crest and the ECS were repaired with mass concrete and reinforced with rock anchors. Major scouring also occurred downstream of the ECS with an 8–9m deep hole adjacent to the ECS requiring repair work.

In January 2013, ex-Tropical Cyclone Oswald passed over parts of Queensland and New South Wales causing widespread damage to SunWater's infrastructure in the region, including the Boondooma Dam spillway.

Dental concrete rectification of scouring upstream of the ECS was completed in October 2013, ahead of schedule. This work was designed as an interim strategy to seal the exposed rock joints.

Longer-term repair options were examined in consultation with SunWater's key customer in the scheme, Stanwell Corporation Limited. A preferred strategy has been identified to restore the functionality of the dam and a preliminary design is scheduled to be prepared in the first half of 2014–15.

OTHER FLOOD DAMAGE REPAIRS

A summary of other flood repairs effected during 2013–14 includes:

- Kirar Weir mechanical and electrical works completed June 2014. Commissioning completed mid July 2014.
- Ben Anderson Barrage repair options report complete and currently being considered internally. Permanent embankment repairs will be determined based on selected repair option.
- Ned Churchward site clean-up and civil repairs on the left and right banks completed April 2014.
- Claude Wharton site clean-up completed; commissioning also completed in early calendar year 2014.
- Geotechnical investigations and risk assessments of flood damage of the Cania Dam spillway.
- Flood damage repairs completed on Neville Hewitt and Bucca Weirs, Mary Barrage, Tarong Pipeline and St Agnes Main Channel Pipeline and damaged meters.
- Flood damage repairs to the outlet works at Cania, Boondooma, Bjelke-Petersen and Fred Haigh Dams and more general flood repairs on Eden Bann, Joe Sippel and Silverleaf Weirs also completed.
- Repairs to the Awoonga Pipeline crossing of the Awoonga Dam spillway completed in late calendar year 2013.

FLOOD PREPAREDNESS

SunWater took steps to prepare for the 2013–14 wet season, including:

Emergency Action Plans – in line with the requirements placed on the owners of referable dams, SunWater submitted its Emergency Action Plans (EAPs) to the Dam Safety Regulator (DSR) before 1 October 2013. The Regulator has since approved 17 of SunWater's 22 EAPs (77%).

Communication and notification lists in all EAPs were reviewed, updated and reissued. Staff rosters and contact details were also developed for use over the Christmas/New Year period. Other routine preparations were delivered to SunWater's annual schedule including functional testing, emergency fuel stores and staff accommodation.

Crisis Preparedness and Business

Continuity Planning – SunWater's crisis handbook was updated in December 2013 and a Bulk Water Flood Management Framework was developed to incorporate lessons learnt from the January 2013 flood event. The framework details all notifications required to be undertaken in line with EAPs and incident reporting procedures to ensure all stakeholders are informed in a timely manner.

SunWater's business continuity plans and emergency and incident response plans were also reviewed and updated during the year.

DAM SAFETY UPGRADES

As part of its response to the January 2013 update of the Guidelines on Acceptable Flood Capacity for Dams (by Department of Energy and Water Supply, as Regulator) SunWater has reviewed its portfolio risk assessment to re-schedule its dam safety upgrade program to comply with the updated guidelines.

In 2013–14 upgrade works involved:

Kinchant Dam – The safety upgrade of Kinchant Dam involves improvement of the existing filters within the embankment, together with the installation of additional drainage within and downstream of the dam's foundations.

Work on the embankment filter zone extension was completed on 30 June 2014.

A review by independent technical experts in June 2014 identified the potential need for additional works. These will be investigated in 2013–15.

Eungella Dam – SunWater is currently developing a business case for the upgrade and expects this will be available early in the 2014–15 financial year, enabling consultation with shareholding departments to progress.

EFFICIENT MAINTENANCE AND SAFE OPERATION OF WATER SUPPLY SCHEMES

Several schemes experienced extended hot and dry conditions during the summer of 2013. As a result, customers in the Lower Mary could not access water for a short period.

In the Burdekin Scheme record irrigation demand coupled with significant aquatic weed growth resulted in channel customers being restricted to their peak flow entitlement.

SunWater has since conducted a lessons learnt exercise with customers and staff to determine ways to reduce the future impact of weed growth and record water demand.

In 2013–14 a total of 120 planned shutdowns and 177 unplanned shutdowns took place. SunWater staff actively manage customer communications for all planned and unplanned shutdowns in the lead up to and during events. An increase in the number of events in 2013–14 largely relate to the Eton scheme where there is currently a program of replacing corroded riser pipes. This work is timed when there is little or no demand for irrigation – limiting negative impacts for customers.

OUTCOME 7: Work collaboratively with key stakeholders to implement Government policy

LOCAL MANAGEMENT ARRANGEMENTS OF CHANNEL IRRIGATION SCHEMES

The Queensland Government is assessing whether management of SunWater's eight irrigation schemes should be transferred from Government to new local entities, such as co-operatives, that would be owned and controlled by irrigators in the scheme.

The Government called on irrigators within the scheme to develop business proposals demonstrating how these schemes would be run under local management.

As part of this process, SunWater has supported the interim LMA Boards through the provision of asset and financial data for each of the schemes.

The independent LMA Chair will present recommendations to the Queensland Government for review in the 2014–15 financial year.

BULK WATER CONTRACTS

SunWater has prepared a pricing options paper for local government supplies for consideration by shareholders. Interim arrangements remain in place with several local councils pending the outcome of the review by Government.

NETWORK SERVICE PLANS

As part of an improvement program aimed at providing greater transparency to our customers on the performance of our schemes, SunWater has produced Network Service Plans (NSPs) for each of the 30 irrigation service contracts, including the eight distribution channel systems potentially transitioning to local management.

SunWater consulted with customers and other stakeholders through a series of consultation meetings held throughout regional Queensland in early 2014.

We received valuable feedback from our customers and incorporated appropriate changes into the final 2014–15 plans, which were published on the SunWater website in June 2014.

Marketing activity	Budget 2013–14	Expenditure to 30 June 2014
Sponsorship		
Regional achievements and community awards ⁽¹⁾	15,000	-
ANCOLD conference	10,000	10,000
Other (total of sponsorships below \$5000 per event)	30,000	45,136
Total sponsorship	55,000	55,136
Advertising		
Water safety advertising campaign	220,000	220,000
School safety program	30,000	25,000
Other	-	-
Total advertising	250,000	245,000
Corporate entertainment		
Staff awards ceremony	13,000	12,800
Brisbane office Christmas celebration ⁽²⁾	16,000	-
Other (total of corporate entertainment below \$5,000 per event) ⁽²⁾	31,500	51,489
Total corporate entertainment	60,500	64,289
Donations	-	-
Strategic community and stakeholder engagement activities ⁽³⁾	30,000	13,300
Total all activities	395,500	377,725

⁽¹⁾ Planned larger value sponsorship was not undertaken in 2013–14. The budgeted amount was transferred to the sponsorship of smaller local grass roots events.

⁽²⁾ Smaller team Christmas celebrations (less than \$5000) were conducted in place of the single Brisbane Office Christmas celebration.

⁽³⁾ 2013–14 change program impacted actual spend.

KEY PERFORMANCE INDICATORS

SunWater's key achievements can be further demonstrated by its performance against the KPIs agreed with shareholders for 2013–14.

<i>Key Performance Indicators</i>	Budget 2013–14	Actual 2013–14
Financial		
Operating revenue (\$M) ⁽¹⁾	254.177	254.797
Total assets (\$M)	1,273.986	1,276.927
EBITDA (\$M)	123.619	124.249
EBIT (\$M)	78.367	88.454
NPAT (\$M)	43.362	52.626
Economic profit (\$M)	-8.869	10.821
Return on operating assets	5.95%	8.18%
Return on average contributed equity	11.40%	14.02%
Current ratio	0.950	0.650
Market gearing (debt to debt + equity ratio)	27.47%	41.46%
EBITDA interest cover	7.530	5.950
EBIT interest cover	4.770	4.240
Funds from operations interest cover	7.200	5.410
Cost efficiency savings (including QCA targets) (\$M)	3.409	3.570
Non-Financial		
Customer service levels – exceptions	0	21
Environmental compliance breaches (No.)	0	0
Distribution system efficiency %	77	80
Pump performance – target range (kWhr/ML/m) ⁽²⁾	3.4 to 4.3	3.52
Total recordable injury frequency rate (TRIFR) – annual target ⁽²⁾	0	8.86
Lost time injury frequency rate (LTIFR) – annual target ⁽²⁾	0	1.27
Lost time injuries (LTIs)	0	1
Medical treatment injuries (MTIs)	0	3

⁽¹⁾ Includes grant income of \$16.8M but excludes interest and other miscellaneous revenue of \$8.4M.

⁽²⁾ KPIs and targets are year to date and annual and relate to performance at the relevant point in time.

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.

SHAREHOLDING MINISTERS

SunWater Limited is a GOC and its shares are held by its shareholding Ministers on behalf of the State of Queensland.

Shareholding Ministers:

SunWater's shareholding Ministers as at 30 June 2014 were the Honourable Tim Nicholls, Treasurer and Minister for Trade, and the Honourable Mark McArdle, Minister for Energy and Water Supply.

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.

- INTERNAL AUDIT
- CORPORATE RELATIONS AND COMMUNICATIONS
- CORPORATE RISK AND STRATEGY
- SAFETY

CHIEF EXECUTIVE

The Chief Executive is responsible for overall management and performance of SunWater.

CORPORATE

Core services:

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

BULK WATER AND IRRIGATION SYSTEMS

Core services:

- Delivers bulk water to customers in regional Queensland
- Distributes water to customers connected to irrigation channel systems
- Maintains Bulk Water and Irrigation Systems' asset integrity
- Enables Government water initiatives
- Delivers stakeholder expectations
- Ensures community safety

INDUSTRIAL PIPELINES

Core services:

- Identifies and explores opportunities
- Develops commercial business cases and new infrastructure
- Manages infrastructure and delivers water to customers
- Maintains asset integrity
- Delivers commercial results

The organisational structure was amended on 2 December 2013 in line with the recommendations made within the Queensland Commission of Audit Report.

SUNWATER BOARD

Ross Dunning AC

BE (Hons), B.Com, FCILT, FAIM, FIEAust, FIRSE, MAICD

Chairman

Initial appointment 12.12.2013

Current term 12.12.2013–30.09.2016

SunWater Board Committee Membership as at 30 June 2014

Audit and Corporate Governance; Remuneration; Industry, Regulation, Safety and Environment

Skills, experience and expertise

Ross has extensive experience in infrastructure management, project management and commercial corporate activity, particularly related to rail, ports and transport.

Ross has occupied non-executive positions with a number of ASX-listed companies, unlisted public companies and GOCs in Queensland and New South Wales and was former Chair of the Townsville Port Authority.

Ross is currently the Interim Managing Director of Engenco Pty Ltd and serves as a non-executive Director of Queensland Energy Resources Limited and Indec Consulting. He is also a member of The Council of St John's College within the University of Queensland.

Greg Moynihan

BCom, GradDipSIA, CPA, FFIN, MAICD

Director

Initial appointment 09.08.2007

Current term 12.12.2013–30.09.2016

Acting Chair

30.06.2013–11.12.2013

SunWater Board Committee Membership as at 30 June 2014

Audit and Corporate Governance (Chair); Remuneration

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 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

Term concluded 31.12.2013

Tom has been engaged to provide a special engineering advisory service to the Industry, Regulation, Safety & Environment Committee.

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 (Hons), LLB (Hons), FAICD

Director

Initial appointment 01.10.2008

Current term 01.10.2011–30.09.2014

SunWater Board Committee Membership as at 30 June 2014

Industry, Regulation, Safety and Environment; Remuneration (Chair)

Skills, experience and expertise

Kirstin is currently a non-executive director of SunWater Ltd, Leighton Holdings Ltd, Hyne Pty Ltd and the Queensland Theatre Company. She has previously been the Chairman of the Thiess Advisory Board as well as a Non-executive Director of Dart Energy Ltd and Queensland Rugby Union.

Prior to commencing her directorship career, Kirstin was Chief Executive Officer of the global organisation Sentis, as well as Director of Corporate Services of the international law firm Deacons (now Norton Rose Fulbright).

Meetings attended during 2013–14

	BOARD AND COMMITTEES				SUBSIDIARIES		
	Board of SunWater	Audit and Corporate Governance	Industry, Regulation, Safety and Environment	Remuneration	Board of Burnett Water	Board of Eungella Water	Board of North West Queensland Water Pipeline
Ross Dunning ⁽¹⁾	5	3	2	3	2	2	2
Greg Moynihan ⁽²⁾	12	6		7		3	3
Tom Connor ⁽³⁾	7		2		1		
Kirstin Ferguson	12	3	4	7			
William Wild	12	5			4		
Larry Anthony ⁽⁴⁾	4		2		1		
Rachel Fennell ⁽⁵⁾	5	3				2	2
Alan Millhouse ⁽⁶⁾	3		1		1	1	1

⁽¹⁾ Ross Dunning appointed 12 December 2013

⁽²⁾ Greg Moynihan appointed Acting Chair 30 June 2013

⁽³⁾ Tom Connor resigned 31 December 2013

⁽⁴⁾ Larry Anthony appointed 12 December 2013

⁽⁵⁾ Rachel Fennell appointed 12 December 2013

⁽⁶⁾ Alan Millhouse resigned 30 September 2013

Hon. Larry Anthony

B.Com, FFIN, FAICD

Director

Initial appointment 12.12.2013

Current term 12.12.2013–30.09.2016

SunWater Board Committee Membership as at 30 June 2014 Industry, Regulation, Safety and Environment (Chair)

Skills, experience and expertise Larry has spent the majority of his career in the fields of politics and business.

He is a former Member of the Australian Parliament where he served as a Minister and Parliamentary Secretary in the Social Security and Trade portfolios respectively.

Larry has served as a non-executive director on numerous ASX listed companies and is currently Chairman or director of a number of private companies and charities in Australia.

Rachel Fennell

LLB (QUT), MAICD

Director

Initial appointment 12.12.2013

Current term 12.12.2013–30.09.2016

SunWater Board Committee Membership as at 30 June 2014

Audit and Corporate Governance

Skills, experience and expertise

Rachel's professional legal career specialised in property, commercial and finance law which she advanced as in-house counsel for property development businesses.

She has taken a more direct role in property development and real estate including managing private property development, organisation rationalisation, asset restructuring, project consultation, project design, project management and marketing.

Rachel has held multiple directorships in the property and investment industry and has exposure throughout Queensland regional centres.

Dr William Wild

PhD, BCom, LLB, LLM

Director

Initial appointment 20.12.2012

Current term 20.12.2012–30.09.2015

SunWater Board Committee Membership as at 30 June 2014

Audit and Corporate Governance

Skills, experience and expertise

William is a Brisbane-based lawyer, investment banker and academic. He was previously Head of Project Finance Syndication with KBC Bank in London and Vice President with Bank of America in Hong Kong.

William has a PhD in finance from QUT, LLM from Deakin University and LLB and BCom from the University of Queensland.

Alan Millhouse

BCom, LLB(Qld), LLM(Lond),

Hon LLD(Qld), MAICD

Director

Initial appointment 01.10.2010

Term concluded 30.09.2013

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.

SUNWATER MANAGEMENT

Peter Boettcher

BE(Agric), MBA

Chief Executive

Appointment April 2008

Skills, experience and expertise

As CEO, Peter is charged with providing leadership and overall business management to SunWater. Peter is a water industry professional with over 25 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.

Geoff White

BCom, FCA

General Manager Corporate and Company Secretary

Appointment June 2004

Skills, experience and 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.

Tom Vanderbyl

BE(Civil) Hons, MIEAust, MAICD

General Manager Bulk Water and Irrigation Systems

Appointment August 2013

General Manager People, Performance and Safety

March 2011–August 2013

Skills, experience and expertise

Tom has over 27 years experience as a water industry professional in Queensland. He has been instrumental in shaping and driving change initiatives that deliver measurable improvements in organisational performance, customer service, safety, environmental and community outcomes.

Tim Donaghy

BE (Civil) Hons, MBA, Med. (IAMA), AIPM

General Manager Industrial Pipelines

Appointment August 2013

Acting General Manager Infrastructure Management

August 2012–August 2013

Skills, experience and expertise

Tim, a civil engineer of 37 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.

Brad Watkins

Alternate Company Secretary

Appointment July 2013

Skills, experience and expertise

Brad has performed a number of varied roles ranging from being a partner in one of the large national law firms to being the General Counsel of a number of institutions. From those roles he has obtained extensive experience in areas of the law ranging from corporate and commercial; energy, resources and infrastructure; through to commercial and insolvency litigation.

DIRECTORS' REPORT

For the year ended 30 June 2014

Your directors present their report together with the financial report of SunWater Limited and its subsidiaries ("SunWater") for the financial year ended 30 June 2014 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
- Ms K Ferguson
- Dr W Wild

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

- Mr A Millhouse retired as a Director on 30 September 2013.
- Mr T Connor retired as a Director on 31 December 2013.
- Mr R Dunning was appointed as a Director and Chairman on 12 December 2013.
- Mr L Anthony was appointed as a Director on 12 December 2013.
- Ms R Fennell was appointed as a Director on 12 December 2013.

Further information about directors' qualifications, experience, term of appointment and attendance at meetings is detailed in the SunWater Board section on pages 14 to 15 of the Annual Report 2013–2014. (Information about the qualifications and experience of the company secretaries of SunWater Limited is detailed in the SunWater Management section on pages 15 to 16 of the Annual Report 2013–2014.)

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 under the Principal Activities section on page 4 of the Annual Report 2013–2014.

Financial performance

The consolidated after tax profit for the financial year amounted to \$52.626M (2013: \$20.908M). Further details of SunWater's financial performance are provided in the Financial Report section on page 20 of the Annual Report 2013–2014.

Dividends

SunWater's Dividend Policy, as stated in the 2013–14 Statement of Corporate Intent (SCI), takes into account the return its shareholders expect on their investment.

During the 2014 year, a dividend of \$42.100M (2013: \$12.870M) was declared and payable to the holders of fully paid ordinary shares.

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 5 of the Annual Report 2013–2014.

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:

- SunWater finalise the transfer of its irrigation channels to private irrigators and withdraw fully from this activity.
- 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.
- SunWater remain as a Government Owned Corporation with a residual function to retain ownership and management of existing bulk water assets in regional Queensland.
- 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 local management (private irrigators).

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2014 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 28, 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 2013–2014.

Impact of natural disasters

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

The dam is safe; however SunWater's engineers believe that there is a potential risk of further damage to the spillway in the event of a similar or larger flood in the future. A number of complex studies have been carried out and an appropriate long term solution to the issue is currently being formulated.

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 and Phase 2 Interim Works have been carried out to enable the dam to withstand a late season flood.

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

At this stage, the solution and the costs for both these assets are not known and may not be known with any certainty for some time. Further information, including the availability of insurance cover, is set out in note 28 of the Financial Report.

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

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 2014 for damage incurred but not yet rectified

Dam safety upgrade program

SunWater has revised the dam safety upgrade program and portfolio risk assessment for SunWater dams in response to changes to the Regulator's guideline of Acceptable Flood Capacity (AFC), changes to ANCOLD consequence guidelines and new information on risk from recent flood damage. A number of dam safety upgrade projects are ongoing and SunWater continues to discuss the balance of the program and funding with the Regulator and government. Further information is set out in note 29 of the Financial Report.

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 63 to 65 of the Annual Report 2013–2014.

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 ongoing repairs to the assets damaged during the 2010–11 and 2013 floods including Boondooma and Paradise Dams;
- 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 \$129,061 (exclusive of GST) (2013: \$84,021) (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* (Cth) 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.

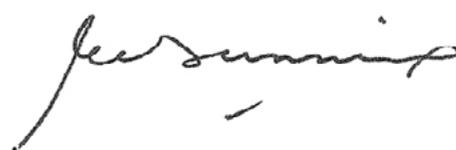
Rounding of amounts

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.



R Dunning
Chairman



G Moynihan
Director

Brisbane, Qld
22 August 2014

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 2014, 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

Queensland Audit Office

Brisbane, Qld
28 August 2014

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

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GENERAL INFORMATION

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

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

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

Level 10, 179 Turbot Street
BRISBANE QLD 4000

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

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

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

BALANCE SHEETS

AS AT 30 JUNE 2014

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

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

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

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

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

Compliance with IFRS

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

Historic cost convention

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

Critical accounting estimates

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

(b) Principles of consolidation

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

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

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

(c) Segment reporting

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

(d) Revenue recognition

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Government grants

(i) Community service obligation (CSO) payments

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

(ii) Grants

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

(iii) Water allocations

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

(f) Income tax

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

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

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

Tax consolidation legislation

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

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

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

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

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

Investment allowances and similar tax incentives

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leases

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

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

(h) Business combinations

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

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

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

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

(i) Impairment of assets

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

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

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

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

(j) Cash and cash equivalents

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

(k) Receivables

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

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

(m) Property, plant and equipment

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

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

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

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

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

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

(n) Depreciation and amortisation

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

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

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

(o) Non-current intangible assets

(i) Water allocations

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

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

(ii) Software

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

(p) Payables

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Borrowings

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

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

(r) Borrowing costs

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

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

(s) Provisions

Provisions are recognised when:

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

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

(t) Refurbishment annuity

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

(u) Employee benefits

(i) Wages, salaries and annual leave

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

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

(ii) Long service leave

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

(iii) Sick leave

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Superannuation

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

(v) Dividends

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

(w) Goods and Services Tax (GST)

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

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

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

(x) Rounding of amounts

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

(y) New accounting standards and interpretations

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 2 FINANCIAL RISK MANAGEMENT

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

(a) Market risk

(i) Foreign exchange risk

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

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

(ii) Price risk

During 2013–14, SunWater had no significant exposure to price risk.

(iii) Cash flow and fair value interest rate risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

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

Cash is invested under the following approved policy conditions:

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

During 2013–14, SunWater had no transactions involving derivative financial instruments.

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

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

*Inclusive of accrued interest.

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

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

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

(c) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

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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
2014					
<i>Consolidated</i>					
Payables	61,678	61,678	-	-	61,678
Borrowings – QTC	271,820	21,425	86,884	284,757*	393,066
Borrowings – bridging loan	208,100	208,100	-	-	208,100
Deposits payable	873	39	32	802	873
	542,471	291,242	86,916	285,559	663,717
<i>Parent</i>					
Payables	68,431	68,431	-	-	68,431
Borrowings – QTC	250,649	18,251	73,036	272,892*	364,179
Borrowings – bridging loan	208,100	208,100	-	-	208,100
Intercompany loan	11,339	11,339	-	-	11,339
Deposits payable	873	39	32	802	873
	539,392	306,160	73,068	273,694	652,922
2013					
<i>Consolidated</i>					
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
<i>Parent</i>					
Payables	91,669	91,669	-	-	91,669
Borrowings – QTC	217,501	15,005	60,061	215,536*	290,602
Borrowings – bridging loan	188,100	188,100	-	-	188,100
Intercompany loan	43,566	43,566	-	-	43,566
Deposits payable	578	39	38	501	578
	541,414	338,379	60,099	216,037	614,515

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Estimated impairment of assets

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

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

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

(ii) Useful life of property, plant and equipment

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

(iii) Non-current intangible assets

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

NOTE 4 REVENUE

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 5 OTHER INCOME

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

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

NOTE 6 FINANCE COSTS

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

NOTE 7 INCOME TAX AND INCOME TAX EQUIVALENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 7 INCOME TAX AND INCOME TAX EQUIVALENTS (continued)

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

NOTE 8 CASH AND CASH EQUIVALENTS

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

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

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

Balances as per statement of cash flows	149,227	338,818	139,528	327,628
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(b) Risk exposure

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

NOTE 9 RECEIVABLES

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 9 RECEIVABLES (continued)

(a) Impaired receivables

The ageing of trade receivables is as follows:

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

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

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

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

(b) Foreign exchange and interest rate risk

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

(c) Fair value and credit risk

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

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

NOTE 10 INVENTORIES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Materials and stores	2,419	2,273	2,419	2,273

Inventory expense

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

NOTE 11 OTHER CURRENT ASSETS

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 12 OTHER FINANCIAL ASSETS

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

Information relating to the controlled entities is set out below.

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2014 %	2013 %
North West Queensland Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Eungella Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Burnett Water Pty Ltd	Australia	Ordinary	100	100

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

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

⁽¹⁾ At cost or deemed cost.

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

(a) Reconciliations

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 13 PROPERTY, PLANT AND EQUIPMENT (continued)

	LAND \$'000	BUILDINGS & LAND IMPROVEMENTS \$'000	PLANT & EQUIPMENT \$'000	WATER INFRASTRUCTURE \$'000	ASSETS UNDER CONSTRUCTION \$'000	TOTAL \$'000
<i>Year ended 30 June 2013</i>						
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
<i>Parent</i>						
<i>Year ended 30 June 2014</i>						
Carrying amount at 1 July 2013	7,987	15,707	6,583	444,248	201,311	675,836
Additions	-	723	1,086	38,533	242,529	282,871
Disposals	-	-	(14)	(1,069)	-	(1,083)
Transfer between classes	-	-	-	-	(41,888)	(41,888)
Depreciation expense	-	(488)	(1,776)	(17,973)	-	(20,237)
Impairment loss	-	-	(157)	8,009	(16,851)	(8,999)
Carrying amount at 30 June 2014	7,987	15,942	5,722	471,748	385,101	886,500
<i>Year ended 30 June 2013</i>						
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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 13 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Impairment

Cash generating units

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

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

Assets under construction

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 14 INTANGIBLE ASSETS

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

⁽¹⁾ At cost or deemed cost.

Reconciliations

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 15 DEFERRED TAX ASSETS

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

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

NOTE 16 PAYABLES

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 17 PROVISIONS

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

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

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

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

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

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

- SunWater is to transfer its irrigation channels to local management and to withdraw fully from this activity
 - SunWater's dedicated water delivery infrastructure servicing commercial and industrial clients be offered for private ownership and/or private operation.
- The provision represents management's estimate of the present obligation required to implement this recommendation. (Refer also to Note 30).

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

Movements in provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 18 BORROWINGS

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

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

(a) Financing arrangements

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

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

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

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

(b) Fair value

	CONSOLIDATED			
	2014 CARRYING AMOUNT \$'000	2014 FAIR VALUE \$'000	2013 CARRYING AMOUNT \$'000	2013 FAIR VALUE \$'000

The carrying amounts and fair values of interest bearing liabilities at balance date are:

Borrowings	271,820	298,249	240,161	261,085
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	PARENT			
	2014 CARRYING AMOUNT \$'000	2014 FAIR VALUE \$'000	2013 CARRYING AMOUNT \$'000	2013 FAIR VALUE \$'000

The carrying amounts and fair values of interest bearing liabilities at date are:

Borrowings	250,649	273,221	217,501	234,780
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Note: The difference between carrying amount and fair value represents the market realisation adjustment on borrowings from QTC. Generally, the SunWater group repays borrowings in accordance with the requirements of the relevant agreement, hence no adjustment to fair value is appropriate. Where a market realisation charge has been incurred, it has been included in financing charges in the statements of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 19 OTHER LIABILITIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 19 OTHER LIABILITIES (continued)

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

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

	OPENING BALANCE \$'000	ANNUITY REVENUE \$'000	REFURBISHMENT EXPENDITURE \$'000	INTEREST \$'000	MOVEMENT \$'000	CLOSING BALANCE \$'000
<i>Consolidated</i>						
<i>Year ended 30 June 2013</i>						
<i>Water Supply Scheme</i>						
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 2014

NOTE 19 OTHER LIABILITIES (continued)

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

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

NOTE 20 DEFERRED TAX LIABILITIES

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

NOTE 21 EMPLOYEE BENEFITS

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 22 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000

(a) Share capital

Issued and paid up capital:

2 ordinary shares of \$190.1345M each ⁽¹⁾	380,269	380,269	380,269	380,269
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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

Closing balance 30 June 2013	2	190,134	380,269
Closing balance 30 June 2014	2	190,134	380,269

(c) Capital risk management

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

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

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

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

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

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

Loan covenant

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

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

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

NOTE 23 DIVIDENDS

	PARENT	
	2014 \$'000	2013 \$'000

Ordinary shares

2013 first and final dividend of \$6.435M per share declared and provided for but not paid as at 30 June 2013 ⁽¹⁾⁽²⁾ 12,870

2014 first and final dividend of \$21.050M per share declared and provided for but not paid as at 30 June 2014 ⁽¹⁾⁽²⁾ 42,100

	42,100	12,870
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⁽¹⁾ Franking does not apply to SunWater as an NTER entity because the shareholders represent the Queensland Government.

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 24 REMUNERATION OF AUDITORS

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

No other services were provided.

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

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

NOTE 26 COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(a) Capital expenditure commitments				
Capital expenditure commitments (including GST) contracted for but not brought to account are as follows:				
ICT projects	542	287	542	287
Water infrastructure projects	29,341	285,568	29,341	285,487
	29,883	285,855	29,883	285,774

Payable:

Not later than one year	29,883	285,855	29,883	285,774
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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	3,205	3,286	3,205	3,286
Later than one year but not later than five years	12,948	14,645	12,948	14,645
Later than five years	-	2,649	-	2,649
	16,153	20,580	16,153	20,580

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

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 26 COMMITMENTS FOR EXPEDITURE (continued)

Future projects and acquisitions

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

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

NOTE 27 RELATED PARTIES DISCLOSURES

Key management personnel compensation

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

Key management personnel compensation disclosures by category

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

Compensation – directors

NAME OF DIRECTOR	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	TOTAL \$'000
	CASH SALARY \$'000	CASH BONUS \$'000	SUPERANNUATION \$'000	
<i>Consolidated 2014</i>				
Ross Dunning, Chair (appointed 12 December 2013)	39	-	4	43
Greg Moynihan	50	-	5	55
Tom Connor (retired 31 December 2013)	17	-	1	18
Kirstin Ferguson	37	-	3	40
Alan Millhouse (retired 30 September 2013)	11	-	1	12
William Wild	36	-	3	39
Larry Anthony (appointed 12 December 2013)	18	-	2	20
Rachel Fennell (appointed 12 December 2013)	17	-	2	19
<i>Consolidated 2013</i>				
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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 27 RELATED PARTIES DISCLOSURES (continued)

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

Directors' contracts

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

Terms of appointment are as follows:

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

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$129,061 (2013: \$84,021) paid by the parent entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 27 RELATED PARTIES DISCLOSURES (continued)

Compensation – executives

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

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

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

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

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

Executive employment contracts

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 27 RELATED PARTIES DISCLOSURES (continued)

Transactions with subsidiaries

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

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

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

Transactions with entities subject to common control

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

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

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

NOTE 28 CONTINGENCIES

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

- (a) In November 2008, one of two inflatable dams mounted on top of Bedford Weir failed. In the ensuing unexpected release of a large volume of water downstream, a fatality occurred. The incident was the subject of a Workplace Health and Safety Queensland prosecution and may be subject to a later inquiry by the Coroner. In September 2009, the relatives of the deceased person also instituted legal action for personal injuries.
- (b) Since the finalisation of the Commission of Inquiry into the 2010–11 flood event and the release of the final report, landowners whose properties were inundated during the floods are seeking compensation through a class action which has been commenced against another Government entity, SunWater and the State Government. SunWater, which provided assistance to the dam operator under a contract to provide flood operations support, is named as second defendant. SunWater is working closely with its insurers, and will defend the claim.
- (c) SunWater was directed by the Treasurer of Queensland under section 68 of the *South East Queensland Water (Restructuring) Act 2007* to indemnify the Queensland Bulk Water Supply Authority in relation to assets transferred on 1 July 2008. This indemnity may give rise to claims on SunWater if any of the conditions are triggered. At the date of this report, there are no known claims or circumstances which would give rise to a claim under the indemnity.

NOTE 28 CONTINGENCIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

- (a) SunWater has made a claim, or signalled its intention to make a claim under its insurance policies for losses attributable to the flood events in 2010-11 and 2012–13. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2014.
- (b) SunWater has made a claim under its insurance policies for legal costs associated with the Bedford Weir and Marian Weir incidents. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2014.
- (c) SunWater has made a claim under its insurance policies for legal costs associated with the Commission of Inquiry into the recent flood events. No revenue from insurance proceeds has been taken up in the statements of comprehensive income for the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 29 DAM SAFETY UPGRADE

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

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

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

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

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

SAFETY UPGRADE	COMMENCEMENT	ESTIMATED COSTS
Kinchant Dam	2011	\$19.400M
Eungella Dam	2015	\$9.922M
Burdekin Falls Dam – stage 1	2016	\$17.480M
Paradise Dam – phase 4 ⁽¹⁾	2017	Not determined
Teemburra Dam	2019	\$9.463M
Coolmunda Dam	2021	\$5.205M
Wuruma Dam	2022	\$15.853M
Fred Haigh Dam – stage 2	2023	\$3.481M
Leslie Dam	2024	\$4.319M
Burdekin Falls Dam – stage 2	2025	\$180.000M
Moura Offstream Storage	2031	\$1.256M
Woongarra	2032	\$0.497M
Peter Faust Dam	2033	\$1.342M
Isis	2035	\$0.618M
Callide Dam ⁽²⁾	Not determined	Not determined

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2014

NOTE 30 COMMISSION OF AUDIT RECOMMENDATIONS

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

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

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

NOTE 31 SUBSEQUENT EVENTS

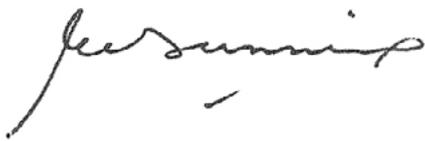
To date, except as detailed elsewhere in the financial statements, no events have occurred subsequent to balance date that materially impact on these financial statements.

DIRECTORS DECLARATION

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

- (a) in their opinion, there are reasonable grounds to believe that SunWater Limited will be able to pay its debts as and when they become due and payable;
- (b) the notes to the financial statements of SunWater Limited for 2013–2014 as set out on pages 25 to 56 of the Financial Report comply with:
 - (i) Accounting Standards;
 - (ii) International Financial Reporting Standards; and
 - (iii) this statement has been included in the notes to the financial statements of SunWater Limited for 2013–2014 as set out in note 1(a);
- (c) in their opinion, the financial statements and notes of SunWater Limited for 2013–2014 as set out on pages 20 to 56 of the Financial Report of SunWater Limited for 2013–2014 are in accordance with the *Corporations Act 2001* (Cth) including:
 - (i) that the financial statements and notes of SunWater Limited for 2013–2014 comply with Accounting Standards; and
 - (ii) give a true and fair view of:
 - a. the financial position and performance of SunWater Limited; and
 - b. the financial position and performance of the consolidated entity.

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



R Dunning
Chairman



G Moynihan
Director

Brisbane, Qld
22 August 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of SunWater Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

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

Opinion

In my opinion -

- (a) the financial report of SunWater Limited is in accordance with the *Corporations Act 2001*, including –
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1

Other Matters - Electronic Presentation of the Audited Financial Report

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



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

Queensland Audit Office

Brisbane, Qld
28 August 2014



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 2001* (Cth):

- 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, expertise and appointment periods of each Director are set out on pages 14 to 15 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 under. Depending on the nature and amount of work undertaken, SunWater's materiality thresholds have been defined as: 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 2012–13. The evaluation process which is co-ordinated 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) (now the Crime and Corruption Commission, as of 1 July 2014) if the CEO suspects that a complaint may involve official misconduct under the *Crime and Misconduct Act 2001* (Qld) (now the *Crime and Corruption Act 2001* (Qld), as of 1 July 2014).
- 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 three 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 14 to 15 of this Report.

The CEO, General Manager Corporate and Manager Finance have confirmed in writing that the 2013–14 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 an enterprise risk register which is regularly reported to the relevant oversight Committee (in line with review schedules agreed for each identified risk entry). 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 14 to 15 of this Report.

Remuneration of Directors

Remuneration of Directors is determined by the shareholding Ministers. Total remuneration levels for individual Directors is reported in the Notes to the Financial Statements on page 51 of this Report.

Senior Executive Remuneration

The Remuneration Committee of the Board oversees all Senior Executive remuneration. Total remuneration levels for Senior Executives are reported in the Notes to the Financial Statements on page 52 of this Report.

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 executive positions are based on a combination of tenured and fixed term employment arrangements.

In accordance with Queensland Government guidelines, performance payments were made in 2013–14 based on agreed targets set by the Board.

Staff Remuneration

Remuneration for the majority of SunWater staff, excluding staff members on individual contract, is determined by the Enterprise Agreement in accordance with the Queensland Government approved bargaining framework. Remuneration for staff on Individual Employment Contracts is based on the median salary relative to each evaluated position and the employee's individual performance. SunWater does not have a performance payment scheme for non-senior executive employees.

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 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 Queensland Competition Authority's (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 2014, including the production of the first Performance Reports in October 2013 and the publication of and consultation on a full suite of draft and final annual NSPs by 30 June 2014. SunWater will continue to work with the QCA and customers over the next year to ensure successful implementation of the remaining 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 Project Managed Organisation (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 March and May 2014. No non-conformances were reported for the environmental system and the ongoing ISO certification was formally confirmed for an additional year.

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 at the same time as the EMS audit, 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 continued to apply Government's Local Industry Policy in support of 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 application of the 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 reported on local industry involvement in these projects as required by submitting local industry participation plans and outcome reports to the Department of State Development, Infrastructure and Planning in line with 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.

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 delivers audit assurance work with assistance from two co-source partners.

Corporate planning and reporting

SunWater produces a Corporate Plan with a five-year outlook, and an 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 2013–14:

There were no modifications made to SunWater's SCI 2013–14.

Debt drawdown: Debt drawdowns associated with the proponent-underwritten Woleebee Creek to Glebe Weir Pipeline Project during 2013–14 totalled \$85M. 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 2013–14.

Significant revenue/expenditure

contracts: During the year Sunwater entered into the following significant expenditure contracts:

- Paradise Dam interim repair works
 - Contract value of \$14M to effect Phase 4A interim repairs, involving the construction of a capping slab over the dam dissipator.

Water Trading Activity: The annual audit of SunWater's water trading activity was performed by BDO (Australia) Ltd during the third quarter confirming SunWater was compliant with its obligations under the Water Trading Code of Conduct for the 2013–14 financial year. The audit recommended SunWater assess the particular impacts of the potential transition to local management of channel irrigation schemes on itself, the water trader and the local management entities, to identify in a timely way any changes needed to its processes and to the Water Trading Code of Conduct.

SunWater is considering the water trading activity as part of its Local Management Arrangements project.

Recycling Initiatives during 2013–14:

SunWater recycled 500 kg of scrap metal and 285 kg of batteries.

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 the 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 directive was confirmed and extended in September 2011. The directive remains current and was continued by SunWater during 2013–14.

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 the Minister and the Treasurer.

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 2013–14.

Revocation of notification of the State Procurement Policy

In developing the 2013 Queensland Procurement Policy, it was determined that SunWater would no longer fall within the scope of this new policy. Government subsequently gazetted (in February 2014) the revocation of a previous 2008 notification which required SunWater Limited, its subsidiaries and controlled entities to apply the (now previous) State Procurement Policy. The removal of this policy did not result in any commercial impacts for SunWater's operations.

SCHEME STATISTICS

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			11,728		11,728		0
	Other			38		38		0
	Total	29		11,766		11,766	100	0
Barker Barambah	Industrial		60	60		0		0
	Irrigation		31,361	33,043		24,219		4,590
	Urban		2,100	2,000		633		0
	SunWater		794	244		0		0
Total	171		34,315	35,347	103	24,852	70	4,590
Bowen Broken Rivers	Industrial		30,299	30,600		10,663		300
	Irrigation		5,677	5,677		1,197		11
	Urban		1,785	1,485		785		0
	Other		296	360		257		0
	SunWater		873	808		352		0
Total	50		38,930	38,930	100	13,254	34	311
Boyne River and Tarong	Industrial		30,455	30,453		12,716		0
	Irrigation		9,140	9,141		4,668		94
	Urban		2,755	2,755		810		0
	Other		480	476		200		6
	SunWater		1,625	1,620		866		0
Total	161		44,455	44,445	100	19,260	43	100
Bundaberg	Industrial		886	887		276		0
	Irrigation		198,957	210,501		150,067		28,638
	Urban		9,571	9,571		4,082		520
	Other		46	46		20		0
	SunWater		170,869	164,219		33,291		5
Total	1101		380,329	385,224	101	187,736	49	29,163
Burdekin Haughton	Industrial		20,214	20,214		639		0
	Irrigation		631,780	737,977		541,693		23,644
	Urban		10,550	10,550		869		480
	Other		8	73		65		0
	SunWater		417,040	407,658		173,764		0
Total	387		1,079,592	1,176,472	109	717,030	61	24,124
Callide Valley	Industrial		3,772	3,634		3,568		0
	Irrigation		18,106	16,625		9,026		2,141
	Urban		2,207	2,003		1,207		0
	SunWater		2	9		6		0
Total	138		24,087	22,271	92	13,807	62	2,141

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	45		8		0
	Irrigation		2,594	2,839		2,229		1,122
	Urban		1,160	1,160		1,156		0
	SunWater		5	5		0		0
	Total	40	4,049	4,049	100	3,393	84	1,122
Cunnamulla	Irrigation		2,412	2,129		789		212
	Urban		80	80		14		0
	SunWater		120	105		0		0
	Total	24	2,612	2,314	89	803	35	212
Dawson Valley	Industrial		3,668	3,347		1,401		106
	Irrigation		51,594	50,965		37,039		8,584
	Urban		1,669	1,732		1,195		0
	SunWater		4,806	4,796		2,402		511
	Total	156	61,737	60,840	99	42,037	69	9,201
Eton	Industrial		100	100		0		0
	Irrigation		52,265	52,265		20,682		747
	Urban		176	185		50		10
	Other		129	164		20		2
	SunWater		9,389	9,390		7,477		1
	Total	331	62,059	62,104	100	28,229	45	760
Julius Dam	Industrial		30,100	30,100		11,604		1,989
	Urban		7,900	7,900		0		0
	SunWater		10,850	10,850		0		0
	Total	5	48,850	48,850	100	11,604	24	1,989
Lower Fitzroy	Industrial		24,006	24,006		20,772		0
	Irrigation		3,101	3,101		0		0
	Other		39	144		126		112
	SunWater		1,475	1,370		2		0
	Total	24	28,621	28,621	100	20,900	73	112
Macintyre Brook	Industrial		217	217		0		0
	Irrigation		17,112	16,263		10,910		2,457
	Urban		453	303		230		4
	Other		6,400	6,400		6,396		0
	SunWater		815	1,101		3,652		3,567
	Total	97	24,997	24,284	97	21,188	87	6,028
Maranoa River	Irrigation		800	800		0		0
	SunWater		5	5		5		0
	Total	4	805	805	100	5	1	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		1,201	1,470		995		451
	Irrigation		151,563	157,870		100,136		26,089
	Urban		3,778	6,654		4,071		335
	SunWater		47,883	45,077		22,869		74
	Total	1112	204,425	211,071	103	128,071	61	26,949
Lower Mary River	Industrial		70	70		0		0
	Irrigation		19,327	19,327		13,064		7,664
	Urban		120	120		69		0
	SunWater		10,892	10,892		3,651		360
	Total	170	30,409	30,409	100	16,784	55	8,024
Nogoa Mackenzie	Industrial		28,420	27,727		13,601		720
	Irrigation		161,282	192,835		161,753		70,653
	Urban		7,393	6,285		6,979		47
	Other		319	376		203		678
	SunWater		33,208	31,382		7,317		4
	Total	390	230,622	258,605	112	189,853	73	72,102
Pioneer River	Industrial		1,920	1,920		1,261		335
	Irrigation		47,390	47,390		13,500		0
	Urban		16,520	16,520		12,843		0
	SunWater		12,280	12,280		0		0
	Total	22	78,110	78,110	100	27,604	35	335
Proserpine River	Industrial		550	591		438		0
	Irrigation		42,017	46,870		16,884		885
	Urban		10,992	10,992		5,298		2,700
	SunWater		9,317	9,317		5		0
	Total	94	62,876	67,770	108	22,625	33	3,585
St George	Industrial		60	74		6		0
	Irrigation		71,285	84,310		66,994		12,330
	Urban		3,024	3,734		1,413		0
	SunWater		9,721	13,164		10,103		953
	Total	164	84,090	101,282	120	78,516	78	13,283
Three Moon Creek	Irrigation		14,124	14,124		6,289		2,318
	Urban		610	610		267		0
	Total	90	14,734	14,734	100	6,556	44	2,318

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		26		0
	Irrigation		28,457	28,964		18,636		2,094
	Urban		1,930	1,910		813		0
	SunWater		18,032	17,832		39		0
	Total	160	48,538	48,825	101	19,514	40	2,094
Upper Condamine	Irrigation		30,314	21,897		20,590		3,356
	Urban		3,207	3,332		1,610		0
	Other		0	4		1		0
	SunWater		227	323		0		272
	Total	98	33,748	25,556	76	22,201	87	3,628
Total		5018	2,622,990	2,782,684	106	1,627,588	58	212,171

NOTES

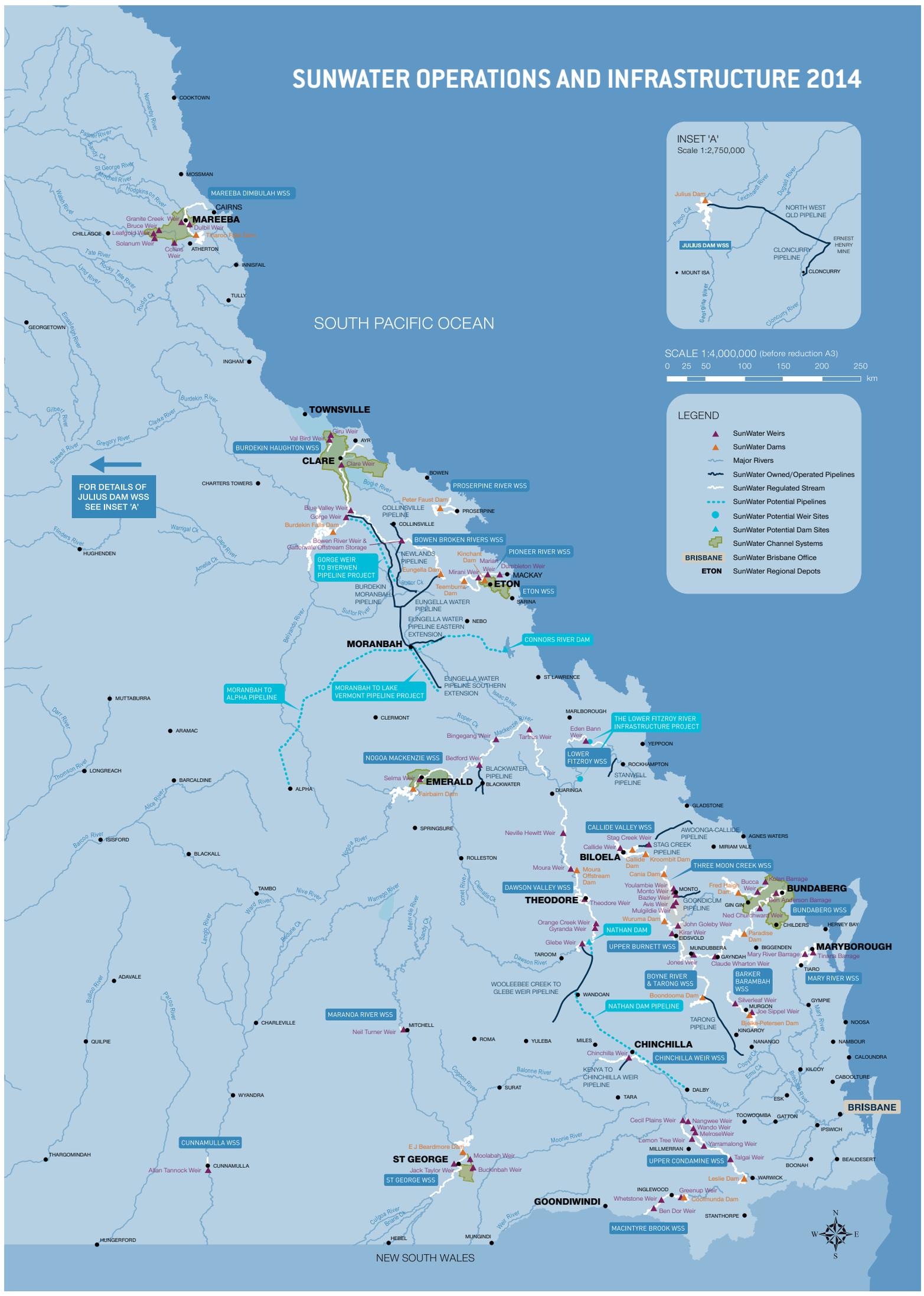
1. Water entitlements are as at 30 June 2014
2. Available Water, Water Deliveries and Temporary Transfers are for the most recently completed water year. This is the year ending 30.9.2013 for Dawson Valley, 31.3.2014 for Eton and 30.6.2014 for all other schemes
3. Riparian allowance, channel harvesting, 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
6. Available water % scheme totals are consolidated from all scheme sectors and may include products available for that scheme including carryover water
7. Water deliveries % scheme totals are consolidated from all scheme sectors

SUNWATER DAM STATISTICS

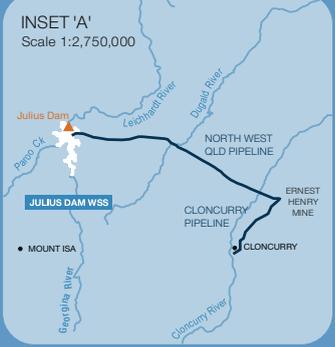
Dam name	Stream name	Nearest town	Structure description	Storage level above original bed (metres)	Storage capacity (ml)	Surface area at full supply level (ha)	Year completed
E J Beardmore	Balonne River	St George	Earthfill and mass concrete (vertical lift gates)	12.1	81,700	2850	1972
Bjelke-Petersen	Barker Creek	Murgon	Earth and rockfill	26.3	134,900	2250	1988
Boondooma	Boyne River	Proston	Concrete-faced rockfill	47.8	204,200	1815	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	1240	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	1645	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	5345	1975
Julius	Leichhardt River	Mount Isa	Multiple arch concrete buttress	25.2	107,500	1255	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	1288	1965-86
Paradise*	Burnett River	Biggenden	Roller compacted concrete	37.1	300,560	2950	2005
Peter Faust	Proserpine River	Proserpine	Earth and rockfill	39.6	491,400	4325	1990
Teemburra	Teemburra Creek	Finch Hatton	Concrete-faced rockfill	54.0	147,500	1107	1996
Tinaroo Falls	Barron River	Atherton	Mass concrete	41.8	438,900	3500	1958
Wuruma	Nogo River	Eidsvold	Mass concrete	36.6	165,400	1639	1968

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

SUNWATER OPERATIONS AND INFRASTRUCTURE 2014



FOR DETAILS OF JULIUS DAM WSS SEE INSET 'A'



SCALE 1:4,000,000 (before reduction A3)
0 25 50 100 150 200 250 km

LEGEND

- ▲ SunWater Weirs
- ▲ SunWater Dams
- Major Rivers
- SunWater Owned/Operated Pipelines
- SunWater Regulated Stream
- - - SunWater Potential Pipelines
- SunWater Potential Weir Sites
- ▲ SunWater Potential Dam Sites
- SunWater Channel Systems
- BRISBANE SunWater Brisbane Office
- ETON SunWater Regional Depots

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