



ANNUAL REPORT  
2015-16



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## ABOUT THIS REPORT

This Annual Report provides a review of SunWater's financial and non-financial performance for the 12 months ended 30 June 2016. The report includes a summary of activities undertaken to meet key performance indicators as set out in SunWater's Statement of Corporate Intent 2015-16 (SCI). The SCI represents our performance agreement with our shareholding Ministers and is summarised on pages 8 to 18, 74 and 75.

This annual report aims to provide accurate information to meet the needs of SunWater stakeholders. An electronic version of this annual report is available on SunWater's website: [www.sunwater.com.au](http://www.sunwater.com.au)

We invite your feedback on our report. Please contact our Corporate Relations and Strategy team by calling 07 3120 0000 or email [media@sunwater.com.au](mailto:media@sunwater.com.au).

# ABOUT US

SunWater Limited owns, operates and facilitates the development of bulk water supply infrastructure, supporting more than 5000 customers in the agriculture, local government, mining, power generation and industrial sectors.

The map at the back of this report illustrates SunWater's extensive regional presence in Queensland and highlights our existing infrastructure network, including:

- 19 major dams;
- 63 weirs;
- 82 major pumping stations;
- 3100 kilometres of pipelines and open channels; and
- 740 km of drains.

## VISION AND VALUES

**OUR VISION:** to be Australia's most respected and valued bulk water supplier.

In the short term, our ambition is to continue to deliver safe, efficient and reliable water services to our customers.

In the longer term, we strive to be recognised as a national water provider, offering innovative ways of securing water for the future and tackling the critical challenges of regional water supply.

Our business success is ultimately based on our workforce. We strive to build a culture of integrity and excellence and our values underpin our thinking, decision making and daily interactions.

SunWater's values are:

- delivering outstanding service;
- working safely;
- taking responsibility;
- working together;
- being open to change; and
- respecting others.

## KEY BUSINESS

SunWater's core business includes:

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

The main operating companies within SunWater, and their activities, include:

- **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.

## CUSTOMERS

SunWater's water supply network delivers water security to some of Australia's biggest agricultural and industrial producers.

Queensland has the largest area of agricultural land of any Australian state and is the nation's largest producer of sugar cane, tropical fruits, tomatoes and capsicums. The State is also a major producer of cotton, beans, lettuce, pumpkins, mushrooms and herbs.

Agriculture accounts for approximately 67 per cent of total water consumption in Queensland and irrigated agriculture accounts for around 36 per cent of the State's total agricultural production.

SunWater's water supply network also supports Queensland's mining sector, supplying water to some of Queensland's largest mining operations.

SunWater delivers water to a range of other large commercial clients including power stations, water boards, regional councils and businesses.

## SHAREHOLDERS

SunWater Limited (SunWater) is a Queensland Government Owned Corporation, established under the *Government Owned Corporations Act 1993* (Qld) and a registered water service provider under the *Water Act 2000*.

Our shareholding Ministers, as at 30 June 2016, are:

- The Honourable Curtis Pitt MP, Treasurer, Minister for Aboriginal and Torres Strait Island Partnerships and Minister for Sport.
- The Honourable Mark Bailey MP, Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels and Water Supply.

# CEO'S REVIEW



*“Diversity of thought and challenging the status quo is fundamental to making water work for our customers”*

SunWater has continued to deliver on our goals of service reliability, safety and efficiency to achieve a solid result for our customers and shareholders in FY16.

Operating under a new management structure, we have successfully delivered on our strategy of financial performance, quality stakeholder consultation and increasing the skill and motivation of our people.

Our continued improvement in reliable and efficient asset management planning was reaffirmed with our asset refurbishment and enhancement program achieving more than \$800,000 in operational efficiencies.

## DELIVERING OUR FY16 STRATEGY

### STRENGTHENING OUR INFRASTRUCTURE NETWORK

Maintaining the integrity of our infrastructure network was the cornerstone of capital investment in FY16. More than \$12M was invested in the Dam Safety Improvement Program, which included significant progress in the refurbishment of Paradise and Fairbairn dam spillways. Investing in ongoing assessment and improvement of our \$13 billion bulk water and pipeline assets is essential to delivering a safe and reliable service, and will remain a priority in the coming years.

### COMMUNITY EDUCATION AND PREPAREDNESS

We have made significant progress on our commitment to deliver key recommendations from the Inspector General Emergency Management review. An Emergency Management Response Program was developed to improve our flood prediction and forecast modelling capabilities. Although in its infancy, the Program is achieving world-class advances in community flood preparedness. In November, we launched the SunWater App for smartphones, which is providing real-time operational and emergency updates to communities living near SunWater dams, weirs and waterways.

### QUALITY CUSTOMER SERVICE

Our focus throughout the year has been to ensure we provide better information to customers to help them make informed business decisions. Transparency of our works expenditure program has been significantly improved, and we have developed tools to better support irrigation customers to plan and manage their water use.

We are listening to our customers and becoming more responsive and adaptive to their feedback. Our commitment is to strive for agility and transparency in everything we do. There is much to be done, and we

will continue to shine a light on every customer touch point and ask ourselves how we can do it better.

### EMPLOYEE PERFORMANCE

One of our greatest achievements in FY16 has been reducing our total recordable injury frequency rate from 4.18 down to 1.37. This feat is a culmination of many years of continuous safety improvements and the unwavering advocacy of our past and present leadership.

Now that the bar has been raised, our challenge will be to uphold this exceptional standard in workplace safety for all staff and contractors.

### WORKPLACE DIVERSITY

Diversity of thought and challenging the status quo is fundamental to making water work for our customers. For the first time in our history we have achieved equal gender representation at our executive level, with 60 per cent female representation on our Board of Directors and 50 per cent in the executive leadership team. Overall, female representation has increased from 22 per cent to 25 per cent, bringing new energy and perspective to all aspects of our operations. Furthermore, our commitment to gender pay equity was reaffirmed with a Board review of our remuneration system reporting gender pay equity at all levels.

### OUR FOCUS FOR FY17

Operational excellence and sustainability are two strategic objectives for SunWater in FY17 and beyond.

Listening to our customers' needs and responding with more flexible management will be our highest priority. To do so, we will need to be agile, embrace change and be able to work in the ever changing economic and climatic conditions that occur. We also need to ensure we focus our operations to continue to be safe and productive for our people, our shareholders and our customers.

I would like to thank our executive and senior leadership teams and all of our people at SunWater for their unwavering loyalty, hard work and commitment to safety. I am confident that we can accept the challenges and opportunities for the year ahead.

**NICOLE HOLLOWES**  
Chief Executive Officer

# CHAIRMAN'S OUTLOOK



*“Collaborative partnerships will be key to investing in infrastructure at the right time and place”*

Water is regional Queensland's most precious resource – it underpins the prosperity of industry, agriculture and communities. The SunWater team understands this and strive to deliver services that enhance the lives and livelihoods of those who invest in the regions.

The pride and commitment of SunWater staff was highlighted at staff awards in June. Teams and individuals from across the State were recognised for their outstanding achievements in all aspects of our Brisbane and regional operations. For the new board – appointed in late 2015 – it has been extremely reassuring to see the great depth of expertise, capability and commitment of our people.

The board acknowledges the significant leadership of retiring CEO Mr Peter Boettcher to SunWater and the water industry over the past 26 years. Ms Nicole Hollows was appointed to the role of CEO in April and has quickly established strong relationships with the board, staff, customers and stakeholders. Retiring after 16 years of dedicated service was General Manager Corporate Mr Geoff White, who has been replaced by Mr John Hooper as Executive General Manager Corporate Services.

I would also like to acknowledge the contribution of outgoing Chairman Mr Ross Dunning and board members Mr Greg Moynihan, Hon. Larry Anthony, Dr Kirstin Ferguson, Ms Rachel Fennell and Dr William Wild, who have left an exceptional legacy for SunWater. I was honoured to be welcomed as Chairman, alongside a new board of directors, in late 2015. The new board brings a depth of expertise in natural resources, finance, infrastructure, legal and insurance, and will inject new energy and perspective into our corporate direction.

Looking to the year ahead, we will seek to better understand and plan for the future needs of our customers and anticipate the needs of new customers. Increasing climate variability and economic uncertainty means that finding new ways to provide water for growth has never been more important. Collaborative partnerships will be key to investing in infrastructure at the right time and place and furthering the State's economic development.

There will also be substantial progress towards more local ownership and management of the channel irrigation schemes. SunWater is committed to assisting irrigators and the State to successfully achieve a transition to Local Management Arrangements. The exceptional leadership and commitment of irrigators and SunWater staff in each of the eight schemes reflects the inherent capability of our regions.

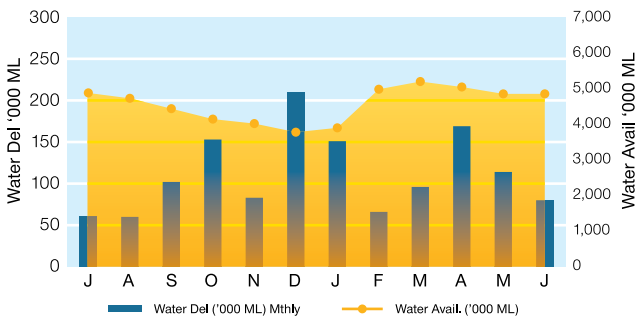
Our direction for the coming year is clear. The business is embracing the opportunity for change to deliver the services required to enhance growth and prosperity in Queensland's regions. We will take the time to listen and be open to developing new products and services with our customers to grow their businesses and communities.

**LEITH BOULLY**  
Chairman

# PERFORMANCE HIGHLIGHTS

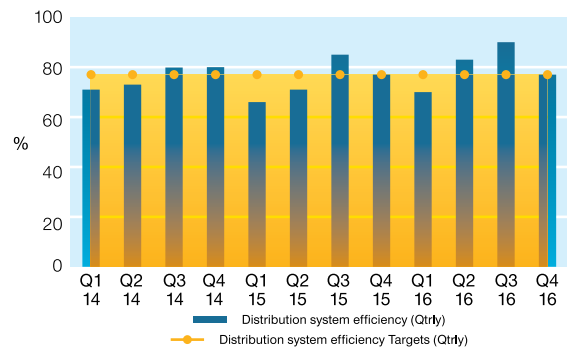
The 2015–16 year was one of strong operational and financial performance, returning a \$29.009M dividend at 100 per cent of Net Profit After Tax to shareholding Ministers (2015: \$5.258M at 80 per cent of Net Profit After Tax). With its strong operating cash reserves, SunWater has provided for a payment of \$260M, comprising a special dividend of \$130M and a return of contributed equity of \$130M to be paid by 30 November 2016.

## WATER – AVAILABLE AND DELIVERED



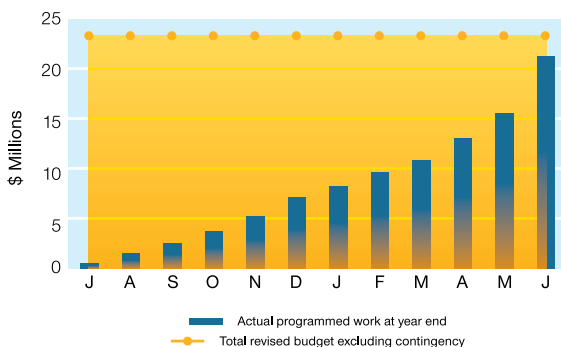
Demand for water from customers for 2015–16 peaked in December 2015. A number of SunWater storages were replenished following significant rainfall in February 2016, with full supply capacity reached and outflows from Callide Dam, Paradise Dam, Beardmore Dam and Julius Dam.

## DISTRIBUTION SYSTEM EFFICIENCY



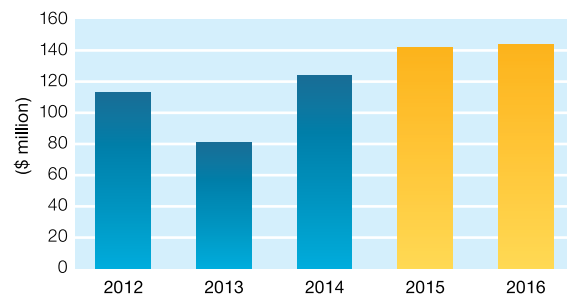
SunWater successfully managed channel shutdowns in 2015–16, achieving an average channel distribution efficiency of 82 per cent – well above the target of 72 per cent.

## REFURBISHMENT AND ENHANCEMENT BASE WORKS



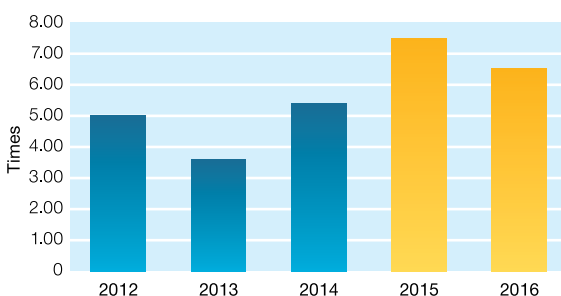
SunWater completed \$21.2M refurbishment and enhancement (R&E) works of water infrastructure in 2015–16. This outcome was within SunWater's tolerance of 10 per cent of its annual target (excluding contingency), reflecting SunWater's improved planning and delivery of its program of R&E projects compared with previous years.

## EBITDA



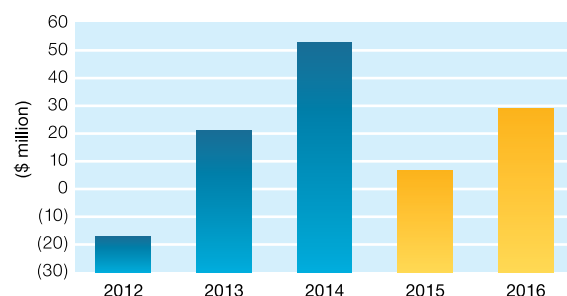
Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) increased slightly in 2015–16. The increases in the previous two years includes additional revenue from Woleebee Creek to Glebe Weir Pipeline coming online.

## FUNDS FROM OPERATIONS INTEREST COVERAGE



Funds from Operations Interest Coverage ratio has reduced in 2015–16 due to a higher interest expense resulting from the payout of the Eungella (Eastern and Southern) external loans incurring a \$3.39M finance charge.

## NET PROFIT AFTER TAX



SunWater's Net Profit After Tax (NPAT) in 2015–16 is a 341 per cent increase on 2014–15. This is largely due to the \$82M impairment of BWPL assets in 2014–15. Asset impairments in 2015–16 totalled \$44M.

## KEY PERFORMANCE MEASURES

### Prudent and efficient management



- ✓ Improved Emergency Response Program, including new early warning and notification system
- ✓ Supporting Stage 3 of the Local Management Arrangements project
- ✓ SunWater delivered \$0.428M operational efficiency savings for the year

### Stakeholder and customer engagement



- ✓ New water use, planning and projection tools deployed on SunWater website
- ✓ Network Service Plan annual performance reports published
- ✓ Significant improvements in cross-agency coordination during emergency events

### Strengthening Queensland's regional bulk water supply



- ✓ Dam safety upgrades commenced at Paradise and Fairbairn dams
- ✓ Eungella Dam Improvement Project complete
- ✓ Successful applications under the National Water Infrastructure Development Fund for feasibility into two major initiatives and key input into another two studies in Queensland

### Organisation capacity and workplace capability



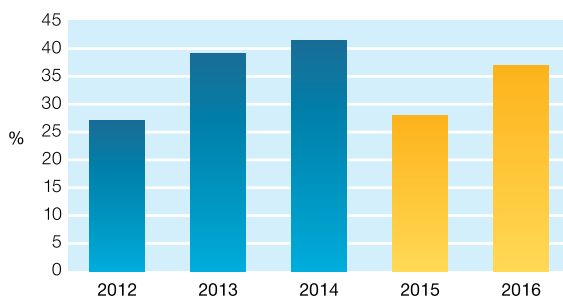
- ✓ Employee engagement survey results place SunWater above the Australian National Norm (ANN), for 10 out of 15 categories surveyed
- ✓ Overall sustainable employee engagement is 82 per cent, which is 3 per cent above the ANN

### Safety and environmental performance



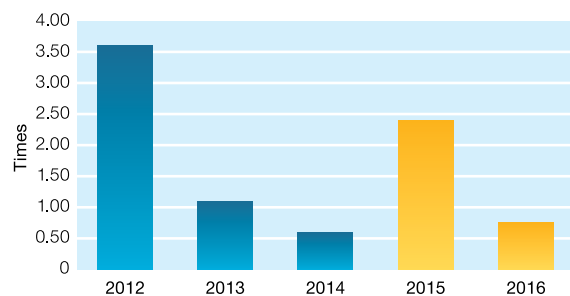
- ✓ Significant improvement in lost time injury frequency rate and total recordable injury frequency rate
- ✓ Externally accredited for certification to international standards for Safety (AS4801), Environment (ISO14001) and Quality (ISO9001)
- ✓ No material environmental non-compliances recorded

#### MARKET GEARING



Market Gearing (Debt / Debt + Equity) has increased in 2015–16 due to a \$260M reduction in Equity relating to a special payment for dividends and return of contributed equity to shareholders that will be made by 30 November 2016. To fund the payment, SunWater has approval from Queensland Treasury to borrow up to \$100M in 2016–17, if required.

#### CURRENT RATIO



Current Ratio has significantly reduced from 2014–15 as current liabilities in 2015–16 include a payment of \$289M comprising \$130M special dividend, \$29M 100% NPAT dividend and \$130M return of contributed equity to shareholders that will be made by 30 November 2016.

# REVIEW OF OPERATIONS

## OUTCOME ONE: Prudent and efficient management of SunWater



The volume of water held in all SunWater dams and weirs at 30 June 2016 was 75 per cent of full supply

### WATER AVAILABILITY

The volume of water held in all SunWater dams and weirs at the beginning of 2015–16 totalled approximately 5,025,000 ML, which is 75 per cent of the full supply of all SunWater storages of 6,686,182 ML.

Total volume decreased over the first two quarters of 2015–16 due to rainfall well below the long-term average in many parts of the State and temperatures well above average mean maximum temperatures in much of the central and western parts of the State. Areas in the far north and the southeast also experienced warmer temperatures than usual in the 2015 calendar year.

Following a minimum total storage level in December of 3,789,000 (57 per cent of total), late summer and autumn 2016 rainfall resulted in significant inflows for SunWater storages with a number of dams reaching full supply capacity or spilling.

The volume of water held in all SunWater dams and weirs at 30 June 2016 totalled approximately 4,866,000 ML, which is 73 per cent of the full supply of all SunWater storages.

Throughout 2015–16, high priority announced water allocations were 100 per cent for all schemes and medium priority announced allocations were generally favourable at above 80 per cent for most schemes.

### INSPECTOR-GENERAL EMERGENCY MANAGEMENT REVIEWS

In 2015, the Inspector-General Emergency Management (IGEM) conducted two reviews relating to SunWater's management of warnings and notifications during flood events.

The first review examined the February 2015 flood event within the Callide Valley, with 13 recommendations for action by SunWater, Banana Shire Council (BSC) and other agencies. Of the 13 recommendations, SunWater has responsibilities with respect to six (Recommendations 1, 4, 5, 6, 8 and 9) and progress against these is outlined in the Callide Creek Flood Review section on page 10.

The second review was carried out by IGEM in relation to the broader warning communications of Seqwater and SunWater during flood events, with recommendations tabled in Parliament in November 2015. In response, a new interim early warning and notification system was implemented in December 2015 for all SunWater dams. These notifications provide advance warning of potential dam spills to downstream communities and councils. The system includes:

- A SunWater app, developed to enable community members to keep up to date with information and resources.
- Notifications sent using a number of channels including SMS, SunWater App, Facebook and Twitter.
- A new 'Living near Dams' section on the SunWater website for communities living downstream of SunWater dams, as well as links to council websites and Facebook pages, storage levels, river heights and weather forecasts.



## EMERGENCY MANAGEMENT RESPONSE PROGRAM FOR FLOOD OPERATIONS

In March 2016, following a detailed analysis of the 2015 IGEM Reviews and the Queensland Standard for Disaster Management, SunWater established a major Emergency Management Response Program to improve flood prediction and warning communications for downstream from all SunWater dams, across regional Queensland.

The Program will significantly advance SunWater's capabilities in flood modelling, improve cross-agency coordination and implement innovative developments in community preparedness.

SunWater will establish a dedicated response and control centre to monitor weather, dam levels and respond to any dam safety events. The centre will also be a point of contact for disaster management groups.

The Emergency Management Response Program will deliver critical milestones to significantly reduce risk before the 2016–17 wet season and will be fully implemented by late 2017.

## EMERGENCY ACTION PLAN REVIEWS

Of the 22 Emergency Action Plans (EAPs) for dams owned or operated by SunWater, 12 were reviewed, rewritten and implemented in 2015–16, with training conducted for emergency event staff. The remaining 10 EAPs are on track to be rewritten, submitted to the Dam Safety Regulator and implemented by September 2016.

The new version EAPs include pre-formatted messages and alert area polygons that have been tested with State Disaster Coordination Centre for various emergency situations, with clear triggers identified for each location.

## CALLIDE CREEK FLOOD REVIEW

In response to the IGEM Review into the Callide Valley flood event that followed Tropical Cyclone Marcia in February 2015, SunWater is working with BSC and local groups to improve:

- prediction and associated early communication downstream from the Callide and Kroombit dams;
- Joint messaging strategies with BSC;
- Operational hydrologic modelling and data network; and
- A multi-channel warning system for residents downstream of the Callide and Kroombit dams.

A community information day was held at the Callide Dam on 10 October 2015, convened by BSC and SunWater. Representatives from IGEM, the District Disaster Coordinator, the Department of Energy and Water Supply (DEWS) and the Department of Natural Resources and Mines provided updates to the community, and SunWater distributed fact sheets about the operations of the Callide and Kroombit dams, including detailed flood maps for the area and communications and warning arrangements associated with the outflows from the dams. SunWater also provided supervised access to the public for an inspection of the dam wall and gates.

The assessment of operating Callide Dam as a potential flood mitigation dam continues to be progressed by DEWS together with SunWater and BSC.

## LOCAL MANAGEMENT ARRANGEMENTS

On 1 October 2015, the Queensland Government announced its decision to transition eight SunWater channel irrigation schemes to local management arrangements. Local management will place the channel irrigation schemes under the ownership and operation of newly established boards, comprising local irrigators who benefit from the schemes.

The eight SunWater schemes considered for local management were the channel distribution systems in Bundaberg, Burdekin–Haughton, Eton, Emerald, Lower Mary, Mareeba–Dimbulah, St George and Theodore.

Following a public call by the Government for expressions of interest, special purpose vehicle companies will be established for the Eton, Emerald, St George and Theodore schemes and Interim Boards will be established for the Bundaberg, Burdekin–Haughton, Lower Mary and Mareeba–Dimbulah schemes. The Eton, Emerald, St George and Theodore schemes will transition to local management if agreement is reached on the final terms of the transfer and there is sufficient support from scheme customers.

Early in 2016, the Bundaberg, Burdekin–Haughton, Lower Mary and Mareeba–Dimbulah schemes were invited to submit revised business proposals to the Government for a decision on whether those schemes are also ready to commence the transition to local management.

# REVIEW OF OPERATIONS CONTINUED

## CALLIDE CREEK FLOOD REVIEW RECOMMENDATION IMPLEMENTATION UPDATE

Below is an overview of SunWater's progress of the recommendations of the Inspector-General Emergency Management's 2015 Callide Creek Flood Review. Progress is provided for those recommendations that relate to SunWater.

The 2015 Callide Creek Flood Review and recommendations can be downloaded from:

[www.igem.qld.gov.au/callide](http://www.igem.qld.gov.au/callide)

### RECOMMENDATION 1:

Department of Energy and Water Supply (DEWS) and SunWater to undertake studies that consider the feasibility of operating Callide Dam as a flood mitigation dam.

### OUTCOMES AND STATUS:

DEWS is leading the studies into the feasibility of operating Callide Dam as a flood mitigation dam, with support for the provision of data provided by SunWater.

The stakeholder briefing and a community meeting was held in Biloela on 19 July 2015, based on draft DEWS study investigations and recommendations. DEWS is now receiving submissions from the community, and will review in August 2016.

Once the community consultation process is complete, SunWater will assess the study results, draft recommendations and customer and community feedback in terms of what it might mean for the future planning and operations of the dam.

### RECOMMENDATION 4:

SunWater to provide information to downstream residents regarding dam operation and potential impacts of outflows.

### OUTCOMES AND STATUS:

SunWater has completed additional and improved early warning communications for residents downstream from the Callide and Kroombit dams including:

- development and implementation of geographically-tailored warning systems, including downstream resident communication zones, SMS notifications, social media posts and a dedicated smartphone app called "SunWater App" in the App Store for iOS devices or Google Play for Android;
- development and issue of flood maps and fridge magnets with communication zones to identify potential flood impacts for different dam outflows, for an extended downstream notification area and related public information and education;
- use of a multi-channel warning system for residents downstream of the Callide and Kroombit dams to provide information, notifications and alerts in relation to the operations at its dams; and
- development of joint messaging strategies with Banana Shire Council (BSC), with established triggers for different flood warning levels.

### RECOMMENDATION 5:

DEWS and SunWater to investigate adopting more flexible approaches with respect to EAPs.

### OUTCOMES AND STATUS:

DEWS and SunWater have worked to incorporate greater flexibility by adopting earlier notifications and warnings about potentially significant dam outflow events for residents immediately downstream of dams.

### RECOMMENDATION 6:

BCS, SunWater and Bureau of Meteorology (BOM) to identify the requirements for a suitable gauge network for flood warnings in the Callide Valley in liaison with the Department of Natural Resources and Mines (DNRM).

### OUTCOMES AND STATUS:

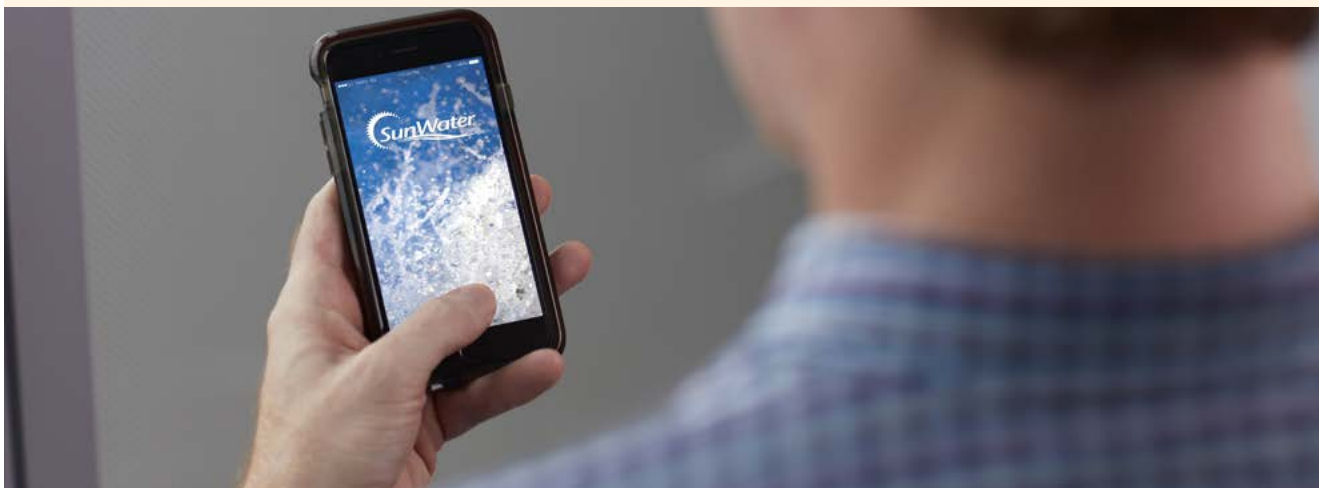
BSC, SunWater and BOM prepared a joint submission about a suitable gauging network to DNRM, which was accepted by the Department.

The scope and funding were agreed to by agencies with the majority of the actions to be undertaken by the BSC.

SunWater actions have been completed including:

- installation of two additional rain gauges to record rainfall in dam catchments;
- relocation of the river gauging station downstream of Callide Dam (Stepanoffs) to record dam outflows.
- repair and relocation of the river gauging station upstream (96 km) to higher up the banks for more reliable operation during flood events;
- additional scope item – Installation of new cameras with remote viewing access at Callide and Kroombit Dams; and
- additional scope item – Installation of Callide Dam gate sensors and telemetry under way by contractor (completion expected by end of 2016).

## IMPROVING EARLY WARNINGS



The SunWater App provides communities living near dams, weirs and waterways with operational updates and emergency notifications.

During the year, significant advances were made to SunWater's capabilities in flood prediction, forecast modelling and warning communication – as a result SunWater is delivering improved community preparedness.

Geographically-tailored warning systems have been developed, including downstream resident communication zones, SMS notifications, social media and a dedicated smartphone app.

A dedicated response and control centre will be established prior to the 2016–17 wet season to continuously monitor weather and dam levels and to be a point of contact for disaster management groups.

The project will be fully implemented in 18 months.

### RECOMMENDATION 8:

SunWater and BSC to develop a multi-channel warning strategy for residents downstream of dams and develop common messaging and procedures.

### OUTCOMES AND STATUS:

SunWater and BSC have reviewed and clarified roles and responsibilities for agencies in relation to notifications and warnings for various flood scenarios, including:

- development and implementation complete of a detailed warning strategy for residents downstream of dams, and agreement and improved coordination between SunWater and BSC about common messaging and procedures;
- extent of the downstream notification areas have been extended by SunWater for Callide Dam (from 10km to 15km) and Kroombit Dam (from 10km to 23km), up to confluence with other catchment flows;
- additional early warnings notifications have been identified by SunWater based on weather forecasts and potential catchment inflows, in advance of possible dam outflows, wherever possible;
- additional warnings and notifications implemented by SunWater at commencement and during a potential flood event and linking possible outflows to flood impact maps;

- various triggers identified and agreed between SunWater and BSC across all catchments (not just dams);
- new and improved multi-channel warnings include SMS, the SunWater App, Facebook, Twitter, media and the SunWater website;
- SunWater's EAPs were revised and reviewed with BSC and the Local Disaster Management Group, based on improved triggers and notifications, and submitted to DEWS in December 2015; and
- an emergency exercise was held between BSC, SunWater and disaster management agencies on 26 November 2015 to test improved triggers, warnings and coordination between agencies.

### RECOMMENDATION 9:

SunWater and BSC to pre-format emergency alert messages and identify alert area polygons and to test in liaison with the State Disaster Coordination Centre (SDCC).

### OUTCOMES AND STATUS:

SunWater has provided downstream alert area polygons to SDCC with messaging and testing and agreed jointly between BSC, SunWater and SDCC.

# REVIEW OF OPERATIONS CONTINUED

## OUTCOME TWO: Strengthening SunWater's engagement with irrigation, urban and industrial customer sectors and other stakeholders



In 2015–16, SunWater improved the transparency of information between our business and our customers.

### SUNWATER CUSTOMER SUPPORT

SunWater operates a customer support centre, which is staffed 24 hours a day, seven days a week. In 2015–16, the customer service operators answered 14,468 telephone calls from SunWater customers, down slightly from 15,143 calls answered the previous year.

### WATER USE, PLANNING AND PROJECTION TOOLS

SunWater aims to deliver bulk water supply and service solutions responsive to customers' needs. In recent years, a suite of online tools have been developed to assist customers to plan and manage their water use. The tools can be particularly useful when dam volumes are low.

A storage forecast tool, available on the SunWater website, provides a 12-month outlook for water volumes for major SunWater dams. The tool plots potential dam volumes, one based on average monthly inflows and the second plots a much drier scenario based on minimum monthly inflows.

Also available on the website is an Announced Allocation Prediction Graph, allowing customers to estimate allocations for the start of the water year.

During the year, SunWater also used newsletters, email, SMS notification and the new SunWater app to communicate information to customers.

### NETWORK SERVICE PLAN ANNUAL PERFORMANCE REPORTS

In November 2015, SunWater published annual Network Service Plan Performance Reports for each service contract, with 30 reports uploaded to the SunWater website. Customers are invited to provide feedback, and feedback is published on the SunWater website in an effort to increase transparency between the business and our customers.



Callide Power Station cooling tower

## IRRIGATOR ADVISORY COMMITTEES

A significant way in which SunWater achieves its service delivery objectives is by working with our Irrigator Advisory Committees (IACs). The committees represent the interests of the broader irrigation customer base for each area, and provide SunWater with a mechanism to engage and discuss scheme operational issues with irrigators. There are 18 IACs across Queensland.

In 2015–16, SunWater, in consultation with the IACs, revised the Asset Management Strategy for the irrigation schemes, to ensure the strategy more closely aligns with how scheme assets are managed.

Consultation with the IACs regarding water availability and water products, including refining scheme rules and targets in line with customers' expectations and needs, will continue into the new year.

## COMMERCIAL CUSTOMERS

SunWater continued to develop a customer engagement strategy for urban and industrial customers. SunWater has a diverse range of customers ranging from major coal mines, gas producers, regional councils and power stations to water boards, primary producers and small businesses. Overall, SunWater has approximately 90 urban and industrial customers with over 850 contracts on 24 schemes and 14 pipelines.

The customer engagement strategy considers how SunWater strengthens the long-term commercial relationships with these customers and ensures customer management resources are used effectively.

The strategy also assists in achieving business development goals by identifying opportunities with customers and providing advice and support to the business development group.

The strategy will provide a long-term plan, starting with developing key commercial and contract processes and then continually building customer engagement capabilities.



# REVIEW OF OPERATIONS CONTINUED

## OUTCOME THREE: Strengthening Queensland's regional bulk water supply, dam safety, planning and pricing arrangements and services

### DAM SAFETY IMPROVEMENT PROGRAM

SunWater owns and manages 22 referable storages consisting of 17 Category 2 dams and five Category 1 storages under the *Water Supply (Safety and Reliability) Act 2008* and *Water Act 2000*.

Since 2006, SunWater has completed five dam safety improvement projects at Fred Haigh Dam, Bjelke-Petersen Dam, Tinaroo Falls Dam, Kinchant Dam and Eungella Dam. In 2015–16, SunWater commenced staged dam safety improvements at Paradise and Fairbairn dams in Central Queensland.

SunWater's Dam Safety Improvement Program involves a program of works scheduled over the next 12 years and will be funded through current SunWater reserves and future borrowings. Subject to appropriate due diligence, Government confirmed that resources will be made available to SunWater to undertake essential capital works and that it will continue to support the Board in achieving its objectives and maintaining a viable sustainable business. Government's current irrigation pricing policy excludes the recovery of dam safety improvement costs through irrigation water prices.

SunWater has completed comprehensive risk assessments (CRAs) for each of the referable dams in its portfolio. The CRAs are reviewed and updated periodically as new information becomes available.

In October 2015, SunWater completed an update to its overall Portfolio Risk Assessment and amended its Dam Safety Improvement Program (DSIP) – including project priorities, time frames and estimated costs – which was in turn provided to the Dam Safety Regulator. An update and addendum were submitted to the Dam Safety Regulator in June 2016. The program continues to be updated and refined based on further review of the risks involved and subsequent assessments of the impact of these risks on the priority and sequencing of individual projects.

Prior to the commencement of each dam safety improvement project, SunWater:

- consults with the Dam Safety Regulator on the need and appropriateness of the proposed works;
- consults with shareholding Ministers on each upgrade and seeks any necessary investment approvals prior to commencement of works; and
- engages with Government regarding options for funding of the project.

### PARADISE DAM

Paradise Dam, located south-west of Bundaberg, is a key component of the Bundaberg Water Supply Scheme. Following a record flood event in January 2013, a dam safety review and CRA at Paradise Dam was conducted. Engineering assessments identified areas of the dam that could be further strengthened to withstand extreme weather events.

In 2015–16, the Paradise Dam Primary Spillway Improvement Project commenced, involving:

- strengthening the base of the primary spillway;
- downstream protection of the left hand side dam wall; and
- construction of an access and drainage culvert.

### FAIRBAIRN DAM

The first stage of an ongoing improvement project at Fairbairn Dam, located south-west of Emerald, commenced in April 2016. The works will ensure the dam spillway continues to function as designed.

The Fairbairn Dam spillway will undergo works on the lower chute floor involving:

- modification of drain outlets;
- repair and replacement of blocked drains;
- replacement of the steel anchors;
- filling voids under the concrete slabs of the spillway; and
- construction of a mass reinforced concrete overlay to accommodate the steel anchors.

The first stage of works is scheduled for completion in late 2016.

### EUNGELLA DAM

Eungella Dam improvement works concluded in 2015–16. Spillway anchoring works commenced in August 2015 and practical completion of the project was achieved in accordance with the Dam Safety Regulator's deadline of 1 October 2015.

### NATHAN DAM AND PIPELINE

The proposed Nathan Dam and pipeline is a major project aimed at providing long-term, reliable water supplies to mining, power, urban and existing agricultural customers in the Surat Coal Basin and the Dawson–Callide sub-region of Central Queensland.

Water from the dam may also be called on to address critical water supply needs in the Lower Fitzroy and other parts of Queensland.

The proposed Nathan Dam site is located upstream of Nathan Gorge on the Dawson River, approximately 70 km downstream of Taroom and 315 km upstream of where the Dawson and Fitzroy rivers meet. The potential capacity of the dam will be 888,000 ML at full supply.

If the dam is built it will supply water to mining and urban customers throughout the Surat Basin via a 219 km-long pipeline, potentially extending as far as Warra. The pipeline will be capable of delivering up to 122 ML/day.

Water will be released from the dam downstream to towns and irrigation customers along the Dawson River in order to maintain existing supply arrangements, as well as to supply new mining customers in the southern Bowen Basin.

SunWater submitted the Environmental Impact Statement (EIS) to the Coordinator-General for review and public consultation in 2012. The EIS process was then deferred while a number of conservation issues were addressed prior to completion of the additional information to the EIS (AEIS) report, which was submitted to the Coordinator-General for adequacy review in April 2016. EIS approval is anticipated in early 2017.



Fairbairn Dam, situated near Emerald in Central Queensland

## LOWER FITZROY RIVER INFRASTRUCTURE PROJECT

SunWater and the Gladstone Area Water Board (GAWB) are joint proponents undertaking technical, environmental, social, cultural and economic investigations for the Lower Fitzroy River Infrastructure Project.

The Central Queensland Regional Water Supply Strategy, released in December 2006, identified the raising of Eden Bann Weir and/or the construction of a new weir in the vicinity of Rookwood Crossing as an option for meeting short-, medium- and long-term water supply requirements in the Lower Mackenzie–Fitzroy sub-region.

The Fitzroy River Infrastructure Project was established to investigate water storage infrastructure options for the future water supply needs of the Rockhampton and Gladstone regions. The project is focused on undertaking technical and environmental investigations, with a view to securing the necessary approvals to allow the development of the infrastructure at a future time. No funding has been allocated for development activities.

Situated in the Fitzroy River, the infrastructure will be used to secure water for industry, urban and potentially agricultural customers.

The investigation is evaluating the merits of raising the existing Eden Bann Weir (owned by SunWater) and/or building a new weir, Rookwood Weir.

The Water Resource (Fitzroy Basin) Plan 2011 identifies that a nominal volume of 76,000 ML of water is available for water infrastructure on the Fitzroy River as supplemented water from the strategic water infrastructure reserve. A key deliverable of the current investigation will be to establish a development sequence for the infrastructure options, tailored to deliver best value for money from each investment depending on the nature and size of emerging demands. Preparations are currently under way for the creation of a business case by Building Queensland which will address the staging of the assets along with funding options and preferred delivery models for construction and operation.

The works completed to date include desktop and field geotechnical investigations, yield hydrology modelling, flood hydrology, hydraulic investigations, road and bridge designs, cultural heritage management plans, environmental assessments and property planning work.

The additional information for the EIS was released for public comment on 28 May 2016. EIS approval is expected by the end of 2016.

## BOONDOOMA DAM SPILLWAY REPAIRS

Boondooma Dam, located on the Boyne River north-west of Proston, was constructed primarily to supply water to the Tarong Power Station.

The 2011 floods caused extensive damage to the Boondooma Dam spillway chute as well as significant downstream scouring. The damage was further exacerbated by the 2013 floods.

SunWater undertook immediate repairs on Boondooma Dam spillway damage, and a longer-term solution to ensure the continuing functionality of the spillway has been under way since 2014. In June 2016, investigations and detailed design for a preferred repair solution were completed. SunWater will release a tender to the market for the works contract in 2016–17. The works are planned for completion by October 2018.

# REVIEW OF OPERATIONS CONTINUED

## OUTCOME FOUR: Developing SunWater’s organisational capacity and workforce capability



Various safety courses were rolled out in early 2016, including courses in first aid, the SLAM safety process and risk assessment

### EMPLOYEE ENGAGEMENT SURVEY

In September 2015, SunWater conducted its employee engagement survey. Towers Watson facilitated the survey and benchmarked SunWater’s results against the Australian National Norm (ANN), reporting:

- 10 out of the 15 categories surveyed are above the ANN;
- six of these categories are significantly above the ANN; and
- overall ‘sustainable engagement’ result was 82 per cent, which is three per cent above the ANN.

The results of the survey inform SunWater of its top three key strengths and opportunities, as compared to the ANN, which are:

#### STRENGTHS

- *Empowerment:* SunWater employees receive sufficient decision making authority and flexibility to serve customers. They feel well informed and understand how their role contributes to the success of the business. Decisions are timely and made at the right level.
- *Training and Development:* SunWater employees feel they receive sufficient training and development for their current and future roles in the company.
- *Supervision:* immediate managers are effective at developing their employees and providing recognition. They are seen to be available and to communicate well.

#### OPPORTUNITIES

- *Image/Brand:* improving the image and reputation of SunWater amongst key stakeholders (community, employees, customers, government).

- *Balance and wellbeing:* review staff resourcing and the availability of flexible working practices, particularly for SunWater employees in the regional centres.
- *Leadership:* addressing employee feedback that SunWater refines its current strategy and that communication of the strategy could be improved.

SunWater has formed focus groups for the top three opportunities, and action plans for these opportunities are being developed and implemented.

### LEARNING AND DEVELOPMENT

Learning and development for 2015–16 focused on safety, with the roll out of refresher training to ensure all employees are up to date with their safety skills and knowledge. Courses included first aid, the ‘Stop, Look, Assess, Manage’ (SLAM) safety process and risk assessment.

In 2015–16 SunWater successfully rolled out training using an e-learning platform, with all staff completing mandatory “Code of Conduct and Unacceptable Workplace Behaviour” and “Fraud and Corruption” training using the platform. A selection of safety courses is scheduled to be delivered through the e-learning platform in 2016–17.

SunWater’s supervisory development course “Success Strategies for Supervisors” continued in 2015–16. In its fifth year, this course brings together front-line leaders from around the State to share the challenges of leadership and learn new skills in improving the effectiveness of teams.



SunWater introduced a “Lunch and Learn” training series in February 2016, where staff can attend short seminars of interest over their lunch break. Topics delivered included: “Business Development”; “Asset Management in Irrigation Schemes”; “Understanding Weeds that affect the Queensland Landscape”; and “A Guide to Finance”.

SunWater’s ongoing learning and development activities form part of the overarching annual Achievement and Development Plan process.

## ACHIEVEMENT AND INNOVATION AWARDS

In June 2016, SunWater held its 13th Annual Achievement and Innovation Awards, recognising individuals and teams from across the business who demonstrate excellence and make outstanding contributions to the business in 2015–16.

In 2016, a new pinnacle award, the SunWater Excellence Award, was introduced. Minister Mark Bailey presented the inaugural Excellence Award to Chris Mann, Acting Storage Supervisor at Coolmunda Dam. Chris was selected for the award for his conscientious contribution to the company, consistently exemplifying the SunWater values and being a motivated team player.

## ENTERPRISE BARGAINING AGREEMENT

The SunWater Enterprise Agreement 2015–18 was approved and certified by the Fair Work Commission in November 2015.

## WORKFORCE DIVERSITY

Each year the Board reviews key indicators relating to women in SunWater. These key indicators relate to attraction, retention and pay equity. The proportion of women at the Board and senior executive level is now 50 per cent. The percentage of women in SunWater over the previous reporting period has increased from 22 per cent to 25 per cent. This has resulted in an increased number of females in the leadership pipeline. The review found there are no pay equity gaps between males and females in SunWater. For the next review, the Board will focus more broadly on diversity.



Minister Mark Bailey presents the inaugural SunWater Excellence Award to Chris Mann, Acting Storage Supervisor at Coolmunda Dam

# REVIEW OF OPERATIONS CONTINUED

## OUTCOME FIVE: Safety and environmental performance



SunWater staff report approximately 70 hazards per month

### HEALTH AND SAFETY

SunWater achieved a major safety milestone this year when the organisation’s total recordable injury frequency rate (TRIFR) and lost time injury frequency rate (LTIFR) were at zero in March 2016. This is the first time in its history that SunWater’s primary safety measures have concurrently been at zero.

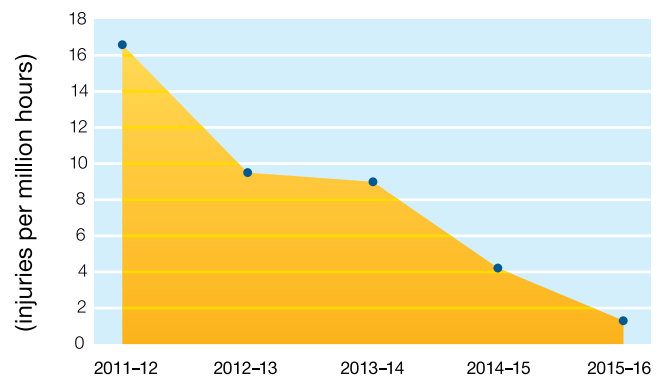
SunWater’s year-end TRIFR continued a downward trend in 2015–16 with 1.37 at the end of June 2016, compared to 4.18 for the end of June 2015. The LTIFR for the end of June 2016 remained at zero, the same level as at the end of June 2015.

SunWater attributes this continuous improvement to a positive culture of hazard recording, with staff reporting around 70 hazards per month. Although this is an important milestone, SunWater recognises the need to remain vigilant in its commitment to safety leadership at all levels of the organisation, particularly in relation to continuing to support and improve the safety performance of general contractors.

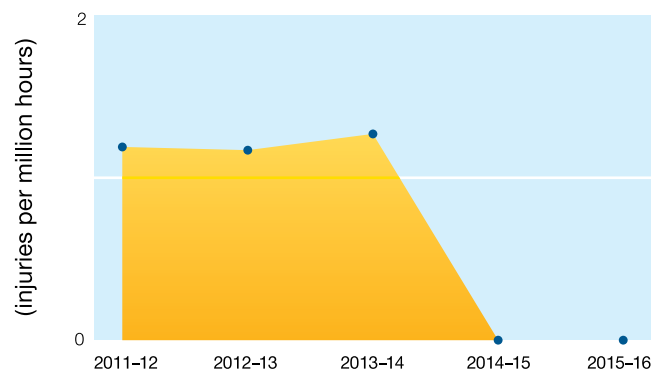
### ENVIRONMENT

In March 2016, SAI Global conducted the annual certification audit of SunWater’s Environmental Management System. The current certification was maintained, with no non-conformances identified.

#### TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)



#### LOST TIME INJURY FREQUENCY RATE



For the first time in our history, SunWater's total recordable injury frequency rate and lost time injury frequency rate were both at zero in March 2016.



Callide Dam inlet pipes

# SUNWATER 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](http://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; and
- 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 in accordance with relevant Government policies and expectations;
- direct involvement in Senior Executive performance planning and review processes; and
- 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; and
- recommends policy, risk management and compliance improvements.

**SHAREHOLDING MINISTERS**

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

## Shareholding Ministers:

SunWater's shareholding Ministers as at 30 June 2016 were the Honourable Curtis Pitt MP, Treasurer, Minister for Aboriginal and Torres Strait Island Partnerships and Minister for Sport, and the Honourable Mark Bailey MP, Minister for Main Roads, Road Safety and Ports and Minister for Energy, Biofuels 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 Statement of Corporate Intent and achieves its stated objectives;
- accounting to SunWater's shareholding Ministers; and
- ensuring that SunWater otherwise performs its functions in a proper, effective and efficient way.

- INTERNAL AUDIT
- CORPORATE RELATIONS AND STRATEGY
- BUSINESS DEVELOPMENT

**CHIEF EXECUTIVE**

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

**CORPORATE SERVICES**

The Corporate Services group provides enterprise-wide support services.

**Core services:**

- managing SunWater's corporate functions including finance, legal, technology and people and capability;
- providing specialised knowledge, best practices and technology to support internal (and sometimes external) customers and business partners;
- ensuring overall corporate assurance;
- understanding and managing risk;
- supporting the business to manage its revenue, expenses and profit line;
- understanding and prioritising (internal) customer needs; and
- delivering high service standards.

**OPERATIONS**

Operations provides a range of services that support the ongoing management of SunWater's 23 water supply schemes and project delivery services within SunWater.

**Core services:**

- engaging with all stakeholders to understand their expectations and to deliver a positive customer experience;
- operating and managing all operational assets including dams, weirs, pump stations, major pipelines and irrigation systems;
- sharing and delivering water to customers including regional urban centres, industrial water users and irrigators;
- managing and ensuring SunWater's compliance with dam safety requirements;
- conducting dam flood operations;
- developing and implementing SunWater's water pricing arrangements as well as asset management, repair and enhancement strategies and programs; and
- providing workplace health and safety, public safety and environmental management services to the business.

**ASSET DELIVERY**

Asset Delivery provides engineering and project delivery services within SunWater.

**Core services:**

- providing high level of service in design and delivery of reliable water infrastructure to meet customer expectations;
- ensuring high levels of safety in design and construction activities;
- maintaining asset integrity through design and delivery of refurbishment and enhancement (R&E) programs;
- delivering the capital works program on time, to budget and to stakeholder expectations ;
- providing reliable and timely procurement services for all of SunWater; and
- ensuring SunWater's quality, business and reporting systems are managed efficiently and meet stakeholder expectations.

# SUNWATER BOARD



## LEITH BOULLY

### Chairman

Appointed to the Board on 1 October 2015  
Term of appointment to 30 September 2018

### SunWater Board Committee Membership

SunWater Board  
Audit and Corporate Governance Committee  
Industry, Regulation, Safety and Environment Committee  
Burnett Water Pty Ltd  
Eungella Water Pipeline Pty Ltd  
Remuneration Committee  
North West Queensland Water Pipeline Pty Ltd

### Skills, experience and expertise

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

Leith is Chairman of the Australian Water Recycling Centre of Excellence and serves on the Boards of Murrumbidgee Irrigation Limited, Isis Central Sugar Mill and the CRC for Water Sensitive Cities. She is also a member of the Australian Water Partnership committee and the Water Expert Panel, an advisory body that provides advice to the Minister for Energy, Biofuels and Water Supply.

Leith was formerly Chairman of Healthy Waterways and Wide Bay Water Corporation, and a Director of Seqwater.



## PATRICE SHERRIE

### Director

Appointed to the Board on 1 October 2015  
Term of appointment to 30 September 2018

### SunWater Board Committee Membership

SunWater Board  
Audit and Corporate Governance Committee  
Industry, Regulation, Safety and Environment Committee  
Burnett Water Pty Ltd  
Remuneration Committee

### Skills, experience and expertise

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

Patrice is currently a consultant to Bentleys (Qld) Pty Ltd, Treasurer of The Women's College within the University of Queensland and Director of the Urban Development Institute of Australia (Queensland).



## NEVILLE IDE

### Director

Appointed to the Board on 1 October 2015  
Term of appointment to 30 September 2018

### SunWater Board Committee Membership

SunWater Board  
Audit and Corporate Governance Committee  
Burnett Water Pty Ltd  
Remuneration Committee

### Skills, experience and expertise

Neville's industry knowledge and experience covers banking, insurance, infrastructure and corporate treasury including debt and equity capital markets, balance sheet structuring and financial risk management.

His most recent executive roles were as Group Treasurer, Suncorp-Metway Limited and Director Financial Markets, Queensland Treasury Corporation.

Neville is currently a non executive director of RACQ Insurance Limited, Queensland Police Credit Union Limited and a member of the Public Trust Office Investment Board. He also undertakes selective consultancy in the financial services industry.

# SUNWATER BOARD CONTINUED



## FORMER BOARD MEMBERS

### MOYA STEELE

#### Director

Appointed to the Board on 3 December 2015  
Term of appointment to 30 September 2018

#### SunWater Board Committee Membership

SunWater Board  
Audit and Corporate Governance Committee  
Industry, Regulation, Safety and Environment Committee

#### Skills, experience and expertise

Moya is an experienced strategic development advisor to commercial organisations and government entities across Queensland.

She is an owner, Partner and Board member of one of Queensland's largest independent law firms and currently leads its state-wide Planning, Property and Procurement team. Moya specialises in planning and environmental law, providing development advisory services and strategic management of legislative process for development. She acts for both the private and public sector for major projects and infrastructure, tourism, water transport, residential, extractive industries and retail developments.

Moya currently holds the position of Discretionary Director on the Board of Townsville Enterprise, and has been appointed to the Townsville CBD Task Force and the Property Council of Australia (Townsville).

### DAVID STEWART

#### Director

Appointed to the Board on 3 December 2015  
Term of appointment to 30 September 2018

#### SunWater Board Committee Membership

SunWater Board  
Industry, Regulation, Safety and Environment Committee  
North West Queensland Water Pipeline Pty Ltd  
Eungella Water Pipeline Pty Ltd

#### Skills, experience and expertise

David is a civil engineer with 35 years' experience in Australia and internationally specialising in large dams, water supply, irrigation and other infrastructure projects.

During that time he has worked in the private sector with major engineering consulting firms and in the public sector with large water businesses, including as Executive Manager Technical Services, Executive Manager Strategy and Development and as Managing Director of Goulburn–Murray Water in Victoria.

David is currently Managing Director of the specialist engineering consultancy Australian Dams & Water Consultants Pty Ltd and is a former Director and Past Chairman of the Australian National Committee on Large Dams (ANCOLD). He was recognised by Engineers Australia in 2009 as one of Australia's 100 most Influential Engineers and has been awarded the River Murray Water Medal by the Murray–Darling Basin Authority.

### ROSS DUNNING AC

#### Former Chairman

Term of appointment 12 December 2013 to 30 September 2015

#### SunWater Board Committee Membership

SunWater Board  
Audit and Corporate Governance Committee  
Industry, Regulation, Safety and Environment Committee  
Eungella Water Pipeline Pty Ltd  
Remuneration Committee  
Burnett Water Pty Ltd  
North West Queensland Water Pipeline Pty Ltd

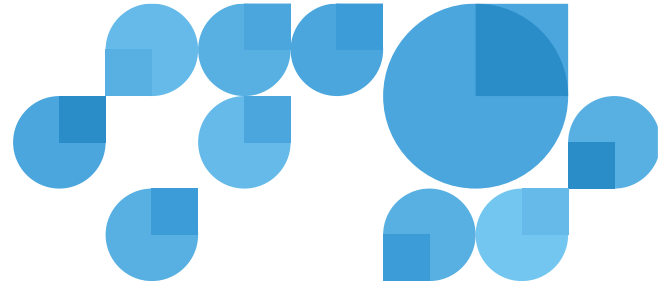
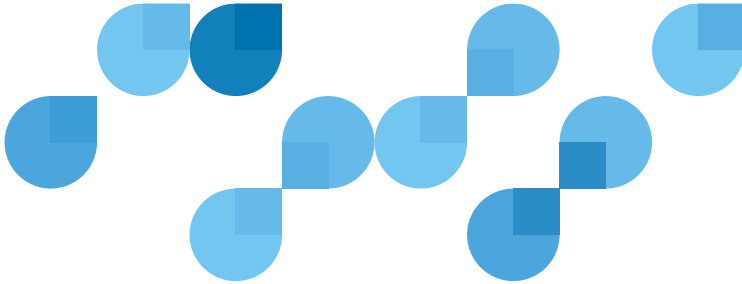
### GREG MOYNIHAN

#### Former Director

Term of appointment 12 December 2013 to 31 March 2016

#### SunWater Board Committee Membership

SunWater Board  
Audit and Corporate Governance Committee  
Eungella Water Pipeline Pty Ltd  
Remuneration Committee  
North West Queensland Water Pipeline Pty Ltd



### HON. LARRY ANTHONY

#### Former Director

Term of appointment 12 December 2013 to 30 September 2015

#### SunWater Board Committee Membership

SunWater Board  
Industry, Regulation, Safety and Environment Committee  
Burnett Water Pty Ltd

### DR KIRSTIN FERGUSON

#### Former Director

Term of appointment 1 October 2011 to 7 August 2015

#### SunWater Board Committee Membership

SunWater Board  
Eungella Water Pipeline Pty Ltd  
North West Queensland Water Pipeline Pty Ltd

### RACHEL FENNEL

#### Former Director

Term of appointment 12 December 2013 to 30 September 2015

#### SunWater Board Committee Membership

SunWater Board  
Industry, Regulation, Safety and Environment Committee  
Eungella Water Pipeline Pty Ltd

### DR WILLIAM WILD

#### Former Director

Term of appointment 20 December 2012 to 30 September 2015

#### SunWater Board Committee Membership

SunWater Board  
Audit and Corporate Governance Committee  
Burnett Water Pty Ltd

## MEETINGS ATTENDED DURING 2015–16

	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
Leith Bouly	7	4	2	2	3	2	2
Patrice Sherrie	7	4	2	2	3	-	-
Neville Ide	7	4	-	1	3	-	-
Moya Steele	5	2	2	-	-	-	-
David Stewart	4	-	2	-	-	1	1
Ross Dunning	3	1	1	1	1	1	1
Greg Moynihan	7	2	-	3	-	1	1
Larry Anthony	3	-	1	-	1	-	-
Kirstin Ferguson	2	-	-	1	-	-	-
Rachel Fennell	3	-	1	-	-	1	1
William Wild	3	1	-	-	1	-	-

# SUNWATER EXECUTIVE MANAGEMENT TEAM



## NICOLE HOLLOWES

### Chief Executive

Nicole Hollows was appointed SunWater Chief Executive Officer on 26 April 2016.

Nicole is an experienced senior executive, with a career spanning more than 20 years in the resources sector. Prior to joining SunWater, she was Managing Director of global resources firm AMCI Australia and South East Asia. She was Chief Executive Officer of Macarthur Coal Limited from 2007 to 2011 and, under her leadership, the company grew from A\$700M to A\$5 billion market capitalisation and was listed on the ASX Top 50 Companies Index.

Nicole believes in leading a high-performance culture and streamlined systems to achieve operational excellence.

Outside her business activities, Nicole dedicates time to charity and community organisations. She is an advisory committee member of the Salvation Army SE Queensland Council and also a member of the CEO Advisory Committee for Dean of QUT Business School.

She is a member of the Institute of Chartered Accountants, a fellow of the Australian Institute of Company Directors and is a Graduate of Harvard Business School's Program for Management Development.



## TOM VANDERBYL

### General Manager Operations

Tom Vanderbyl became General Manager in March 2011 after serving more than seven years with SunWater in strategic planning and senior management roles.

Tom has over 30 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.

Tom has worked closely with the water industry to identify and adopt water management innovations that will assist in enhancing productivity and profitability of SunWater's customers.

Tom's primary focus at SunWater is to provide organisational leadership and support in respect of the identification, control, management and monitoring of strategic and operational risks and opportunities. He is also responsible for leading the organisation to achieve SunWater's 'No Harm' safety objective.

He was the inaugural Director of the Board of Irrigation Australia Limited and a founding member of the Australian Water Accounting Standards Board. Tom holds a Bachelor of Civil Engineering from the University of Queensland and is a Fellow of the Institution of Engineers Australia.



## ALEX FISHER

### General Manager Asset Delivery

Alex Fisher commenced her role as SunWater General Manager Asset Delivery on 9 November 2015.

Alex's focus at SunWater is the provision of engineering, project delivery, procurement and quality systems to enable the achievement of SunWater's operational and business objectives.

As a civil engineer with more than 20 years project management and leadership experience, Alex has previously held General Manager roles at Seqwater and Brisbane City Council in both Operational and Asset Delivery areas.

Alex has a proven track record in steering multifaceted operations and cross-disciplinary teams to deliver customer service, organisational objectives and financial performance, underpinned by a genuine enthusiasm and a passion for water and the value it delivers to our communities.

She holds a Bachelor of Civil Engineering from the University of Queensland, a PhD from Queensland University of Technology and is currently studying a Masters of Business Administration with the Australian Institute of Business.





## JOHN HOOPER

### Executive General Manager Corporate Services

John Hooper commenced his role as SunWater Executive General Manager Corporate on 18 July 2016.

He is responsible for leading SunWater's corporate functions including finance, legal, information and technology, people and capability.

John is an accomplished senior executive with more than 26 years' experience in finance, strategy and business services. He has worked for a number of high-profile Australian and multi-national companies, as well as small privately owned firms.

He has extensive experience in the energy, telecommunications, ports, property development, civil construction and manufacturing sectors. Prior to joining SunWater John was the Executive General Manager Corporate Services for a large Australian disability services provider.

During his career John has focused on leading performance and productivity improvement projects and customer-orientated cultural change initiatives.

He is a Fellow of the Australian Certified Practising Accountants, a graduate of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Management and holds a Bachelor of Economics from Monash University.

## BRAD WATKINS

### Alternate Company Secretary

Brad Watkins 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.

## GEOFF WHITE

### Former General Manager Corporate Services and Company Secretary

*Term of appointment June 2004 to July 2016*

Geoff White's primary focus at SunWater was to refine systems and processes and ensure that best-practice corporate support was provided to the operational business units to assist them in achieving effective customer service.

Geoff has substantial commercial experience in all aspects of business and financial management, as well as audit and corporate governance. He was a partner in a leading accounting firm for 14 years. In addition, he has significant practical experience in the management of client relationships, human resources, information technology and financial administration.

Geoff retired on 1 July 2016.

## PETER BOETTCHER

### Former Chief Executive

*Term of appointment April 2008 to April 2016*

Peter is a water industry professional with over 27 years' experience in the development, management and commercial operations of bulk water infrastructure. Prior to his appointment as SunWater CEO in 2008, Peter held the positions of Chief Operating Officer and General Manager Water Supply Services.

## TIM DONAGHY

### Former General Manager Asset Delivery

*Term of appointment August 2012 to October 2015*

Tim Donaghy is a civil engineer with over 39 years' experience. He possesses vital knowledge of infrastructure project management with a focus on providing business needs and surpassing strategic outcomes.

# DIRECTORS' REPORT

for the year ended 30 June 2016

The Directors present their report together with the financial report of SunWater Limited and its subsidiaries ("SunWater") for the financial year ended 30 June 2016 and the auditor's report thereon.

## 1. DIRECTORS

The following persons were Directors of SunWater Limited during the whole of the financial year and, except where noted otherwise, up to the date of this report:

- Ms L Bouilly, appointed 1 October 2015
- Mr N Ide, appointed 1 October 2015
- Ms P Sherrie, appointed 1 October 2015
- Ms M Steele, appointed 3 December 2015
- Mr D Stewart, appointed 3 December 2015
- Dr K Ferguson, resigned 7 August 2015
- Mr L Anthony, resigned 30 September 2015
- Mr R Dunning, resigned 30 September 2015
- Ms R Fennell, resigned 30 September 2015
- Dr W Wild, resigned 30 September 2015
- Mr G Moynihan, resigned 31 March 2016

Further information about Directors' qualifications, experience, term of appointment and attendance at meetings is detailed in the SunWater Board section of the Annual Report.

## 2. 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 of the Annual Report.

## 3. FINANCIAL PERFORMANCE

FINANCIAL RESULTS – CONSOLIDATED	2016	2015
	\$'000	\$'000
Profit before income tax	40,682	7,003
Profit after income tax	29,009	6,573

The financial statements are a general purpose financial report that have been prepared in accordance with the Australian Accounting Standards and interpretations, requirements of the Corporations Act 2001, provisions of the Government Owned Corporations Act 1993 and other relevant legislation.

## 4. DIVIDENDS AND RETURN OF CONTRIBUTED EQUITY

SunWater's Dividend Policy, as stated in the 2015–16 Statement of Corporate Intent, takes into account the return its shareholders expect on their investment.

As part of the Government's 2015–16 Mid-Year Fiscal and Economic Review, SunWater received a direction from shareholding Ministers in accordance with section 131(3)(b) of the Government Owned Corporations Act 1993 to make a dividend payment comprising \$130M plus, for 2015–16, 100 per cent of audited consolidated operating profit after making provision for income tax or its equivalent.

Shareholding Ministers also issued a request for payment of a further \$130M.

Pursuant to this combined direction and request, the Directors have recommended a payment to shareholders comprising:

- a special dividend of \$130M allocated against retained earnings as at 30 June 2016;
- a dividend of \$29M declared and payable to the holders of fully paid ordinary shares, comprising 100 per cent of audited consolidated profit for the year after making provision for income tax or its equivalent; and
- a return of contributed equity of \$130M.

SunWater's financial position will be significantly impacted by this payment. However, SunWater's cash flow forecast, which includes approved borrowing of up to \$100M in 2016–17, indicates that all debts (including this payment) can be met as they fall due.

Further, in a letter dated 9 June 2016, the shareholding Ministers stated:

*"The Government recognises the systematic importance of the services SunWater provides for regional Queensland. The Government is equally committed to dam safety and an effective dam safety management program. To that end, subject to appropriate due diligence, we confirm that resources will be made available to SunWater to undertake essential capital works and we will continue to support the Board in achieving its objectives and maintaining a viable and sustainable business."*

*"We acknowledge that the Board may require support to protect SunWater's financial position and to meet its solvency obligations as required by law."*

SunWater's consolidated group Balance Sheet current ratio at 30 June 2016 of 0.74 is impacted by the recognition of this payment. If \$100M is borrowed in full, SunWater's market gearing ratio will increase from 37 per cent to approximately 46 per cent. This continues to meet loan covenant requirements and is within benchmarks for infrastructure entities.

Accordingly, the financial statements are prepared on a going concern basis. Further information is set out in notes 14, 15 and 16 in the financial statements.

## 5. REVIEW OF OPERATIONS

Information on the operations of SunWater and the results of those operations are detailed in the Review of Operations section of the Annual Report.

### 5.1 Safety

Safety is core value of SunWater and we have continued to work towards our goal of "no harm". Through an active and unrelenting focus on all aspects of operational safety, SunWater has achieved a significant improvement its Total Recordable Injury Frequency Rate (TRIFR), which was 1.37 at 30 June 2016.

## 5.2 Core performance

SunWater's core operating performance has been solid during the year. In addition to the inherent challenges associated with aging infrastructure, SunWater has continued to respond to the challenges of changes in the economic and regulatory environment and customer expectations.

## 5.3 Other operational matters

SunWater has continued to focus on the following specific matters which have significant financial impacts:

### Impact of natural disasters

Remedial work associated with the damage caused by the 2010–11, 2013 and 2015 floods has progressed through the 2015–16 year.

Efforts are focused 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 of \$15M, based on engineering estimates, has been taken up in the financial statements at 30 June 2016 as there is a constructive obligation to repair damage incurred but not yet rectified.

Insurance claims revenue of \$16M has been received to date for 2013 flood damage, leaving \$2M outstanding from the net claimable amount of \$18M. SunWater has lodged a \$53M claim with insurers for repairs arising from the 2010–11 damage to Boondooma Dam and a \$23M claim for the 2013 damage to Paradise Dam. SunWater is in the process of finalising its position on an expected claim for repairs arising from 2013 damage to Fred Haigh Dam of \$9M.

Further detailed information is set out in notes 12 and 21 in the financial statements.

### Dam Safety Improvement Program

SunWater has continued its strong focus on dam safety. The Board has been actively reviewing the Dam Safety Policy, taking into account changes in the regulatory environment, contemporary practices and shareholder requirements and approvals. A comprehensive Dam Safety Upgrade Decision Criteria has been approved by the Board, which underpins a comprehensive priorities program of dam improvements across SunWater's portfolio of dams. Significant investments in dam safety will continue to be made over the next decade.

In addition to the above, SunWater has a Dam Safety Management Program which includes a comprehensive program of surveillance, inspections and reviews for each dam in the portfolio. This program considers, in respect of each dam, its current condition and operating environment and its conformance with current engineering standards to provide assurance that each dam meets Australian National Committee on Large Dams (ANCOLD) and Regulatory requirements.

Further information is set out in note 22 in the financial statements.

## 6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 1 October 2015, the Queensland Government announced its decision to transition eight SunWater channel irrigation schemes to Local Management Arrangements (LMA). The eight SunWater schemes considered for local management were the channel

distribution systems in Bundaberg, Burdekin–Haughton, Eton, Emerald, Lower Mary, Mareeba–Dimbulah, St George and Theodore.

Four of the channel irrigation schemes – St George, Eton, Emerald and Theodore – have commenced the transition to local management, subject to reaching final agreement on the terms and conditions of that transfer with the Government.

Furthermore, four of the remaining channel irrigation schemes have been invited to submit revised business proposals for local management. These schemes are Burdekin–Haughton, Bundaberg, Lower Mary and Mareeba–Dimbulah. Once the Government has received these revised business cases, a decision will be made on whether or not the four schemes are also ready to transition to local management. That decision is likely to happen in early 2017.

SunWater is fully immersed in a due diligence process and is working with the shareholder representatives to ensure the operational and financial impacts of the transition are fully understood and can be shared with the relevant stakeholders. SunWater is committed to ensuring this transition process is a success for all parties affected.

Further information is set out in note 12 in the financial statements.

## 7. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2016 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 21 and 22 in the financial statements.

## 8. ENVIRONMENTAL REGULATION

SunWater's operations are subject to significant environmental regulation under both Commonwealth and State legislation. In March 2016, SAI Global conducted the annual certification audit of SunWater's Environmental Management System. The current certification was maintained and there were no non-conformances identified.

## 9. INSURANCE OF OFFICERS

During the financial year, SunWater paid a premium of \$145,056 (excluding 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 Limited 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.

# DIRECTORS' REPORT CONTINUED

for the year ended 30 June 2016

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

## 10. 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.

## 11. 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.

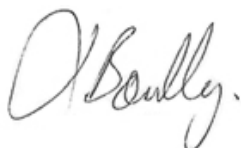
## 12. ROUNDING OF AMOUNTS

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.

## 13. 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.



**Leith Bouilly**

**Chairman**



**Patrice Sherrie**

**Director**

Dated: August 2016

# 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 2016, 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

25 August 2016



# FINANCIAL REPORT

for the year ended 30 June 2016

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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 4000  
Queensland

## STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 30 June 2016

	Notes	CONSOLIDATED		PARENT	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue from continuing operations	1	283,022	277,510	273,664	277,914
Other income	2	13,283	13,263	13,283	8,261
Expenses from continuing operations:					
Employee benefits expense		(41,505)	(32,442)	(41,503)	(32,439)
Depreciation and amortisation expense	9,10	(38,534)	(36,500)	(34,283)	(31,672)
Impairment expense/credit – property, plant and equipment/intangible assets	9,10	(43,713)	(80,279)	(39,973)	1,690
Impairment expense – investment in subsidiaries	19	-	-	-	(112,296)
Contracted services expense		(45,421)	(52,402)	(64,516)	(31,704)
Electricity expense		(31,697)	(29,230)	(30,656)	(28,174)
Insurance expense		(7,984)	(8,806)	(7,311)	(7,987)
Materials expense		(4,472)	(4,514)	(4,472)	(4,512)
Plant hire expense		(1,892)	(2,481)	(1,876)	(2,481)
Motor vehicle operating leases expense		(2,138)	(2,073)	(2,138)	(2,073)
IT expense		(1,675)	(1,409)	(1,675)	(1,409)
Travel expense		(1,603)	(1,438)	(1,601)	(1,438)
Accommodation expense		(3,463)	(3,223)	(3,463)	(3,223)
Legal expense		(3,128)	(1,990)	(3,093)	(1,864)
Rates and land tax expense		(2,042)	(1,999)	(1,865)	(1,825)
Telephone, facsimile and data lines expense		(1,606)	(1,444)	(1,603)	(1,441)
Loss on disposal of assets		(87)	(35)	(87)	(35)
Other expenses		(4,127)	(5,656)	(4,065)	(5,589)
Finance costs	3	(20,536)	(17,849)	(16,134)	(16,328)
<b>Profit before income tax equivalents</b>		<b>40,682</b>	<b>7,003</b>	<b>26,633</b>	<b>1,375</b>
Income tax equivalents expense	4	(11,673)	(430)	(4,458)	(27,031)
<b>Profit for the year</b>		<b>29,009</b>	<b>6,573</b>	<b>22,175</b>	<b>(25,656)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>29,009</b>	<b>6,573</b>	<b>22,175</b>	<b>(25,656)</b>

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

# BALANCE SHEETS

as at 30 June 2016

	Notes	CONSOLIDATED		PARENT	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>ASSETS</b>					
<i>Current assets</i>					
Cash	5	265,768	178,812	232,832	156,445
Receivables	6	9,127	11,961	13,137	14,354
Inventories	7	2,166	2,480	2,166	2,480
Other current assets	8	17,704	23,268	18,440	23,309
<b>Total current assets</b>		<b>294,765</b>	<b>216,521</b>	<b>266,575</b>	<b>196,588</b>
<i>Non-current assets</i>					
Receivables	6	-	-	17,758	4,388
Property, plant and equipment	9	897,568	958,851	829,996	887,237
Intangible assets	10	20,166	22,270	20,042	22,146
Deferred tax assets	4	25,135	21,229	17,304	8,431
Investment in subsidiaries	19	-	-	*	*
<b>Total non-current assets</b>		<b>942,869</b>	<b>1,002,350</b>	<b>885,100</b>	<b>922,202</b>
<b>Total assets</b>		<b>1,237,634</b>	<b>1,218,871</b>	<b>1,151,675</b>	<b>1,118,790</b>
<b>LIABILITIES</b>					
<i>Current liabilities</i>					
Payables	11	21,643	17,475	22,640	32,797
Provisions	12	356,734	48,661	346,245	22,580
Borrowings (including bridging loans)	17	2,381	4,548	9,949	10,008
Other	13	20,015	17,294	20,015	17,294
<b>Total current liabilities</b>		<b>400,773</b>	<b>87,978</b>	<b>398,849</b>	<b>82,679</b>
<i>Non-current liabilities</i>					
Provisions	12	1,237	1,229	1,237	1,229
Borrowings	17	243,329	262,912	243,329	245,779
Deferred tax liabilities	4	12,832	20,969	12,060	19,749
Other	13	160,499	166,819	160,499	166,819
<b>Total non-current liabilities</b>		<b>417,897</b>	<b>451,929</b>	<b>417,125</b>	<b>433,576</b>
<b>Total liabilities</b>		<b>818,670</b>	<b>539,907</b>	<b>815,974</b>	<b>516,255</b>
<b>Net assets</b>		<b>418,964</b>	<b>678,964</b>	<b>335,701</b>	<b>602,535</b>
<b>EQUITY</b>					
Contributed equity	16	250,269	380,269	250,269	380,269
Retained earnings		168,695	298,695	85,432	222,266
<b>Total equity</b>		<b>418,964</b>	<b>678,964</b>	<b>335,701</b>	<b>602,535</b>

\* Amounts less than \$500.

The above Balance Sheets should be read in conjunction with the accompanying notes.

## STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Notes	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
<i>Consolidated</i>				
Balance at 1 July 2014		380,269	297,380	677,649
Total comprehensive income for the year		-	6,573	6,573
Transactions with owners as owners				
Dividends	15	-	(5,258)	(5,258)
Balance at 30 June 2015		380,269	298,695	678,964
Total comprehensive income for the year		-	29,009	29,009
Transactions with owners as owners				
Dividends	15	-	(159,009)	(159,009)
Return of contributed equity	15	(130,000)	-	(130,000)
<b>Balance at 30 June 2016</b>		<b>250,269</b>	<b>168,695</b>	<b>418,964</b>
<i>Parent</i>				
Balance at 1 July 2014		380,269	253,180	633,449
Total comprehensive income for the year		-	(25,656)	(25,656)
Transactions with owners as owners				
Dividends	15	-	(5,258)	(5,258)
Balance at 30 June 2015		380,269	222,266	602,535
Total comprehensive income for the year		-	22,175	22,175
Transactions with owners as owners				
Dividends	15	-	(159,009)	(159,009)
Return of contributed equity	15	(130,000)	-	(130,000)
<b>Balance at 30 June 2016</b>		<b>250,269</b>	<b>85,432</b>	<b>335,701</b>

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 2016

	Notes	CONSOLIDATED		PARENT	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Cash flows from operating activities</i>					
Receipts from customers (inclusive of GST and refunded GST)	13	318,666	487,350	294,896	465,838
Government grant received		-	2,024	-	2,024
Community service obligations received		10,145	11,292	4,738	5,989
Interest received		282	431	277	426
Intercompany taxes received/(paid)		-	-	(5,414)	(2,256)
Payments to suppliers and employees (inclusive of GST)		(177,634)	(164,982)	(172,870)	(152,511)
Income taxes paid		(8,360)	(10,552)	(8,360)	(10,552)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5</b>	<b>143,099</b>	<b>325,563</b>	<b>113,267</b>	<b>308,958</b>
<i>Cash flows from investing activities</i>					
Proceeds from sale of property, plant and equipment		99	923	99	923
Repayments of intercompany borrowings		-	-	1,468	1,353
Interest received		6,346	5,108	5,471	5,027
Dividends received		-	-	10,000	18,000
Payments for property, plant and equipment		(15,450)	(29,928)	(13,410)	(29,917)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(9,005)</b>	<b>(23,897)</b>	<b>3,628</b>	<b>(4,614)</b>
<i>Cash flows from financing activities</i>					
Proceeds from intercompany borrowings		-	-	-	8,300
Interest paid		(20,129)	(17,522)	(15,728)	(16,046)
Repayments of borrowings	13	(21,751)	(212,459)	(2,508)	(222,581)
Loan to subsidiary		-	-	(17,014)	-
Intercompany equity injection		-	-	-	(15,000)
Dividends paid		(5,258)	(42,100)	(5,258)	(42,100)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(47,138)</b>	<b>(272,081)</b>	<b>(40,508)</b>	<b>(287,427)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>86,956</b>	<b>29,585</b>	<b>76,387</b>	<b>16,917</b>
Cash and cash equivalents at the beginning of the financial year		178,812	149,227	156,445	139,528
<b>Cash and cash equivalents at the end of the financial year</b>	<b>5</b>	<b>265,768</b>	<b>178,812</b>	<b>232,832</b>	<b>156,445</b>

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

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

## BASIS OF PREPARATION

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

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

## Compliance with IFRS

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

## Historic cost convention

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

## Rounding of amounts

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

## Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of GST receivable or payable. The net 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.

## Going concern

The financial statements are prepared on a going concern basis. SunWater's financial position has been significantly impacted by the recognition of a special payment of \$289.009M due to shareholding Ministers by 30 November 2016 (refer Notes 14, 15 and 16). SunWater's cash flow forecast, which includes approved borrowing of up to \$100.000M in 2016–17, indicates that all debts (including this payment) can be met as they fall due. Further, in a letter dated 9 June 2016, the shareholding Ministers stated:

*The Government recognises the systematic importance of the services SunWater provides for regional Queensland. The Government is equally committed to dam safety and an effective dam safety management program. To that end, subject to appropriate due diligence, we confirm that resources will be made available to SunWater to undertake essential capital works and we will continue to support the Board in achieving its objectives and maintaining a viable and sustainable business.*

*We acknowledge that the Board may require support to protect SunWater's financial position and to meet its solvency obligations as required by law.*

## PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the parent entity as at 30 June 2016 and the financial results of all subsidiaries for the year then ended. The parent entity and its subsidiaries together are referred to in this financial report as the consolidated entity. Subsidiaries are those entities over which the parent entity has the power to govern the financial and operating policies. SunWater wholly owns all of its subsidiaries (refer note 19).

The balances and effects of all transactions between entities in the consolidated entity are eliminated in full. Where a subsidiary began or ceased to be controlled during the reporting period, the results are included only from the date control commenced or up to the date control ceased.

Investments in subsidiaries are accounted for at cost less impairment in the financial statements of the parent entity. The consolidated entity has no investments in associates or joint ventures.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## ACCOUNTING POLICIES

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

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting assumptions. It also requires management to exercise its judgement in the process of applying SunWater's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

SunWater makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Impairment of assets	Note 9	Property, plant and equipment
	Note 10	Intangible assets
	Note 19	Investment in subsidiaries
Useful lives of plant and equipment	Note 9	Property, plant and equipment
Water allocations	Note 10	Intangible assets
Expenditure required to settle present obligations	Note 12	Provisions

## THE NOTES TO THE FINANCIAL STATEMENTS

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

The notes are organised into the following sections:

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 1 REVENUE

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Revenue from continuing operations</i>				
Industrial water	168,576	166,365	141,399	139,181
Irrigation water	59,342	54,601	58,330	53,606
Urban water	11,789	12,023	11,281	11,750
Drainage	1,566	1,529	1,566	1,529
Water allocations revenue	16,544	15,057	15,997	14,700
Consulting and facilities services revenue	6,601	9,215	22,521	25,816
Electricity generation	25	290	1	290
Community service obligation – irrigation	4,738	5,989	4,738	5,989
Community service obligation – urban	5,406	5,304	-	-
Fees	100	16	40	16
Interest	6,856	5,407	6,312	5,321
Dividends received	-	-	10,000	18,000
Rent received	394	361	394	361
Other	1,085	1,353	1,085	1,355
<b>Total revenue from continuing operations</b>	<b>283,022</b>	<b>277,510</b>	<b>273,664</b>	<b>277,914</b>

### Recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, rebates, trade allowances and amounts collected on behalf of third parties. Revenue is recognised if it meets the criteria outlined below.

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

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

### NOTE 2 OTHER INCOME

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Gain on disposal of non-current assets	71	567	71	567
Government grants	-	2,030	-	2,030
Proceeds of insurance claims	13,212	10,666	13,212	5,664
<b>Total other income</b>	<b>13,283</b>	<b>13,263</b>	<b>13,283</b>	<b>8,261</b>

#### Recognition and measurement

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

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

### NOTE 3 FINANCE COSTS

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest and finance charges paid/payable	20,536	17,873	16,134	16,352
Amount capitalised	-	(24)	-	(24)
<b>Finance costs expensed</b>	<b>20,536</b>	<b>17,849</b>	<b>16,134</b>	<b>16,328</b>

#### Recognition and measurement

##### Borrowing costs

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

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

### NOTE 4 INCOME TAX AND INCOME TAX EQUIVALENTS

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Income tax equivalents expense</b>				
Current tax equivalents expense	24,208	13,575	21,512	18,989
Deferred tax equivalents expense/(credit)	(12,043)	(11,652)	(16,562)	9,535
Research and development tax credit	(485)	(1,482)	(485)	(1,482)
Prior year (over)/under provision	(7)	(11)	(7)	(11)
	<b>11,673</b>	<b>430</b>	<b>4,458</b>	<b>27,031</b>
<b>Income tax equivalents expense is attributable to:</b>				
Profit from continuing operations	<b>11,673</b>	<b>430</b>	<b>4,458</b>	<b>27,031</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

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

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Numerical reconciliation of income tax equivalents expense/(credit) to prima facie tax equivalents payable</b>				
Profit from continuing operations before income tax equivalents expense	40,682	7,003	26,633	1,375
Tax at 30%	12,205	2,100	7,990	413
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Entertainment expenses	17	15	17	15
Non taxable dividends	-	-	(3,000)	(5,400)
Sundry items	(57)	(192)	(57)	(192)
Impairment – non deductible	-	-	-	33,688
Research and development tax credit	(485)	(1,482)	(485)	(1,482)
Prior year (over)/under provision	(7)	(11)	(7)	(11)
<b>Income tax equivalents expense</b>	<b>11,673</b>	<b>430</b>	<b>4,458</b>	<b>27,031</b>
Deferred income tax in the balance sheets relates to the following:				
Allowance for impairment of receivables	585	495	585	495
Property, plant and equipment	4,676	4,966	-	-
Accrued payables	28	29	20	21
Accrued employee benefits	1,118	1,095	1,118	1,095
Revenue received in advance	227	303	227	303
Provision for Rocklea land commitment	371	369	371	369
Unearned renewal annuity	3,451	2,631	3,451	2,631
Rent incentive	233	326	233	326
Provision for natural disaster repairs	4,353	2,928	4,345	2,812
Provision for legal fees	465	148	420	103
Provision for infrastructure investigations and repairs	41	327	-	164
Provision for restructuring	727	112	727	112
Provision for dam improvements	8,860	7,500	5,807	-
Deferred tax assets	25,135	21,229	17,304	8,431
Inventories	526	624	526	624
Water allocations	1,354	1,354	1,354	1,354
Property, plant and equipment	10,952	18,991	10,180	17,771
Deferred tax liabilities	12,832	20,969	12,060	19,749
<b>Net deferred tax assets</b>	<b>12,303</b>	<b>260</b>	<b>5,244</b>	<b>(11,318)</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

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

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Movements:</i>				
Deferred tax assets				
Opening balance at 1 July	21,229	11,957	8,431	9,067
Credited/(charged) to the income statement	3,906	9,272	8,873	(636)
<b>Closing balance at 30 June</b>	<b>25,135</b>	<b>21,229</b>	<b>17,304</b>	<b>8,431</b>
Deferred tax assets to be recovered after 12 months	11,070	12,840	4,867	4,124
Deferred tax assets to be recovered within 12 months	14,065	8,389	12,437	4,307
<b>Closing balance at 30 June</b>	<b>25,135</b>	<b>21,229</b>	<b>17,304</b>	<b>8,431</b>
Deferred tax liabilities				
Opening balance at 1 July	20,969	23,350	19,749	10,851
Charged/(credited) to the income statement	(8,137)	(2,381)	(7,689)	8,898
<b>Closing balance at 30 June</b>	<b>12,832</b>	<b>20,969</b>	<b>12,060</b>	<b>19,749</b>
Deferred tax liabilities to be settled after more than 12 months	12,306	20,344	11,534	19,125
Deferred tax liabilities to be settled within 12 months	526	625	526	624
<b>Closing balance at 30 June</b>	<b>12,832</b>	<b>20,969</b>	<b>12,060</b>	<b>19,749</b>

## Recognition and measurement

### Income tax

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

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

Deferred tax assets and liabilities are recognised for temporary differences at current tax rates. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### Tax consolidation legislation

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

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

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

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

SunWater and its subsidiaries have also entered into tax funding agreements under which the subsidiaries fully compensate SunWater for any current tax payable assumed and are compensated by SunWater for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to SunWater under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the subsidiaries financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from SunWater, which is issued as soon as practicable after the end of each financial year. SunWater may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables (refer notes 6 and 11).

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

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

### Investment allowances and similar tax incentives

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

## NOTE 5 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash on hand	4	5	4	5
Cash at bank	1,712	868	849	596
Deposits on call	148,031	72,212	115,958	50,117
Term deposits	116,021	105,727	116,021	105,727
	<b>265,768</b>	<b>178,812</b>	<b>232,832</b>	<b>156,445</b>

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

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Profit/(loss) for the year	29,009	6,573	22,175	(25,656)
Depreciation and amortisation	38,534	36,500	34,283	31,672
Impairment	43,713	80,279	39,973	110,606
Bad and doubtful debts	302	157	302	157
Net (gain)/loss on sale or disposal of non-current assets	16	(532)	16	(532)
Interest received	(6,346)	(5,108)	(5,808)	(5,027)
Interest paid	20,129	17,522	15,729	16,046
Dividends received	-	-	(10,000)	(18,000)
Change in assets and liabilities:				
(Increase)/decrease in inventories and intangibles	314	(59)	314	(61)
(Increase)/decrease in deferred tax assets	(3,906)	(9,271)	(8,873)	637
(Increase)/decrease in receivables	2,832	2,144	2,703	1,641
(Increase)/decrease in other assets	19,722	(9,991)	5,652	(1,705)
(Decrease)/increase in creditors	(1,982)	21,850	15,606	2,406
(Decrease)/increase in deferred revenue	(3,925)	175,533	(3,939)	175,529
(Decrease)/increase in income taxes payable	12,823	12,347	12,823	12,347
(Decrease)/increase in deferred tax liabilities	(8,136)	(2,381)	(7,689)	8,898
<b>Net cash inflow from operating activities</b>	<b>143,099</b>	<b>325,563</b>	<b>113,267</b>	<b>308,958</b>

## Recognition and measurement

### Cash at bank and on deposit

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

### Risk exposure

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



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 6 RECEIVABLES

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Current</i>				
Trade debtors	11,077	13,549	7,043	9,386
Term trade debtors	-	62	-	62
Intercompany receivables	-	-	2,512	-
Intercompany taxation receivables	-	-	5,532	6,556
	11,077	13,611	15,087	16,004
Allowance for impairment of receivables	(1,950)	(1,650)	(1,950)	(1,650)
	<b>9,127</b>	<b>11,961</b>	<b>13,137</b>	<b>14,354</b>
<i>Non-current</i>				
Intercompany receivables	-	-	17,758	4,388
	-	-	<b>17,758</b>	<b>4,388</b>

### Impaired receivables

The ageing of trade receivables is as follows:

	Gross Receivable	Gross Receivable
	2016 \$'000	2015 \$'000
<i>Consolidated</i>		
Not past due	5,419	10,411
Past due 0 – 30 days	1,949	1,285
Past due 31 – 60 days	429	19
More than 60 days	3,280	1,834
	<b>11,077</b>	<b>13,549</b>

The 2016 balance of more than 60 days includes an amount subject to litigation which SunWater believes is fully recoverable.

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

	2016 \$'000	2015 \$'000
At 1 July	1,650	1,500
Allowances added/(written back)	300	150
<b>Carrying amount at 30 June</b>	<b>1,950</b>	<b>1,650</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 18.

### Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. For more information on SunWater's risk management policies, refer to note 18.

### Recognition and measurement

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 7 INVENTORIES

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Materials and stores</b>	<b>2,166</b>	<b>2,480</b>	<b>2,166</b>	<b>2,480</b>

### Inventory expense

Inventories recognised as expense during the year ended 30 June 2016 amounted to \$2.698M (2015: \$2.115M). Inventory to the value of \$0.017M was written off during the year (2015: \$0.052M).

### Recognition and measurement

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

## NOTE 8 OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
GST receivable	1,323	1,369	1,128	1,234
Prepayments	917	771	917	771
Accrued revenue <sup>(1)</sup>	15,464	21,128	16,395	21,304
	<b>17,704</b>	<b>23,268</b>	<b>18,440</b>	<b>23,309</b>

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

## NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>At cost or deemed cost</b>				
<b>Land <sup>(1)</sup></b>	<b>7,848</b>	<b>7,851</b>	<b>7,848</b>	<b>7,851</b>
Buildings and land improvements	19,167	18,543	19,133	18,509
Accumulated depreciation	(5,436)	(4,883)	(5,422)	(4,870)
<b>Total buildings and land improvements</b>	<b>13,731</b>	<b>13,660</b>	<b>13,711</b>	<b>13,639</b>
Plant and equipment <sup>(1)</sup>	19,807	19,301	19,795	19,287
Accumulated depreciation	(13,727)	(13,207)	(13,722)	(13,202)
Accumulated impairment	(522)	(522)	(522)	(522)
<b>Total plant and equipment</b>	<b>5,558</b>	<b>5,572</b>	<b>5,551</b>	<b>5,563</b>
Water infrastructure <sup>(1)</sup>	1,314,419	1,301,980	1,145,107	1,132,694
Accumulated depreciation	(231,669)	(197,975)	(168,479)	(139,034)
Accumulated impairment	(264,071)	(224,098)	(223,908)	(183,935)
<b>Total water infrastructure</b>	<b>818,679</b>	<b>879,907</b>	<b>752,720</b>	<b>809,725</b>
<b>Assets under construction <sup>(1)</sup></b>	<b>55,492</b>	<b>51,861</b>	<b>50,166</b>	<b>50,459</b>
Accumulated impairment	(3,740)	-	-	-
<b>Total assets under construction</b>	<b>51,752</b>	<b>51,861</b>	<b>50,166</b>	<b>50,459</b>
<b>Total property, plant and equipment</b>	<b>897,568</b>	<b>958,851</b>	<b>829,996</b>	<b>887,237</b>

(1) Includes the costs of investigating feasibility 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

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

### Recognition and measurement

#### Property, plant and equipment

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

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

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

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

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

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

#### Depreciation

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

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

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

#### Impairment of property, plant and equipment

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

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

### Critical accounting estimates and judgements

#### Estimated impairment of assets

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

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

- Water charges applied to irrigators are regulated by the Queensland Government which subsidises water prices by way of community service obligation payments for the forecast shortfall between revenue raised in accordance with the regulated charges and the estimated efficient costs of storage and distribution of water for irrigation purposes. As the regulated price does not provide for a commercial return on capital, the reduced cash flows substantially impact on the values assigned to the water infrastructure assets.
- The Queensland Competition Authority (QCA), appointed to conduct an independent review and make recommendations to Government on future irrigation water pricing, handed down its (last) final report *SunWater Irrigation Price Review: 2012-17* in May 2012. In June 2012, SunWater's shareholding Ministers directed SunWater to charge its irrigation customers the final recommended prices as defined in this report for the period commencing 1 July 2012 and ending 30 June 2017.
- The cash flow projections used in SunWater's model are based on these approved irrigation pricing arrangements and likely future pricing trends.
- SunWater applied its pre-tax weighted average cost of capital (WACC) as the discount rate. WACC includes a market-determined rate that reflects the risks associated with operating the business. The risk-free factor, used in the calculation of WACC, is based on a 20 day average of the 10 year Commonwealth Government bond security.
- There is no open market for the sale of water infrastructure assets owned by SunWater.
- The cash flow projections anticipate that business efficiencies will be achieved over time to meet QCA determined efficient costs and that future price paths will recover efficient costs.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

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

### Movements

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

	Land \$'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 2016</i>						
Carrying amount at 1 July 2015	7,851	13,660	5,572	879,907	51,861	958,851
Additions	-	651	1,669	12,519	18,975	33,814
Disposals	(3)	(8)	(58)	(38)	-	(107)
Transfer between classes	-	-	-	-	(15,344)	(15,344)
Depreciation expense	-	(572)	(1,625)	(33,736)	-	(35,933)
Impairment loss	-	-	-	(39,973)	(3,740)	(43,713)
<b>Carrying amount at 30 June 2016</b>	<b>7,848</b>	<b>13,731</b>	<b>5,558</b>	<b>818,679</b>	<b>51,752</b>	<b>897,568</b>
<i>Year ended 30 June 2015</i>						
Carrying amount at 1 July 2014	7,987	15,965	5,731	568,202	399,011	996,896
Additions	-	296	1,435	392,580	30,166	424,477
Disposals	(136)	(210)	(41)	(1)	-	(388)
Transfer between classes	-	(1,931)	-	-	(394,167)	(396,098)
Depreciation expense	-	(460)	(1,553)	(31,908)	-	(33,921)
Impairment loss	-	-	-	(48,966)	16,851	(32,115)
<b>Carrying amount at 30 June 2015</b>	<b>7,851</b>	<b>13,660</b>	<b>5,572</b>	<b>879,907</b>	<b>51,861</b>	<b>958,851</b>
	Land \$'000	Buildings & land improvements \$'000	Plant & equipment \$'000	Water infrastructure \$'000	Assets under construction \$'000	Total \$'000
<i>Parent</i>						
<i>Year ended 30 June 2016</i>						
Carrying amount at 1 July 2015	7,851	13,639	5,563	809,725	50,459	887,237
Additions	-	651	1,671	12,492	15,025	29,839
Disposals	(3)	(8)	(58)	(38)	-	(107)
Transfer between classes	-	-	-	-	(15,318)	(15,318)
Depreciation expense	-	(571)	(1,625)	(29,486)	-	(31,682)
Impairment loss	-	-	-	(39,973)	-	(39,973)
<b>Carrying amount at 30 June 2016</b>	<b>7,848</b>	<b>13,711</b>	<b>5,551</b>	<b>752,720</b>	<b>50,166</b>	<b>829,996</b>
<i>Year ended 30 June 2015</i>						
Carrying amount at 1 July 2014	7,987	15,942	5,722	471,748	385,101	886,500
Additions	-	296	1,435	380,220	30,315	412,266
Disposals	(136)	(209)	(41)	(1)	-	(387)
Transfer between classes	-	(1,931)	-	-	(381,808)	(383,739)
Depreciation expense	-	(459)	(1,553)	(27,081)	-	(29,093)
Impairment loss	-	-	-	(15,161)	16,851	1,690
<b>Carrying amount at 30 June 2015</b>	<b>7,851</b>	<b>13,639</b>	<b>5,563</b>	<b>809,725</b>	<b>50,459</b>	<b>887,237</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

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

### Impairment

#### Cash generating units

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

	CONSOLIDATED Loss/(Reversed) \$'000	PARENT Loss/(Reversed) \$'000	Recoverable amount \$'000
<i>Nogoa Mackenzie Water Supply Scheme</i>	41,446	41,446	-
This CGU comprises all of the water infrastructure assets in the Nogoa Mackenzie Water Supply Scheme. The impairment losses mainly arise because of revised cash outflows required to carry out dam safety improvements on Fairbairn dam. Recoverable amount is determined as value in use. The discount rate used was 8.4% (2015: 8.9%).			
<i>Mareeba Dimbulah Water Supply Scheme</i>	(8,660)	(8,660)	8,770
This CGU comprises all of the water infrastructure assets in the Mareeba Dimbulah Water Supply Scheme. The impairment reversal mainly arises because of a strategic review of the R&E program. The discount rate used was 8.4% (2015: 8.9%).			
Other cash generating units – individually not significant. Recoverable amount is determined as value in use. The discount rate used was 8.4 % (2015: 8.9%).	7,187	7,187	73,679
<b>Total</b>	<b>39,973</b>	<b>39,973</b>	<b>82,449</b>

#### Assets under construction

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

30 June 2016	CONSOLIDATED Loss/(Reversed) \$'000	PARENT Loss/(Reversed) \$'000	Recoverable amount \$'000
<i>Paradise Dam safety improvements</i>	3,740	-	-

In accordance with the Dam Safety Improvement Program, SunWater is in the process of upgrading Paradise Dam. The above costs represent the expenditure incurred to 30 June 2016 by Burnett Water Pty Ltd, which owns Paradise Dam. As the dam safety upgrade will not generate any additional revenue, it is considered to be impaired.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 10 INTANGIBLE ASSETS

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>At cost or deemed cost</i>				
Software	30,411	33,030	30,411	33,030
Accumulated amortisation	(19,876)	(20,391)	(19,876)	(20,391)
Accumulated impairment	(359)	(359)	(359)	(359)
<b>Total software</b>	<b>10,176</b>	<b>12,280</b>	<b>10,176</b>	<b>12,280</b>
<b>Trade names</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>
Water allocations	58,147	58,147	9,858	9,858
Accumulated impairment	(48,165)	(48,165)	-	-
<b>Total water allocations</b>	<b>9,982</b>	<b>9,982</b>	<b>9,858</b>	<b>9,858</b>
<b>Total intangible assets</b>	<b>20,166</b>	<b>22,270</b>	<b>20,042</b>	<b>22,146</b>

### Recognition and measurement

#### Software

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

#### Water allocations

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

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

#### Impairment

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

### Critical accounting estimates and judgements

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 10 INTANGIBLE ASSETS (CONTINUED)

### Movements

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

	Software \$'000	Trade names \$'000	Water allocations \$'000
<i>Consolidated</i>			
<i>Year ended 30 June 2016</i>			
Carrying amount at 1 July 2015	12,280	8	9,982
Additions – at cost	504	-	-
Disposals/retirements	(7)	-	-
Amortisation expense	(2,601)	-	-
<b>Carrying amount at 30 June 2016</b>	<b>10,176</b>	<b>8</b>	<b>9,982</b>
<i>Year ended 30 June 2015</i>			
Carrying amount at 1 July 2014	13,073	8	58,149
Additions – at cost	1,786	-	-
Disposals/retirements	-	-	(2)
Amortisation expense	(2,579)	-	-
Impairment loss	-	-	(48,165)
<b>Carrying amount at 30 June 2015</b>	<b>12,280</b>	<b>8</b>	<b>9,982</b>
<i>Parent</i>			
<i>Year ended 30 June 2016</i>			
Carrying amount at 1 July 2015	12,280	8	9,858
Additions – at cost	504	-	-
Disposals/retirements	(7)	-	-
Amortisation expense	(2,601)	-	-
<b>Carrying amount at 30 June 2016</b>	<b>10,176</b>	<b>8</b>	<b>9,858</b>
<i>Year ended 30 June 2015</i>			
Carrying amount at 1 July 2014	13,073	8	9,858
Additions – at cost	1,786	-	-
Amortisation expense	(2,579)	-	-
<b>Carrying amount at 30 June 2015</b>	<b>12,280</b>	<b>8</b>	<b>9,858</b>



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 11 PAYABLES

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade creditors	5,127	4,863	5,068	4,861
Intercompany payables	-	-	2,837	16,972
Other creditors and accruals	16,516	12,612	14,735	10,964
	<b>21,643</b>	<b>17,475</b>	<b>22,640</b>	<b>32,797</b>

### Recognition and measurement

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

## NOTE 12 PROVISIONS

	Notes	CONSOLIDATED		PARENT	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Current</i>					
Employee benefits		3,729	3,659	3,729	3,659
Natural disaster repairs		14,507	9,761	14,481	9,374
Legal costs		1,550	494	1,400	344
Infrastructure investigations and repairs		136	1,090	-	546
Dam safety improvements		29,533	25,000	19,356	-
Restructuring		2,423	375	2,423	375
Income tax		15,847	3,024	15,847	3,024
Return of contributed equity	16	130,000	-	130,000	
Dividends	15	159,009	5,258	159,009	5,258
		<b>356,734</b>	<b>48,661</b>	<b>346,245</b>	<b>22,580</b>
<i>Non-current</i>					
Land commitment		1,237	1,229	1,237	1,229
		<b>1,237</b>	<b>1,229</b>	<b>1,237</b>	<b>1,229</b>

### Recognition and measurement

Provisions are recognised when:

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

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

### Employee benefits

#### Annual leave, banked time and time off in lieu (TOIL)

Liabilities for annual leave, banked time and TOIL due but unpaid at the reporting date are recognised in payables at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, workers compensation premiums, long service leave levies and employer superannuation contributions. The entire amount of the liability is presented as current as SunWater does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

#### Long service leave

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 12 PROVISIONS (CONTINUED)

### Sick Leave

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

### Superannuation

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

### Natural disaster repairs

SunWater's water infrastructure suffered damage in late 2010, early 2011 and early 2013 due to the impact of widespread flooding and cyclones. The provision represents management's estimate of the present constructive obligation to repair damage incurred but not rectified as at 30 June 2016. Remedial works are expected to be carried out within the next financial year.

### Legal costs

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

### Infrastructure investigations and repairs

The provision represents management's estimate of the present constructive obligation for costs associated with remediation works to rectify accepted defects at Paradise Dam.

### Dam safety improvements

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

### Restructuring

The provision represents management's estimate of present constructive obligation for costs associated with local management arrangements for SunWater's channel irrigation schemes, LMA stage 3.

Four of the channel irrigation schemes: St George, Eton, Emerald and Theodore are commencing the transition to local management, subject to reaching final agreement on the terms and conditions of that transfer with the Government.

Another four of the channel irrigation schemes will be invited to submit revised business proposals for local management. These schemes are: Burdekin-Haughton, Bundaberg, Lower Mary and Mareeba-Dimbulah. Once the Government has received these revised business cases, a decision will be made on whether or not the four schemes are also ready to transition to local management. That decision is likely to happen in early 2017.

### Land commitment

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 12 PROVISIONS (CONTINUED)

### Movements in provisions

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

	Natural Disaster repairs \$'000	Legal costs \$'000	infrastructure investigations & repairs \$'000	dam improve- ments \$'000	re-structuring \$'000	Income Tax \$'000	land commitment \$'000
<i>Consolidated</i>							
Carrying amount at 1 July 2015	9,761	494	1,090	25,000	375	3,024	1,229
Provisions added/(written back)	14,723	1,106	-	8,525	2,423	24,200	8
Payments made during the year	(9,977)	(50)	(954)	(3,992)	(375)	(11,377)	-
<b>Carrying amount at 30 June 2016</b>	<b>14,507</b>	<b>1,550</b>	<b>136</b>	<b>29,533</b>	<b>2,423</b>	<b>15,847</b>	<b>1,237</b>

### Parent

Carrying amount at 1 July 2015	9,374	344	546	-	375	3,024	1,229
Provisions added/(written back)	14,723	1,106	-	19,356	2,423	24,200	8
Payments made during the year	(9,615)	(50)	(546)	-	(375)	(11,377)	-
<b>Carrying amount at 30 June 2016</b>	<b>14,482</b>	<b>1,400</b>	<b>-</b>	<b>19,356</b>	<b>2,423</b>	<b>15,847</b>	<b>1,237</b>

## NOTE 13 OTHER LIABILITIES

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Current</i>				
Deposits payable	979	990	979	990
Unearned annuity <sup>(1)</sup>	11,504	8,769	11,504	8,769
Deferred income <sup>(2)</sup>	7,210	7,210	7,210	7,210
Rent incentive	310	310	310	310
Other	12	15	12	15
	<b>20,015</b>	<b>17,294</b>	<b>20,015</b>	<b>17,294</b>
<i>Non-current</i>				
Deferred income <sup>(2)</sup>	160,033	166,043	160,033	166,043
Rent incentive	466	776	466	776
	<b>160,499</b>	<b>166,819</b>	<b>160,499</b>	<b>166,819</b>

(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.

(2) During 2015, the interest-free bridging loan of \$208.1M was repaid upon completion of the Woleebee Pipeline construction. Following this repayment, the customer advanced \$180.25M in accordance with the contract for water transportation. This amount is recorded as deferred income and is amortised to revenue over the life of the contract. The impact of these transactions is reflected in the reduction (compared to the prior year) in Receipts from customers and Repayments of borrowings (refer Statements of Cash Flows) and in the Decrease in deferred revenue in the Reconciliation of profit after income tax equivalents to net cash inflow from operating activities (refer Note 5).

### Recognition and measurement – Unearned 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 annuity) as income for each water supply scheme. Any unspent annuity at year end (unearned annuity) is recognised as a current liability on the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 14 CAPITAL MANAGEMENT

### Capital risk management

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

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

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

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Total borrowings	245,710	267,460	253,278	255,787
Total equity	418,964	678,964	335,701	602,535
<b>Total capital</b>	<b>664,674</b>	<b>946,424</b>	<b>588,979</b>	<b>858,322</b>
Market gearing ratio	37%	28%	43%	30%

SunWater's consolidated group Balance Sheet current ratio at 30 June 2016 of 0.74 (2015: 2.5) has been significantly impacted by the recognition of the special payment of \$289.009M due to shareholding Ministers by 30 November (refer Notes 15 and 16). To fund the payment, SunWater has approval from Queensland Treasury to borrow up to \$100.000M in the 2016-17 financial year, if required.

If this amount is borrowed in full, SunWater's market gearing ratio will increase from 37 per cent to approximately 46 per cent, which continues to meet loan covenant requirements and is within benchmarks for infrastructure entities.

### Loan covenant

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

- A minimum long term stand-alone credit rating of BBB as issued by Standard & Poor's or Fitch or the equivalent long term stand-alone credit rating issued by Moody's Investors Service
- 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 per cent in which case the EBITDA Interest Coverage must be equal to or greater than 2.35 times.

The group has complied with these covenants throughout the reporting period. As at 30 June 2016, the EBITDA Interest Coverage was 6.92 times (2015: 8.15 times).

## NOTE 15 DIVIDENDS

	2016 \$'000	2015 \$'000
<i>Ordinary shares</i>		
2015 first and final dividend of \$2.629M per share declared and provided for but not paid as at 30 June 2015	-	5,258
2016 first and final dividend of \$79.504M per share declared and provided for but not paid as at 30 June 2016	159,009	-
	<b>159,009</b>	<b>5,258</b>

### Recognition and measurement

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

Based on a direction in accordance with section 131 (3)(b) of the *Government Owned Corporations Act 1993*, the SunWater Board recommended a 2015-16 dividend comprising:

- a special dividend of \$130M; plus
- a dividend of \$29.009M being 100 per cent of 2015-16 adjusted audited consolidated operating profit after tax.

Shareholding Ministers have confirmed that this is appropriate. Payment is due by 30 November 2016

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 16 CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Share capital</b>				
Issued and paid up capital:				
<b>2 ordinary shares of \$125.1345M each</b>	<b>250,269</b>	<b>380,269</b>	<b>250,269</b>	<b>380,269</b>

	Number of shares \$'000	Contribution per share \$'000	Total \$'000
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### Movements in ordinary share capital

Closing balance 30 June 2015	2	190,134	380,269
Return of contributed equity	-	(65,000)	(130,000)
<b>Closing balance 30 June 2016</b>	<b>2</b>	<b>125,134</b>	<b>250,269</b>

In response to a request from shareholding Ministers, the SunWater Board recommended a return of contributed equity of \$130M. Shareholding Ministers have confirmed that this is appropriate. Payment is due by 30 November 2016.

## NOTE 17 BORROWINGS

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Unsecured <sup>(1)</sup></i>				
QTC loan	245,710	267,460	245,710	248,218
Intercompany loans	-	-	7,568	7,569
	<b>245,710</b>	<b>267,460</b>	<b>253,278</b>	<b>255,787</b>
Represented by:				
Current	2,381	4,548	9,949	10,008
Non-current	243,329	262,912	243,329	245,779
	<b>245,710</b>	<b>267,460</b>	<b>253,278</b>	<b>255,787</b>

(1) Prior year borrowings by subsidiary company were secured by parent entity guarantee.

### Recognition and measurement

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

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

### Financing arrangements

The loans from QTC are interest bearing. Parent entity non-current borrowings have no fixed repayment date. The terms of the facilities are reviewed by QTC annually. Borrowings are subject to the annual approval of the Queensland Treasurer and have been sourced from the SunWater and Woleebee Client Specific Pools. No approved borrowing program was in place for 2015–16 or 2014–15.

The QTC generic debt pools of Eungella Water Pipeline Ltd were repaid during 2015–16. SunWater funded the payout through an intercompany loan over an 8 year term.

SunWater has maintained the financial covenants as required under its borrowing facilities during the 2016 and 2015 reporting period (refer Note 14).

SunWater has a rolling \$50.00M 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 2016 (2015: undrawn).

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 17 BORROWINGS (CONTINUED)

### Fair value

	CONSOLIDATED			
	2016	Fair value	2015	Fair value
	Carrying amount	value	Carrying amount	value
	\$'000	\$'000	\$'000	\$'000

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

<b>Borrowings</b>	<b>245,710</b>	<b>272,984</b>	<b>267,460</b>	<b>296,014</b>
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	PARENT			
	2016	Fair value	2015	Fair value
	Carrying amount	value	Carrying amount	value
	\$'000	\$'000	\$'000	\$'000

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

<b>Borrowings</b>	<b>245,710</b>	<b>272,984</b>	<b>248,218</b>	<b>273,041</b>
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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 finance costs in the Consolidated Statements of Comprehensive Income.

## NOTE 18 FINANCIAL RISK MANAGEMENT

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

### Market risk

#### Foreign exchange risk

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

During 2015–16, SunWater had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

#### Price risk

During 2015–16, SunWater had no significant exposure to price risk.

#### Cash flow and fair value interest rate risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 18 FINANCIAL RISK MANAGEMENT (CONTINUED)

CONSOLIDATED	Carrying amount \$'000	2016 INTEREST RATE RISK			
		-1%	Equity \$'000	+1%	Equity \$'000
Financial Instruments	Profit \$'000	Profit \$'000	Profit \$'000	Profit \$'000	Equity \$'000
Cash	265,768	(2,253)	(2,253)	2,253	2,253
QTC borrowings	245,710	2,987	2,987	(2,987)	(2,987)
<b>Overall effect on profit and equity</b>		<b>734</b>	<b>734</b>	<b>(734)</b>	<b>(734)</b>

CONSOLIDATED	Carrying amount \$'000	2015 INTEREST RATE RISK			
		-1%	Equity \$'000	+1%	Equity \$'000
Financial Instruments	Profit \$'000	Profit \$'000	Profit \$'000	Profit \$'000	Equity \$'000
Cash	178,812	(1,490)	(1,490)	1,490	1,490
QTC borrowings	267,460	3,106	3,106	(3,106)	(3,106)
<b>Overall effect on profit and equity</b>		<b>1,616</b>	<b>1,616</b>	<b>(1,616)</b>	<b>(1,616)</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 2015–16, 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	2016 \$'000	2015 \$'000
<i>Consolidated</i>			
Cash at bank and at call invested in Australian institutions rated AA- or higher *	5	149,743	73,080
Held-to-maturity investments in Australian institutions rated A- to A+ *	5	50,476	50,305
Held-to-maturity investments in Australian institutions rated AA- or higher *	5	65,545	55,422
Other cash and cash equivalents	5	4	5
Receivables – current	6	9,127	11,961
		<b>274,895</b>	<b>190,773</b>
<i>Parent</i>			
Cash at bank and at call invested in Australian institutions rated AA- or higher *	5	116,807	50,713
Held-to-maturity investments in Australian institutions rated A- to A+ *	5	50,476	50,305
Held-to-maturity investments in Australian institutions rated AA- or higher *	5	65,545	55,422
Other cash and cash equivalents	5	4	5
Receivables – current	6	13,137	14,354
Receivables – non-current	6	17,758	4,388
		<b>263,727</b>	<b>175,187</b>

\* 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 18 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk

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

SunWater had no approved borrowing program during 2015–16. SunWater has a rolling \$50M working capital facility with QTC. This facility (undrawn during 2015–16) operates as an overdraft arrangement which is used to cover temporary funding shortfalls. The facility is repayable on demand.

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

	Carrying amount \$'000	Less than 1 year \$'000	1 – 5 years \$'000	Over 5 years \$'000	Total cash flows (contractual) \$'000
<b>2016</b>					
<i>Consolidated</i>					
Payables/dividends	310,652	310,652	-	-	310,652
Borrowings – QTC	245,710	17,555	70,249	238,830*	326,634
Deposits payable	979	39	32	908	979
	<b>557,341</b>	<b>328,246</b>	<b>70,281</b>	<b>239,738</b>	<b>638,265</b>
<i>Parent</i>					
Payables/dividends	311,648	311,648	-	-	311,648
Borrowings – QTC	245,710	17,555	70,249	238,830*	326,634
Intercompany loan	7,568	7,568	-	-	7,568
Deposits payable	979	39	32	908	979
	<b>565,905</b>	<b>336,810</b>	<b>70,281</b>	<b>239,738</b>	<b>646,829</b>
<b>2015</b>					
<i>Consolidated</i>					
Payables/dividends	22,733	22,733	-	-	22,733
Borrowings – QTC	267,460	21,729	86,825	265,590*	374,144
Deposits payable	990	39	32	919	990
	<b>291,183</b>	<b>44,501</b>	<b>86,857</b>	<b>266,509</b>	<b>397,867</b>
<i>Parent</i>					
Payables/dividends	38,055	38,055	-	-	38,055
Borrowings – QTC	248,218	18,267	72,976	257,432*	348,675
Intercompany loan	7,569	7,569	-	-	7,569
Deposits payable	990	39	32	919	990
	<b>294,832</b>	<b>63,930</b>	<b>73,008</b>	<b>258,351</b>	<b>395,289</b>

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



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 19 INVESTMENT IN SUBSIDIARIES

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Shares in controlled entities – at cost	-	-	*	*

\* Represents \$6.

In the prior year, SunWater's investment in Burnett Water Pty Ltd was written down by \$112.296M to reflect the impairment of the company's assets. Information relating to the controlled entities is set out below:

Name of entity	Country of incorporation	Class of shares	EQUITY HOLDING	
			2016 %	2015 %
North West Queensland Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Eungella Water Pipeline Pty Ltd	Australia	Ordinary	100	100
Burnett Water Pty Ltd	Australia	Ordinary	100	100

## NOTE 20 COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		PARENT	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Capital expenditure commitments</b>				
Capital expenditure commitments (including GST) contracted for but not brought to account are as follows:				
ICT projects	332	1,021	332	1,021
Water infrastructure projects	14,401	10,771	14,401	10,771
	<b>14,733</b>	<b>11,792</b>	<b>14,733</b>	<b>11,792</b>

Payable:

<b>Not later than one year</b>	<b>14,733</b>	<b>11,792</b>	<b>14,733</b>	<b>11,792</b>
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### Non-cancellable operating lease expense commitments

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

Within one year	3,669	3,579	3,669	3,579
Later than one year but not later than five years	10,542	10,396	10,542	10,396
Later than five years	-	-	-	-
	<b>14,211</b>	<b>13,975</b>	<b>14,211</b>	<b>13,975</b>

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

SunWater leases property under non-cancellable operating leases expiring from one to ten years. Leases generally provide SunWater with a right of renewal at which time all terms are renegotiated.

### Future projects and acquisitions

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

Details of SunWater's Dam Safety Improvement Program are disclosed in note 22.

## NOTE 21 CONTINGENCIES

SunWater had contingent assets and liabilities at 30 June 2016 in respect of:

- (a) In November 2008, one of two inflatable dams mounted on top of Bedford Weir failed. In the ensuing unexpected release of a large volume of water downstream, a fatality occurred. The incident was the subject of a Workplace Health and Safety Queensland prosecution and is now subject to an inquiry by the Coroner. As a precaution, all other inflatable dams owned by SunWater were operationally decommissioned immediately after the original failure.

In September 2009, the relatives of the deceased person instituted legal action for personal injuries. The matter remains in progress, and is being managed by SunWater's insurers.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 21 CONTINGENCIES (CONTINUED)

- (b) Since the finalisation of the Commission of Inquiry into the 2010/11 flood event and the release of the final report, landowners whose properties were inundated during the floods are seeking compensation through a class action which has been commenced against another Government entity, SunWater and the State Government. SunWater, which provided assistance to the dam operator under a contract to provide flood operations support, is named as second defendant. SunWater is working closely with its insurers, and is defending the claim.
- (c) SunWater was directed by the Treasurer of Queensland under section 68 of the South East Queensland Water (Restructuring) Act 2007 to indemnify the Queensland Bulk Water Supply Authority in relation to assets transferred on 1 July 2008. This indemnity may give rise to claims on SunWater if any of the conditions are triggered. At the date of this report, there are no known claims or circumstances which would give rise to a claim under the indemnity.
- (d) SunWater remains in discussions with its insurers regarding the coverage provided by SunWater's industrial and special risks insurance policy over the costs associated with the following events:
- During the 2010/11 and 2013 Queensland floods, Boondooma Dam located near Proston in southern Queensland suffered damage to the spillway channel from large volumes of water being discharged through the spillway; and
  - 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 policy has a number of exclusions and it is expected that these, together with the event deductibles, will be relevant to the policy responses. 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 under-recoveries against the final costs. If under-recoveries do occur, SunWater will seek to protect its interests by pursuing other commercial remedies available to it. At this stage, any ultimate under-recoveries cannot be reliably estimated.
- (e) SunWater has made a claim under its insurance policies for losses attributable to the flood event in 2013 (in addition to Paradise Dam). Revenue of \$13M from insurance proceeds has been taken up in the Statements of Comprehensive Income for the year ended 30 June 2016 (2015: \$3M). The remainder of the claim is under negotiation.
- (f) At 30 June 2016, SunWater was engaged in commercial and legal disputes under various contracts. At the date of this report, it is not possible to reliably estimate the eventual outcome of these disputes or the financial consequences thereof.

## NOTE 22 DAM IMPROVEMENT PROGRAM

SunWater has in place a comprehensive Dam Safety Improvement Program (DSIP) 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 DSIP has previously identified the need to improve a number of dams. DSIP projects have been completed for Fred Haigh Dam (2006), Bjelke Petersen Dam (2008), Borumba Dam (2009), Tinaroo Falls Dam (2011), and Kinchant and Eungella dams (2015).

While the initial program of improvements was prioritised based on spillway adequacy, SunWater is continuously undertaking Comprehensive Risk Assessments (CRA) for all of its referable dams. A CRA considers a much broader range of risk factors, and therefore provides a more complete view of improvement requirements for each dam.

As each CRA is completed, the priority of improvements within the portfolio is assessed and, if necessary, revised. This prioritised schedule of improvements includes works out to 2027 and includes an estimate of cost for each improvement. While at this stage, the total of these estimates is in excess of \$855M, it is not possible to quantify the complete scope of works or the likely cost or timing of the DSIP. The State Government has confirmed its funding support for these projects, if required.

## NOTE 23 SUBSEQUENT EVENTS

In July 2016, the SunWater Board approved two major projects:

- Fairbairn Dam Spillway Improvement Project which included approval of a \$60M increase in the project budget from \$35M to \$95M to progress to stage 2 construction.
- Boondooma Dam Project (Spillway Reinstatement and Spillway Repair to Sidewall) for \$51.1M

Costs for these projects will be recognised as the expenditure is incurred.

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

## NOTE 24 REMUNERATION OF AUDITORS

During the year, fees of \$0.164M (2015: \$0.165M) 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 25 RELATED PARTY 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	2016 \$'000	2015 \$'000
<i>Consolidated</i>		
Short-term employee benefits – cash salary	1,606	1,518
Short-term employee benefits – cash bonus	183	168
Post-employment benefits – superannuation	138	141
Termination benefits	595	-
<b>Total</b>	<b>2,522</b>	<b>1,827</b>

#### *Parent*

Short-term employee benefits – cash salary	1,581	1,488
Short-term employee benefits – cash bonus	183	168
Post-employment benefits – superannuation	138	139
Termination benefits	595	-
<b>Total</b>	<b>2,497</b>	<b>1,795</b>

### Compensation – directors

#### *Consolidated*

Name of director	Short-term employee benefits		Post-employment benefits	Total \$'000
	Cash salary \$'000	Cash bonus \$'000	Superannuation \$'000	
<i>2016</i>				
Leith Bouilly, Chair (appointed 1 October 2015)	56	-	5	61
Neville Ide (appointed 1 October 2015)	27	-	2	29
Patrice Sherrie (appointed 1 October 2015)	30	-	3	33
Moya Steele (appointed 3 December 2015)	17	-	2	19
David Stewart (appointed 3 December 2015)	17	-	1	18
Kristin Ferguson (resigned 7 August 2015)	4	-	-	4
Ross Dunning, Chair (resigned 30 September 2015)	20	-	2	22
Larry Anthony (resigned (30 September 2015)	9	-	1	10
Rachel Fennell (resigned 30 September 2015)	9	-	1	10
William Wild (resigned 30 September 2015)	10	-	1	11
Greg Moynihan (resigned 31 March 2016)	30	-	3	33
<i>2015</i>				
Ross Dunning, Chair	75	-	7	82
Greg Moynihan	39	-	4	43
Kirstin Ferguson	32	-	3	35
William Wild	35	-	3	38
Larry Anthony	35	-	3	38
Rachel Fennell	34	-	3	37

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 25 RELATED PARTY DISCLOSURES (CONTINUED)

Parent  Name of director	Short-term employee benefits		Post-employment benefits	Total \$'000
	Cash salary \$'000	Cash bonus \$'000	Superannuation \$'000	
<i>2016</i>				
Leith Bouilly, Chair (appointed 1 October 2015)	48	-	5	53
Neville Ide (appointed 1 October 2015)	24	-	2	26
Patrice Sherrie (appointed 1 October 2015)	27	-	3	30
Moya Steele (appointed 3 December 2015)	17	-	2	19
David Stewart (appointed 3 December 2015)	16	-	1	17
Kristin Ferguson (resigned 7 August 2015)	4	-	-	4
Ross Dunning, Chair (resigned 30 September 2015)	17	-	2	19
Larry Anthony (resigned (30 September 2015)	8	-	1	9
Rachel Fennell (resigned 30 September 2015)	8	-	1	9
William Wild (resigned 30 September 2015)	8	-	1	9
Greg Moynihan (resigned 31 March 2016)	27	-	3	30
<i>2015</i>				
Ross Dunning, Chair	64	-	6	70
Greg Moynihan	35	-	3	38
Kirstin Ferguson	32	-	3	35
William Wild	29	-	3	32
Larry Anthony	31	-	3	34
Rachel Fennell	29	-	3	32

### Directors' contracts

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

Terms of appointment are as follows:

Directors as at 30 June 2016	Term of appointment	Appointment expiry date
Leith Bouilly, Chair	3 years	30 September 2018
Neville Ide	3 years	30 September 2018
Patrice Sherrie	3 years	30 September 2018
Moya Steele	2 years 7 months	30 September 2018
David Stewart	2 years 7 months	30 September 2018

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$145,056 (2015 - \$139,903) 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 2016

## NOTE 25 RELATED PARTY DISCLOSURES (CONTINUED)

### Compensation – executives

Parent

Name and title of executive	Short-term employee benefits		Post-employment benefits	Termination	Total
	Cash salary \$'000	Cash bonus <sup>(1)</sup> \$'000	Superannuation \$'000	Benefits \$'000	
<b>2016</b>					
Chief Executive, Peter Boettcher <sup>(2)</sup>	436	74	15	477	1,002
Chief Executive, Nicole Hollows <sup>(3)</sup>	95	-	4	-	99
General Manager, Corporate, Geoff White	294	36	37	-	367
General Manager, Bulk Water and Irrigation Systems, Tom Vanderbyl	271	30	33	-	334
General Manager, Asset Delivery, Alex Fisher <sup>(4)</sup>	148	-	12	-	160
General Manager, Industrial Pipelines, Tim Donaghy <sup>(5)</sup>	134	43	17	117	311

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

(2) Mr Boettcher resigned as Chief Executive Officer on 31 March 2016. Termination benefits include leave entitlements.

(3) Ms Hollows was appointed as Chief Executive Officer on 26 April 2016.

(4) Ms Fisher was appointed as General Manager, Asset Delivery on 09 November 2015.

(5) Mr Donaghy resigned as General Manager, Industrial Pipelines on 06 November 2015. Termination benefits include leave entitlements.

Parent

Name and title of executive	Short-term employee benefits		Post-employment benefits	Termination	Total
	Cash salary \$'000	Cash bonus <sup>(1)</sup> \$'000	Superannuation \$'000	Benefits \$'000	
<b>2015</b>					
Chief Executive, Peter Boettcher	481	73	19	-	573
General Manager, Corporate, Geoff White	287	38	37	-	362
General Manager, Bulk Water and Irrigation Systems, Tom Vanderbyl	254	29	31	-	314
General Manager, Industrial Pipelines, Tim Donaghy	246	28	31	-	305

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

### 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 2014.

All Senior Executives are engaged on tenured employment contracts that provide for three months' notice or equivalent payment upon termination. Where a redundancy applies, the payment is made in accordance with the Fair Work Act 2009 (Cth). The former Chief Executive, Mr P Boettcher's tenure during FY16 was 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, with the exception of the new Chief Executive, Ms N. Hollows, has the opportunity to receive an annual performance payment of up to 15 per cent of the TFR in the relevant year. Stretch targets aligned with the Statement of Corporate Intent (which is approved by the shareholding Ministers) are set. A scorecard, with weightings for each target, is agreed with the Board at the beginning of the year. At the end of the year a total score, based on the achievement against each target, is proposed which translates into the amount of the performance payment paid to the executive. For the 12 month period concluding on 31 December 2015, the former Chief Executive, Mr P Boettcher, was eligible to receive a performance payment of up to 20 per cent 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 2016

## NOTE 25 RELATED PARTY DISCLOSURES (CONTINUED)

### Transactions with subsidiaries

The parent entity of the group is SunWater Limited. Interests in subsidiaries are set out in note 19. All transactions with subsidiaries are carried out under normal commercial terms and conditions or at cost. No transactions occurred between subsidiaries.

During the year ended 30 June 2016, the following significant transactions occurred between the parent entity and its subsidiaries:

	2016 \$'000	2015 \$'000
Sales of water to subsidiaries	4,630	4,602
Sales of services to subsidiaries	15,925	16,733
Interest received from subsidiaries	337	250
Interest paid to subsidiaries	226	219
Current tax payable assumed from tax consolidated subsidiaries	2,694	5,414
Dividends received from subsidiaries	10,000	18,000
Loan (advance)/received to/from subsidiaries	(17,733)	8,300
Loan repaid to subsidiaries	-	12,050
Equity contributed to subsidiaries	-	15,000

### 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 2016, the following significant transactions occurred between SunWater Limited and other State of Queensland controlled entities:

	2016 \$'000	2015 \$'000
Dividends declared	159,009	5,258
Return of capital	130,000	-
Interest received from QTC	2,983	1,393
Water sales, CSO, grants received	35,225	36,592
Consultancies paid	2,146	6,692
Interest/market realisation fee paid to QTC	20,025	17,405

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## NOTE 26 OTHER ACCOUNTING POLICIES

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods. SunWater's assessment of the impact of these new standards and interpretations is set out below.

- (i) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* (effective from first full reporting period after 1 January 2018).

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

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

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

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

While SunWater has not yet decided to adopt AASB 15, revenue is already unbundled (in advance and arrears) and recognised in the appropriate month. Therefore, the standard is not expected to significantly affect the group's existing accounting for revenue.

- (iii) AASB 2015-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* (effective from first full reporting period after 1 January 2016).

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

The standard will not affect the group's accounting for depreciation.

- (iv) AASB 16 *Leases* (effective from first full reporting period after 1 January 2019).

The key features of AASB 16 relating to lessee accounting are:

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right of use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

SunWater has non-cancellable operating leases (refer Note 20) which, upon adoption of AASB 16, are expected to be included on the Balance Sheet. SunWater is yet to assess the full impact and has not yet decided when to adopt AASB 16. However, based on the materiality of existing leases, the standard is not expected to impact significantly on the group's assets and liabilities.

## 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 2015–2016 as set out on pages 34 to 63 of the Financial Report comply with:
  - (i) Accounting Standards; and
  - (ii) International Financial Reporting Standards; and
  - (iii) this statement has been included in the notes to the financial statements of SunWater Limited for 2015–2016.
- (c) in their opinion, the financial statements and notes of SunWater Limited for 2015–2016 as set out on pages 29 to 63 of the Financial Report of SunWater Limited for 2015–2016 are in accordance with the *Corporations Act 2001* (Cth) including:
  - (i) that the financial statements and notes of SunWater Limited for 2015–2016 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.



**LEITH BOULLY**  
Chairman



**PATRICE SHERRIE**  
Director

Brisbane, Qld  
23 August 2016



# 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 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

### Independence

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

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

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

### Opinion

In my opinion –

- (a) the financial report of SunWater Limited is in accordance with the *Corporations Act 2001*, including –
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Other Matters – Electronic Presentation of the Audited Financial Report

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



NICK GEORGE CPA

as Delegate of the Auditor-General of Queensland

Queensland Audit Office

Brisbane, Qld  
29 August 2016





Coolmunda Dam, situated near Inglewood



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE PRACTICES

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

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

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

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

## PRINCIPLE 1: FOUNDATIONS OF MANAGEMENT AND OVERSIGHT

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

- The Board Charter defines the roles and responsibilities of the Board and matters which are delegated to management. The Board Charter is published on SunWater's website: [www.sunwater.com.au](http://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](http://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.
- 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.
- The scope of management's authority is set out in a Board-approved instrument of delegation.
- Management's responsibilities are defined and documented in formal position descriptions and performance plans.

## 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, tenure, 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 21 to 23 of this Report.
- Work undertaken for SunWater by any business in which a Director has an interest is recorded and assessed against materiality thresholds to ensure ongoing director independence. Depending on the nature and amount of work undertaken, SunWater's materiality thresholds have been defined as: for a supplier of SunWater at 40 per cent or more, and a customer of SunWater at 5 per cent 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 Chairperson 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 in November 2014. The evaluation process which is coordinated and managed by an independent consultant, considers the effectiveness of the Directors, Board and Committees, including Board and Committee structure and roles, strategy and planning, Board dynamics and relationship with management, internal processes, organisational performance, risk assessment and external communication. The results of these assessments are communicated to shareholding Ministers in writing.

- The Board has established and administers an ongoing performance evaluation and reporting process. As part of the process, training and development requirements are identified to ensure that Directors have appropriate skills and knowledge of water industry and corporate governance issues. Where necessary, Directors may seek (with the consent of the Chairperson) independent professional advice at SunWater's expense.

### 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.

## 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](http://www.sunwater.com.au).
- SunWater has established a Trading in Securities Policy and Guide which applies to regulate any situation where employees or contractors 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 and Guide is available on SunWater's website: [www.sunwater.com.au](http://www.sunwater.com.au).
- SunWater's CEO is obliged by law to notify the Crime and Corruption Commission if the CEO reasonably suspects that a complaint involves, or may involve, corrupt conduct under the *Crime and Corruption Act 2001* (Qld).
- SunWater's Corrupt Conduct Policy and Guide incorporates a process to evaluate, report and investigate complaints of alleged impropriety and corrupt conduct. SunWater also has separate policies in respect of complaints of alleged CEO corrupt conduct and alleged Chairperson and Director corrupt conduct. 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: '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, independent of 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 21 to 23 of this Report.

The CEO, Executive General Manager Corporate Services and Manager Finance have confirmed in writing that the 2015–16 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).

# CORPORATE GOVERNANCE CONTINUED

## 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; and
  - 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; and
- training of managers and staff in fraud awareness.

- The CEO, Executive General Manager Corporate Services 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 21 to 23 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 59 and 60 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 61 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 all based on tenured employment arrangements.

In accordance with Queensland Government guidelines, performance payments were made in 2015–16 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.

# COMPLIANCE IN KEY AREAS

## 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 Legal Legislative Compliance Framework. In accordance with this framework, changes to laws are monitored. The aim of this is to ensure that SunWater complies with its changing legislative obligations.

## DAM SAFETY

SunWater has in place a comprehensive dam improvement program that meets or exceeds relevant 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. SunWater has established and is implementing a program of dam improvements in recognition of revised maximum probable flood estimates and relevant ANCOLD and Queensland Government Regulatory Guidelines on acceptable flood capacity for dams. The improvement program has been developed using a decision criteria methodology that optimises the reduction of safety risks and ensures value for money investments.

SunWater keeps the portfolio risks and improvement program under regular review to ensure the program is based on the most up-to-date information.

SunWater's full dam safety improvement program was submitted to the Queensland Dam Safety Regulator on 30 June 2016, in line with expectations. SunWater's submission included the full technical details, dam safety risk reduction and drivers of this program. The program will now continue to be reviewed and refined progressively as more studies are completed and as an ongoing process of refinement and continual improvement.

## QCA PRICING PRACTICES IMPLEMENTATION PLAN

SunWater delivered on QCA price path savings in 2015–16 for the costs it can control.

Cost targets set by the QCA in the current irrigation water price path are not reflective of costs such as electricity, insurance premiums, acrolein chemical and flood related repairs. SunWater will work with Government and customers to consider options for the treatment of these costs in future price paths.

## QUALITY MANAGEMENT

SunWater is certified to the AS/ANZ ISO 9001:2008 standard. A well designed quality management system uses risk management principles to ensure delivery of a consistent high quality product and/or service. SunWater's quality assurance system provides the processes by which we manage, operate and maintain our water infrastructure. Our quality management framework incorporates a continuous improvement program to ensure procedures are effective and contemporary.

In March 2016, SunWater was externally accredited by SAI Global for recertification to the Safety Management System Standard AS4801. The auditors also conducted an annual surveillance audit against ISO 14001 (Environmental Management System) and ISO 9001 (Quality Management System), with no major non-conformances recorded.

## PROJECT MANAGEMENT

SunWater is a Project Managed Organisation (PMO), accredited by the Australian Institute of Project Management (AIPM). SunWater's PMO accreditation was renewed by the AIPM in April 2016 for another two-year period.

Most of SunWater's infrastructure is developed using our own project and construction management services. The project management process is tailored to suit each project and is documented in the various implementation management plans. This ensures that all the requirements of the project including client and stakeholder requirements, time, cost and quality targets are met.

## ENVIRONMENTAL MANAGEMENT

SunWater's operations are subject to 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. To achieve this goal, SunWater has implemented an Environmental Management System, consistent with the requirements of AS/NZS ISO14001:2004 and which is third party certified, across all levels and functions of the organisation.

In March 2016, SAI Global conducted the annual certification audit of SunWater's environmental management system. The current certification was maintained, with no non-conformances identified.

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.

## WORK HEALTH AND SAFETY MANAGEMENT

The SunWater Work Health and Safety Management System is certified under AS/NZS 4801:2001. An external audit, conducted annually at the same time as the environmental management system and quality management system audits, reviews SunWater's level of compliance within its work health and safety practices. The audit reviews the effectiveness of the organisation's policies, procedures and continual improvement processes to ensure that the application of best-practice safety 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

SunWater continues to consider opportunities for capable local suppliers to tender for the supply of goods, services and works which support local industry and Queensland communities.

## 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.

## 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 internal 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 to the business with due consideration of industry trends and other external factors affecting the business.

Audit reports for specific audits delivered under the Annual Audit Plan are submitted to the Audit and Corporate Governance Committee for consideration and discussion. Also, regular reports on

the status of outstanding management agreed actions from previous audit assignments are provided to the Committee for their consideration.

## CORPORATE PLANNING AND REPORTING

SunWater's annual planning and reporting processes include the production of a five year Corporate Plan and a single year Statement of Corporate Intent (SCI). SunWater's annual SCI details the company's objectives and performance targets agreed between SunWater's Board and shareholding Ministers.

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

### Modifications to the SCI 2015–16:

There were no modifications made to SunWater's SCI 2015–16.

**Debt drawdown:** There were no debt drawdowns during 2015–16.

**Derivative transactions:** No derivative transactions occurred during 2015–16.

### Significant revenue/expenditure contracts:

On 31 March 2016, both the Paradise Dam Primary Spillway Improvement (valued at \$6.3M) and Fairbairn Dam Spillway Safety Improvement (valued at \$15M) construction contracts, were signed off, and awarded in early April 2016.

**Water Trading Activity:** The annual audit of SunWater's compliance with the Water Trading Code of Conduct was performed during the second quarter by external auditors BDO (Australia) Ltd. The audit found:

- no shortcomings in SunWater's internal procedures to ensure compliance;
- no indications of discriminatory water trades and no record of disputes; and
- no indications that SunWater has breached the Code.

### Recycling Initiatives during 2015–16:

SunWater recycling efforts during the year included:

- approximately 3.7 tonnes of scrap steel;
- 48 tyres;
- approximately 200 kg of hydraulic steel cylinders;
- 7000 litres of septic tank waste; and
- approximately 2,200 cubic metres of earth was removed from the Ross River Dam embankment wall and re-used on other projects.

## SUBSIDIARY REPORTING

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

## GOVERNMENT DIRECTIVES

### 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 2015–16.

### Payment of dividends

The Queensland Government provided SunWater and its Board with a directive to pay a dividend by 30 November 2016 in respect of the 2015–16 Financial Year, comprising:

- 100 per cent of SunWater's audited consolidated profit for the 2015–16 Financial Year, after provision has been made for income tax or its equivalent; and
- \$130,000,000.

### Local Management Arrangements

The Queensland Government provided a directive for SunWater to fully support the Local Management Arrangements (LMA) project through the provision of information to the Government and the provision of support and assistance to entities established to potentially own and manage LMA schemes locally.

# SUMMARY OF OTHER SCI MATTERS

The 2015–16 Statement of Corporate Intent (SCI) is the organisation’s annual performance agreement with shareholding Ministers.

The agreement outlines a comprehensive range of corporate objectives, strategies and performance outcomes that SunWater intends to deliver during the year.

SunWater’s achievements are documented throughout this Annual Report including the specific reporting of financial performance. Those areas of performance targeted in the SCI which are not specifically covered elsewhere in the Annual Report are summarised below.

## STAFF TURNOVER

SunWater’s staff turnover rate during 2015–16 equalled 11.8 per cent (resignations, retirement and termination). During the period, 42 staff members departed and 71 joined the organisation.

<b>MARKETING ACTIVITY</b>	<b>Budget 2015–16 (\$)</b>	<b>Expenditure to 30 June 2016 (\$)</b>
<b>Sponsorship</b>		
Australian National Committee on Large Dams (ANCOLD) conference	10,000	10,000
Other (total of sponsorships below \$5000 per event)	45,000	45,000
<b>Total Sponsorship</b>	<b>55,000</b>	<b>55,150</b>
<b>Advertising</b>		
Water safety advertising campaign	250,000	250,000
School safety program	30,000	27,500
<b>Total advertising <sup>(1)</sup></b>	<b>280,000</b>	<b>277,500</b>
<b>Corporate entertainment</b>		
Staff awards ceremony	13,000	13,145
Brisbane office Christmas celebration	16,000	13,502
Other (total of corporate entertainment below \$5000 per event) <sup>(1)</sup>	31,500	38,694
<b>Total corporate entertainment</b>	<b>60,500</b>	<b>65,341</b>
Donations	-	-
Strategic community and stakeholder engagement activities <sup>(2)</sup>	15,000	11,100
<b>Total all activities</b>	<b>410,500</b>	<b>409,091</b>

(1) The increased spend in the year relates to the departure of a number of long serving staff (senior leaders/executives).

(2) SunWater reduced its expenditure associated with school and community group promotional gifts (SunWater branded rulers, hats etc) given the significant effort directed to community safety education campaigns in the year.

## KEY PERFORMANCE INDICATORS

	Actual 2015-16	Budget 2015-16
<b>Financial</b>		
Operating revenue (\$M) <sup>(1)</sup>	288.812	282.903
Total assets (\$M)	1,237.634	1,108.719
EBITDA (\$M)	143.676	151.193
EBIT (\$M)	61.431	96.042
NPAT (\$M)	29.009	55.515
Economic profit (\$M)	5.879	18.029
Return on operating assets %	2.75	5.68
Return on average contributed equity %	9.20	14.60
Current ratio	0.740	1.269
Market gearing (debt to debt + equity ratio) %	36.97	17.63
EBITDA interest cover ratio	6.920	9.035
EBIT interest cover ratio	2.960	5.739
Funds from operations interest cover ratio	6.520	8.109
Cost efficiency savings (including Queensland Competition Authority targets) (\$M) <sup>(2)</sup>	0.428	0.428
Cost efficiency savings (EB) (\$M)	0.406	0.350
<b>Non-Financial</b>		
Water deliveries (ML-m) <sup>(3)</sup>	1.37	1.08
Customer service levels – exceptions	13	0
Environmental compliance breaches	0	0
Distribution system efficiency %	82	77
Pump performance – target range (kWhr/ML/m)	3.55	3.4 to 4.3
Total recordable injury frequency rate (TRIFR) <sup>(4)</sup>	1.37	<5
Lost time injury frequency rate (LTIFR) <sup>(4)</sup>	0	0
Lost time injuries (LTIs)	0	0
Medical treatment injuries (MTIs)	1	4
Total workforce (FTEs)	403	396

(1) Includes proceeds from insurance of \$13.2M but excludes interest of \$6.9M and other miscellaneous revenue of \$0.6M.

(2) QCA cost efficiency savings target carries forward from previous years (irrigation water pricing savings – 30 regulated service contracts). Full savings amount falls due in Q4.

(3) Based on 29 July 2016 actuals. Excludes losses (SunWater).

(4) Based on 12 month rolling calculation of incidents and exposure hours.

# 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		0	12,778		12,778		0
	Other		0	45		45		0
	<b>Total</b>	<b>29</b>	<b>0</b>	<b>12,823</b>	<b>0</b>	<b>12,823</b>	<b>0</b>	<b>0</b>
Barker–Barambah	1. Industrial		60	60		0		0
	2. Irrigation		31,361	35,942		14,747		2,162
	3. Urban		2,100	2,000		440		0
	5. SunWater		794	254		0		0
	<b>Total</b>	<b>173</b>	<b>34,315</b>	<b>38,256</b>	<b>111</b>	<b>15,187</b>	<b>44</b>	<b>2,162</b>
Bowen–Broken Rivers	1. Industrial		30,299	30,599		14,081		300
	2. Irrigation		5,676	5,641		1,619		0
	3. Urban		1,785	1,485		804		0
	4. Other		290	383		229		49
	5. SunWater		880	820		230		0
<b>Total</b>	<b>51</b>	<b>38,930</b>	<b>38,929</b>	<b>100</b>	<b>16,963</b>	<b>44</b>	<b>349</b>	
Boyne River and Tarong	1. Industrial		30,453	30,453		23,254		0
	2. Irrigation		9,142	9,142		4,528		460
	3. Urban		1,825	1,825		3,716		0
	4. Other		480	480		105		0
	5. SunWater		1,625	1,625		759		0
<b>Total</b>	<b>167</b>	<b>43,525</b>	<b>43,525</b>	<b>100</b>	<b>32,362</b>	<b>74</b>	<b>460</b>	
Bundaberg	1. Industrial		386	887		86		0
	2. Irrigation		199,305	205,031		116,366		13,868
	3. Urban		9,571	9,571		3,637		577
	4. Other		46	46		17		0
	5. SunWater		171,021	168,766		17,143		9
<b>Total</b>	<b>1,139</b>	<b>380,329</b>	<b>384,301</b>	<b>101</b>	<b>137,249</b>	<b>36</b>	<b>14,454</b>	
Burdekin–Haughton	1. Industrial		20,820	21,211		1,316		391
	2. Irrigation		635,212	731,106		574,489		50,054
	3. Urban		10,537	10,550		1,453		480
	4. Other		6	55		49		0
	5. SunWater		413,017	360,359		103,287		24
<b>Total</b>	<b>415</b>	<b>1,079,593</b>	<b>1,123,282</b>	<b>104</b>	<b>680,593</b>	<b>63</b>	<b>50,948</b>	
Callide Valley	1. Industrial		3,772	3,772		3,432		0
	2. Irrigation		13,463	15,576		9,873		870
	3. Urban		2,207	2,207		1,137		0
	5. SunWater		7	7		0		0
<b>Total</b>	<b>142</b>	<b>19,449</b>	<b>21,562</b>	<b>111</b>	<b>14,442</b>	<b>74</b>	<b>870</b>	
Chinchilla Weir	1. Industrial		290	11		4		0
	2. Irrigation		2,594	2,037		1,832		866
	3. Urban		1,160	1,160		331		0
	5. SunWater		5	5		5		0
<b>Total</b>	<b>43</b>	<b>4,049</b>	<b>3,213</b>	<b>79</b>	<b>2,171</b>	<b>54</b>	<b>866</b>	
Cunnamulla	2. Irrigation		2,412	2,412		1,828		997
	3. Urban		80	80		54		0
	5. SunWater		120	120		0		0
<b>Total</b>	<b>24</b>	<b>2,612</b>	<b>2,612</b>	<b>100</b>	<b>1,882</b>	<b>72</b>	<b>997</b>	

Scheme	Customer Segment	No. of Customers	Water		Available Water (%)	Water Deliveries (ML)	Water Deliveries (%)	TT Purchase Volume (ML)
			Entitlements (ML)	Available Water (ML)				
Dawson Valley	1. Industrial		3,718	2,371		1,678		60
	2. Irrigation		51,668	52,315		35,115		10,550
	3. Urban		2,283	2,040		1,011		0
	5. SunWater		4,068	4,356		2,015		0
	<b>Total</b>	<b>186</b>	<b>61,737</b>	<b>61,082</b>	<b>99</b>	<b>39,818</b>	<b>64</b>	<b>10,610</b>
Eton	1. Industrial		100	100		0		0
	2. Irrigation		52,773	52,270		25,263		1,987
	3. Urban		176	186		59		10
	4. Other		125	125		18		0
	5. SunWater		9,389	9,389		8,575		0
<b>Total</b>	<b>330</b>	<b>62,563</b>	<b>62,069</b>	<b>99</b>	<b>33,913</b>	<b>54</b>	<b>1,997</b>	
Julius Dam	1. Industrial		30,100	30,100		5,001		0
	2. Irrigation		0	1,850		0		0
	3. Urban		7,900	7,900		0		0
	5. SunWater		10,850	9,000		2		0
	<b>Total</b>	<b>5</b>	<b>48,850</b>	<b>48,850</b>	<b>100</b>	<b>5,003</b>	<b>10</b>	<b>0</b>
Lower Fitzroy	1. Industrial		24,009	24,014		19,793		5
	2. Irrigation		3,101	3,210		0		0
	4. Other		42	116		83		78
	5. SunWater		1,469	1,281		3		0
	<b>Total</b>	<b>26</b>	<b>28,621</b>	<b>28,621</b>	<b>100</b>	<b>19,879</b>	<b>69</b>	<b>83</b>
Lower Mary River	1. Industrial		70	70		1		0
	2. Irrigation		19,327	21,247		11,164		2,742
	3. Urban		120	120		60		0
	5. SunWater		10,892	9,252		1,488		0
	<b>Total</b>	<b>168</b>	<b>30,409</b>	<b>30,689</b>	<b>101</b>	<b>12,713</b>	<b>42</b>	<b>2,742</b>
Macintyre Brook	1. Industrial		217	217		0		0
	2. Irrigation		17,112	13,491		7,503		2,812
	3. Urban		288	304		252		0
	4. Other		6,400	6,400		0		0
	5. SunWater		980	4,157		1,536		1,503
<b>Total</b>	<b>101</b>	<b>24,997</b>	<b>24,570</b>	<b>98</b>	<b>9,290</b>	<b>37</b>	<b>4,314</b>	
Maranoa River	2. Irrigation		800	800		40		0
	5. SunWater		5	5		0		0
	<b>Total</b>	<b>4</b>	<b>805</b>	<b>805</b>	<b>100</b>	<b>40</b>	<b>5</b>	<b>0</b>
Mareeba-Dimbulah	1. Industrial		1,351	1,341		899		310
	2. Irrigation		151,412	160,193		125,503		45,413
	3. Urban		6,656	6,659		4,039		439
	5. SunWater		45,005	45,003		31,621		0
	<b>Total</b>	<b>1,131</b>	<b>204,424</b>	<b>213,196</b>	<b>104</b>	<b>162,062</b>	<b>79</b>	<b>46,162</b>
Nogoa-Mackenzie	1. Industrial		29,420	26,663		12,282		160
	2. Irrigation		160,132	204,613		160,988		69,217
	3. Urban		8,548	7,793		6,794		12
	4. Other		331	343		213		4
	5. SunWater		32,090	30,537		11,748		4
<b>Total</b>	<b>391</b>	<b>230,520</b>	<b>269,950</b>	<b>117</b>	<b>192,025</b>	<b>83</b>	<b>69,397</b>	

# SCHEME STATISTICS CONTINUED

Scheme	Customer Segment	No. of Customers	Water		Available Water (%)	Water Deliveries (ML)	Water Deliveries (%)	TT Purchase Volume (ML)
			Entitlements (ML)	Available Water (ML)				
Pioneer River	1. Industrial		1,920	2,070		1,064		150
	2. Irrigation		47,390	59,482		14,366		627
	3. Urban		16,520	16,520		12,418		100
	5. SunWater		12,280	38		47		0
	<b>Total</b>	<b>25</b>	<b>78,110</b>	<b>78,110</b>	<b>100</b>	<b>27,894</b>	<b>36</b>	<b>877</b>
Proserpine River	1. Industrial		550	687		327		0
	2. Irrigation		40,867	55,017		24,275		4,999
	3. Urban		10,992	11,037		6,145		0
	5. SunWater		10,467	0		0		0
	<b>Total</b>	<b>93</b>	<b>62,876</b>	<b>66,741</b>	<b>106</b>	<b>30,747</b>	<b>49</b>	<b>4,999</b>
St George	1. Industrial		60	152		2		0
	2. Irrigation		71,770	80,249		68,862		12,307
	3. Urban		3,024	1,724		1,432		0
	5. SunWater		9,721	13,867		11,635		515
	<b>Total</b>	<b>164</b>	<b>84,575</b>	<b>95,993</b>	<b>114</b>	<b>81,931</b>	<b>97</b>	<b>12,821</b>
Three Moon Creek	2. Irrigation		14,124	14,124		6,448		1,844
	3. Urban		610	610		249		3
	<b>Total</b>	<b>91</b>	<b>14,734</b>	<b>14,734</b>	<b>100</b>	<b>6,697</b>	<b>45</b>	<b>1,847</b>
Upper Burnett	1. Industrial		119	119		36		0
	2. Irrigation		28,469	32,229		16,409		1,474
	3. Urban		1,930	1,920		849		0
	5. SunWater		18,032	4,441		0		127
	<b>Total</b>	<b>162</b>	<b>48,550</b>	<b>38,709</b>	<b>80</b>	<b>17,293</b>	<b>36</b>	<b>1,602</b>
Upper Condamine	2. Irrigation		30,363	7,094		6,734		1,936
	3. Urban		3,332	3,332		1,730		0
	4. Other		4	1		4		0
	5. SunWater		261	105		5		1
	<b>To tal</b>	<b>94</b>	<b>33,960</b>	<b>10,532</b>	<b>31</b>	<b>8,473</b>	<b>25</b>	<b>1,937</b>
<b>Total</b>	<b>5,154</b>	<b>2,618,533</b>	<b>2,687,507</b>	<b>103</b>	<b>1,561,451</b>	<b>60</b>	<b>230,496</b>	

## NOTES

1. Water entitlements are as at 30 June 2016
2. All reporting is preliminary with final reporting being provided to DEWS
3. Available Water, Water Deliveries and Temporary Transfers are for the most recently completed water year. This is the year ending 30.9.2015 for Dawson Valley, 31.3.2016 for Eton and 30.6.2016 for all other schemes
4. Riparian allowance, channel harvesting, river harvesting etc are excluded from all figures
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
8. Water entitlements for Eton WSS include water entitlements with a priority type of "Risk"

# SUNWATER DAM STATISTICS

Dam name	Stream name	Lake name	Nearest town	Structure description	Maximum height of dam above original bed (metres)	Storage capacity	Surface area at full supply level (ha)	Year completed
E J Beardmore	Balonne River	Lake Kajarabie	St George	Earthfill embankment and mass concrete (vertical lift gates)	15.2	81,700	2850	1972
Bjelke-Petersen	Barker Creek	Lake Barambah	Murgon	Earth and rockfill embankment	46	134,900	2250	1988
Boondooma	Boyne River	Lake Boondooma	Proston	Concrete-faced rockfill	63	204,200	1815	1983
Burdekin Falls	Burdekin River	Lake Dalrymple	Ravenswood	Mass concrete gravity	55	1,860,000	22,000	1987
Callide	Callide Creek	Callide Reservoir	Biloela	Earthfill embankment and mass concrete (radial gates)	37	136,300	1240	1965–88
Cania	Three Moon Creek	Lake Cania	Monto	Earth and rockfill embankment	47	88,500	760	1982
Coolmunda	Macintyre Brook	Lake Coolmunda	Inglewood	Earthfill embankment and mass concrete spillway (radial gates)	18.8	69,000	1645	1968
Eungella	Broken River	Eungella Reservoir	Eungella	Earth and rockfill embankment	49	112,400	848	1968
Fairbairn	Nogoa River	Lake Maraboon	Emerald	Earthfill embankment	46.3	1,301,000	15,000	1972
Fred Haigh	Kolan River	Lake Monduran	Gin Gin	Earth and rockfill embankment	52	562,000	5345	1975
Julius	Leichhardt River	Lake Julius	Mount Isa	Multiple arch concrete buttress	35.6	107,500	1255	1976
Kinchant	Sandy Creek (North Branch) – water harvested from Pioneer River	Lake Kinchant	North Eton	Earthfill embankment	22.3	62,800	920	1974–86
Kroombit	Kroombit Creek	-	Biloela	Earth and rockfill embankment and roller compacted concrete spillway	25	14,600	289	1992
Leslie	Sandy Creek	Lake Leslie	Warwick	Mass concrete (radial gates)	31.1	106,200	1288	1965–86
Paradise*	Burnett River	Lake Paradise	Biggenden	Roller compacted concrete	52	300,560	2950	2005
Peter Faust	Proserpine River	Lake Proserpine	Proserpine	Earth and rockfill embankment	51	491,400	4325	1990
Teemburra	Teemburra Creek	-	Finch Hatton	Concrete-faced rockfill	57	147,500	1107	1997
Tinaroo Falls	Barron River	Lake Tinaroo	Atherton	Mass concrete	41.8	438,900	3500	1958
Wuruma	Nogo River	Wuruma Reservoir	Eidsvold	Mass concrete	44	165,400	1639	1968

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

# GLOSSARY

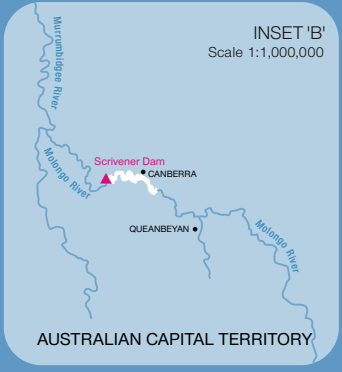
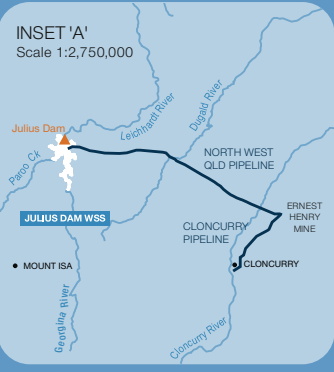
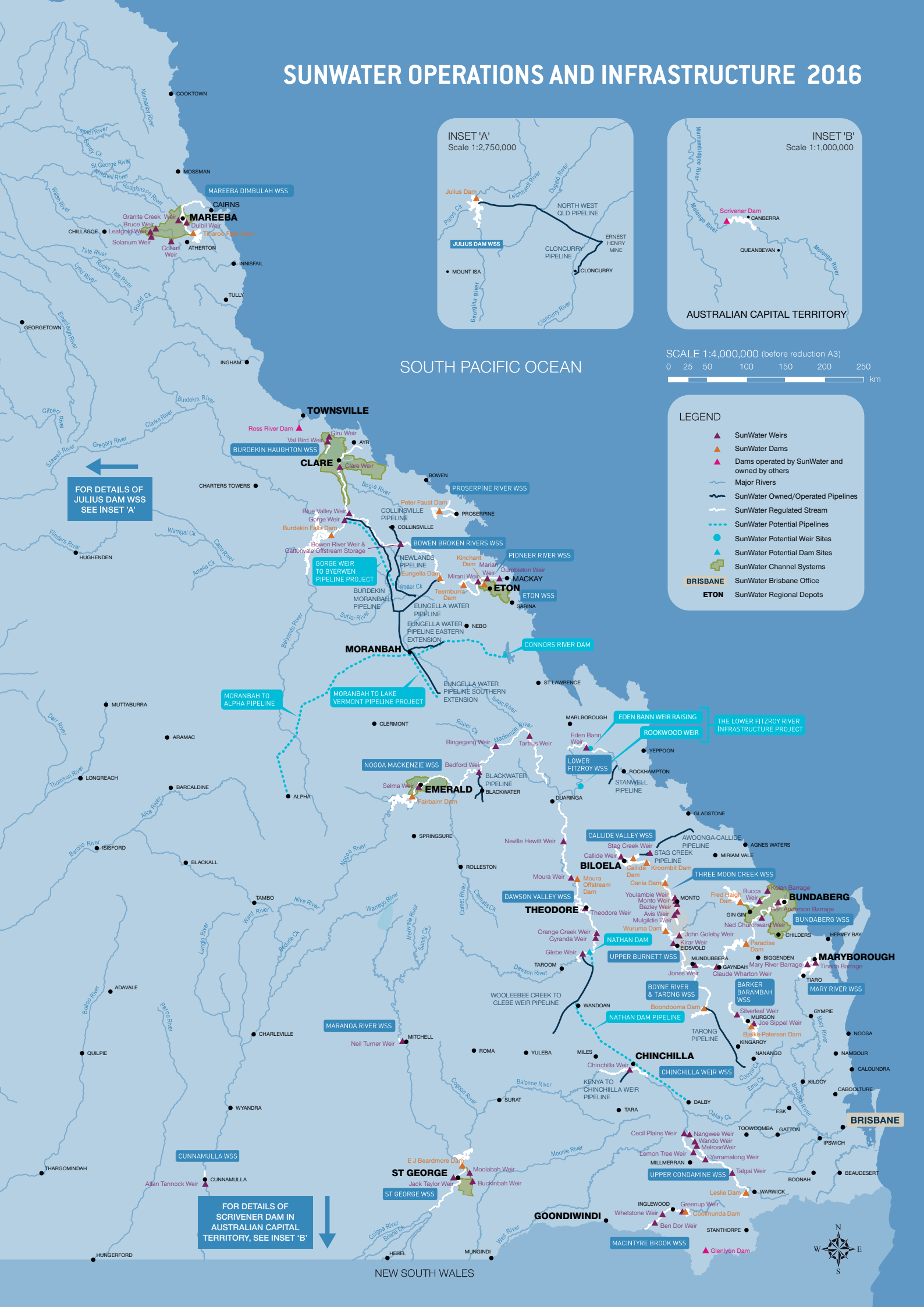
AASB	Australian Accounting Standards Board	GOC	Government Owned Corporation
AC	Companion of the Order of Australia	GST	Goods and Services Tax
ACN	Australian Company Number	IAC	Irrigator Advisory Committee
AEIS	Additional information to the Environmental Impact Statement report	IASB	International Accounting Standards Board
AIPM	Australian Institute of Project Management	IFRS	International Financial Reporting Standards
ANCOLD	Australian National Committee on Large Dams	IGEM	Inspector-General Emergency Management
ANN	Australian National Norm	km	Kilometre
AIFRS	Australian equivalents to International Financial Reporting Standards	LDMG	Local Disaster Management Group
ATO	Australian Taxation Office	LMA	Local Management Arrangements
BOM	The Bureau of Meteorology	LTI	Lost Time Injury
BSC	Banana Shire Council	LTIFR	Lost Time Injury Frequency Rate
BW	Burnett Water Pty Ltd	M	Million
CEO	Chief Executive Officer	ML	Megalitre (1,000,000 litres)
CGU	Cash Generating Units	MTI	Medical Treatment Injury
CRA	Comprehensive Risk Assessment	NPAT	Net Profit After Tax
CSO	Community Service Obligation	NWQWP	North West Queensland Water Pipeline Pty Ltd
DEWS	Department of Energy and Water Supply	PMO	Project Managed Organisation
DNRM	Department of Natural Resources and Mines	QCA	Queensland Competition Authority
DSIP	Dam Safety Improvement Program	QTC	Queensland Treasury Corporation
EAP	Emergency Action Plan	R&E	Refurbishment and Enhancement
EBIT	Earnings before Interest and Tax	SCI	Statement of Corporate Intent
EBITDA	Earnings before Interest and Tax Depreciation and Amortisation	SDCC	State Disaster Coordination Centre
EIS	Environmental Impact Statement	SLAM	Stop Look Assess Manage
EWP	Eungella Water Pipeline Pty Ltd	TFR	Total Fixed Remuneration
FTE	Full Time Equivalent	TRIFR	Total Recordable Injury Frequency Rate
GAWB	Gladstone Area Water Board	TT	Temporary Transfer
		WACC	Weighted Average Cost of Capital





West Barron Main Channel on the Mareeba-Dimbulah Water Supply Scheme

# SUNWATER OPERATIONS AND INFRASTRUCTURE 2016



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

**LEGEND**

- ▲ SunWater Weirs
- ▲ SunWater Dams
- ▲ Dams operated by SunWater and owned by others
- 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

FOR DETAILS OF JULIUS DAM WSS SEE INSET 'A'

FOR DETAILS OF SCRIVENER DAM IN AUSTRALIAN CAPITAL TERRITORY, SEE INSET 'B'

SOUTH PACIFIC OCEAN

NEW SOUTH WALES





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