

sunwater

Annual Report

2021-22

Acknowledgement of Country

Our First Nations Commitment Statement

Sunwater acknowledges Aboriginal and Torres Strait Islander peoples as the first peoples of this country and Traditional Owners and Custodians of the land and water we rely on. We respect and value their continued sacred connection to Country, including the diverse, rich traditions, languages and customs that are the longest living in the world. We acknowledge their resilience in the face of significant and ongoing historical, cultural and political change within Australia. We recognise and value the importance of truth-telling today, and our role to listen and learn. Our vision for reconciliation is that we are a nation of unity and fairness for all; a nation that owns its history and acknowledges its First Nations peoples, their strength and their living culture.

Our goal is to work together to realise mutual benefits with First Nations peoples through authentic relationships and respect for cultural value; fostering a sense of belonging and pride in our people, community, customers and stakeholders. We can learn so much from Traditional Custodians who have cared for Country for thousands of years in the way we sustainably manage water and land. Going beyond compliance and embedding reconciliation into core business practices and decision making brings to life our purpose of Delivering Water for Prosperity through Valuing People, Working Together and Taking Responsibility.

About this report

We are pleased to present this annual report to provide an overview of Sunwater Limited's (Sunwater) financial and non-financial performance for the 12 months to 30 June 2022. This report includes a summary of the activities carried out to meet the Key Performance Indicators (KPIs) set out in Sunwater's 2021-22 Statement of Corporate Intent (SCI 2021-22), which is our performance agreement with our shareholding Ministers.

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

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

Scope

This report covers all Sunwater operations in Australia, including dams, weirs, barrages, water channels, pumping stations, pipelines, water treatment plants and our physical hydraulic modelling laboratory at Rocklea in Brisbane.

Translation and interpreting assistance



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

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1. About us

Who we are

Sunwater is a Queensland Government-owned corporation that supplies about 40 per cent of the water used commercially in the state. This equates to more than 1300 gigalitres a year for industry, irrigation and urban usage.

Organisational background

Sunwater was established on 1 October 2000 under the Government Owned Corporations Act 1993 (Qld) (GOC Act), administered by Queensland Treasury.

As a water service provider under the *Water Act 2000* (Qld) we are regulated by the *Water Supply (Safety and Reliability) Act 2008* (Qld), both of which are administered by the Queensland Department of Regional Development, Manufacturing and Water (DRDMW).

We are governed by an independent Board made up of six members. You can view the organisational chart on page 25.

Our purpose

Delivering water for prosperity.

Our values – we:

- value people
- work together
- take responsibility.

Our goals

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

What we do

We move, treat, store and distribute water to farmlands, industry and communities across regional Queensland.

This involves the safe and effective operation and maintenance of \$13.7 billion of water infrastructure assets, including:

- 19 dams
- 64 weirs and barrages
- 595 kilometres of water channel
- 70 major pumping stations
- 1951 kilometres of pipeline
- six water treatment plants.

Sunwater's assets service the needs of customers and communities across regional Queensland. Our operations are divided into four regions: North; Central; Burnett and Lower Mary; and South. Our people work together as one team, with the customer front of mind. Sunwater has a program of dam improvement projects to ensure regional bulk water assets are maintained in accordance with state and national standards. In addition to managing and distributing bulk water, we undertake a variety of complex and often interdependent projects. These range from the design and construction of new and improved water infrastructure to the digital transformation of the way we work to ensure operational efficiency.

Our people

As at 30 June 2022, Sunwater had a total workforce of 556 FTEs (Full time employees). Almost half our people work from the 31 offices and depots across regional Queensland. The remainder are based at our Brisbane head office and Rocklea Hydraulics Laboratory.

As one of the largest builders, owners and maintainers of bulk water and distribution infrastructure in Queensland, we are growing our business by providing consultancy services to customers planning bulk water projects. Our in-house water industry experts provide the expertise and specialist skills to tailor end-to-end solutions that can reduce long-term costs without compromising the quality of outcomes.

Our customers

Our 5000-plus customers from across regional Queensland fall into three categories:

- Industrial – mining and manufacturing companies, power stations, small industry, and stock and domestic users.

- Irrigation – from small-scale to broadacre farming including a wide range of horticulture and cropping.
- Urban – regional-based councils and communities.

They receive vital bulk water supply from 23 water supply schemes (WSS) and 18 pipelines covering 1951 kilometres.

Because our customers are central to everything we do, we are continuously seeking to better understand their needs and enhance our service delivery.

We drive efficiency and minimise costs for customers by:

- making the most of the available water supply
- ensuring our infrastructure assets are operated and maintained efficiently, safely and in the best condition possible
- planning for and constructing upgraded and new infrastructure, and anticipating our customers' changing needs
- continuously improving the way we do things.

Our communities

Sunwater operates on Aboriginal land and waters. We respect and value their continued sacred connection to Country, including the diverse, rich traditions, languages and customs that are the longest living in the world.

Our dams are an important part of many communities – not only storing water for customer use but playing valuable recreational and amenity roles.

Our shareholding Ministers

The Honourable Cameron Dick MP

Treasurer and Minister for Trade and Investment

The Honourable Glenn Butcher MP

Minister for Regional Development and Manufacturing and Minister for Water

Water delivered

In 2021-22 we delivered 1073 GL of water for irrigation, industrial and urban usage across regional Queensland.

Water Plans, developed under the *Water Act 2000* (Qld), determined the strategies and targets to

sustainably manage and allocate water to users at the catchment level.

To ensure this precious resource can be shared sustainably, we conduct environmental, economic, social, hydrologic and cultural assessments to assess the amount of water available for allocation.

In 2021-22, our storages in regional Queensland were affected by both drought and flood. As at 30 June 2022, the total combined storage volume of Sunwater's assets was approximately 6503 GL, with the total capacity at 77 per cent (5029 GL).

Most of Sunwater's water supply schemes use the announced allocation system to determine how water is shared with customers. High priority applications are allocated first – such as town water supply, mining, power generation and high-value cropping – followed by medium priority allocations. In some schemes where water sharing arrangements allow, there may also be unused water which can be carried over for use from one water year to the next.

Of the water available for allocation in 2021-22:

- 40 per cent was used by customers
- 41 per cent was owned by customers but kept in storages for future use and water trading
- 8 per cent was available for purchase or temporary transfer
- 11 per cent was available to maintain irrigation scheme channels which we manage.

Specific water scheme statistics for 2021-22 are available on the Sunwater website at www.sunwater.com.au/water-data/report-statistics/.

Our strategic goals

Our strategic goals are outlined in our Corporate Plan and Statement of Corporate Intent (SCI) 2021-22 – the formal performance agreement between the Board of Sunwater and our shareholding Ministers.

The SCI governs our major activities, objectives, policies, investments and borrowings for the financial year.

Our aim this financial year was to continue Sunwater’s journey as a customer-focused organisation with staff who are engaged, collaborative, efficient and safe.

Our goals and key performance indicators (KPIs) for 2021-22 were:

A safe high-performance culture

Measures of success:

- zero harm
- employee engagement
- compliance with environmental standards and laws

A sustainable business

Measure of success:

- Our sustainability targets and commitments are being developed progressively from 2021-22 and will be delivered through a stepped approach which is aligned with the Queensland Government’s Sustainability and ESG reporting requirements. See page 26 for information on our Sustainability Framework.

Supportive stakeholders

Measures of success:

- meeting unplanned customer supply interruptions impacting on operations
- at least two dam open days (community interactions)
- engagement and advocacy with irrigation customers to a net promoter score (NPS) greater than or equal to 10.68
- engagement and advocacy with urban customers to a NPS greater than or equal to 68
- engagement and advocacy with industrial customers to a NPS greater than or equal to 34.

Commercially-focused operations

Measure of success:

- a two per cent performance target against budgeted cash operating costs (excluding Rookwood Weir-related, depreciation and impairment).

Sunwater’s performance against these goals and KPIs is summarised in Table 1 on the following page, with additional commentary throughout the document.

Table 1. Sunwater 2021-22 performance against KPIs

| Measure | 2021-22 Target | 2021-22 Results | Commentary |
|--|--------------------------------------|-----------------|--|
| A safe high-performance culture | | | |
| All injury frequency rate (AIFR) | 20 injuries per million hours worked | 41.8 | <p>The type of work Sunwater employees engage in has changed significantly over the last 12 months due to an increase in on-site construction activities, in particular in-river construction works and on-site living arrangements for Rookwood Weir. This has resulted in an increase in minor injuries reported, compared to more routine operational activities.</p> <p>Sunwater also continues to improve its internal health and safety culture and internal reporting processes, which has increased AIFR reporting rates which is reflected in the KPI result.</p> <p>This improvement in AIFR reporting has enabled improvements in the identification and management of trends, specifically access and manual handling as part of the Rookwood Weir Alliance and shoulder and strains associated with channel cleaning and maintenance.</p> |
| FTE | 564 | 556 | <p>Headcount remains under target due to significant challenges in attracting and sourcing suitable candidates to Sunwater given low unemployment. Sunwater has successfully expanded its recruitment search into non-traditional markets and interstate; is investing to increase its intake of early career talent, including graduates, trainees, apprentices and cadets; is partnering with industry, such as RSL Queensland and Work180; and updating our approach to recruitment agency and labour services panel agreements.</p> |
| Material breaches of environmental standards and laws | 0 | 1 | <p>Sunwater self-reported to the Office of Coordinator General and Department of Agriculture, Water and the Environment in Q3 that it commenced construction of a turtle passageway for the Rookwood Weir project prior to receiving formal approval. Sunwater is awaiting a formal response.</p> |
| Employee engagement | 60% | 75% | <p>Sunwater continued its positive results in its bi-annual Culture Survey conducted in April 2022, which is a significant achievement considering impacts of a prolonged wet season,</p> |

| Measure | 2021-22 Target | 2021-22 Results | Commentary |
|--|---------------------------------------|-----------------|--|
| | | | external disruption with COVID and our Enterprise Agreement negotiations underway. |
| Supportive stakeholders | | | |
| Unplanned customer supply interruptions impacting on operations | <12 unplanned interruptions | 0 | There were no unplanned supply interruptions that materially impacted customers or exceeded agreed Service Standards. |
| Number of dam open days (community interactions) | 2 or more | 2 | Open days held at Fairbairn and EJ Beardmore dams. |
| Engagement and advocacy with irrigation customers | Net Promotor Score (NPS) ≥ 10.68 | 39.16 | Sunwater recorded its highest customer satisfaction result for the irrigation customer segment. This was complemented with the highest number of responses for the segment. |
| Engagement and advocacy with urban customers | NPS ≥ 38.99 | 57.15 | <p>Urban customers continue to view Sunwater as very responsive and are very likely to speak positively about Sunwater.</p> <p>Sunwater continues to engage with our Urban customers through the Customer Advisory Committees, increasing open and transparent communication with all customers.</p> |
| Engagement and advocacy with industrial customers | NPS >35.29 | 87.25 | <p>Sunwater recorded its highest customer satisfaction result for industrial customers, with a 20.59-point uplift in NPS since last annual survey.</p> <p>Industrial respondents feel Sunwater is crucial to their business, useful and provide very or extremely good customer service.</p> |
| Commercially-focused operations | | | |
| Performance target against budgeted cash operating costs (excluding Rookwood Weir provision, depreciation and impairment) | -2% | -12% | Tracking better than budget due to lower FTE and employment costs and lower routine, non-routine, and electricity costs |

2. Year in review

Message from the Chair

Water, made up of two hydrogen atoms plus one oxygen atom, is an essential, life sustaining element. As well as keeping us alive, water is fundamental to the economic, environmental and social health of communities. That's why it is essential to the prosperity of regional Queensland and at the heart of all we do at Sunwater.

In 2021-22, our people again demonstrated the 'One Sunwater' culture. Deemed to be essential workers during COVID, our teams valued each other and worked together to provide the safe, reliable and sustainable bulk water supply that communities count on, day in and day out.

As a regional Queensland living in Emerald, I was honoured to be appointed as Chair in October 2021. I would like to acknowledge outgoing Chair Dan Hunt for his efforts in guiding the Board during the first quarter of this financial year.

On behalf of the Board, I extend a warm welcome to new member Leeha James. I would like to acknowledge my colleagues on the Board for their stewardship over the past 12 months.

Sunwater is committed to good governance, to ensure we operate efficiently, sustainably, and responsibly when planning, building, operating and maintaining bulk water infrastructure.

Over the past 12 months Sunwater strengthened governance frameworks, performance and structures through an independent third-party performance evaluation and documents review.

We developed a detailed implementation plan to ensure the Board has the oversight of critical strategic and governance issues.

In 2021-22, Sunwater responded admirably to a range of business pressures – including the activation of Emergency Action Plans due to extreme weather events, and a COVID-related shut down at Rookwood Weir.

Throughout these periods, our customers continued to receive an uninterrupted water supply, our assets were protected, and the safety of our people and the public remained intact.

I thank our Chief Executive Officer, Glenn Stockton, and his Executive Leadership Team for skilfully guiding the business through the challenges of the past 12 months.

Sunwater's financial performance remains strong, with a 2021-22 profit after tax of \$18.1 million.

Wherever possible we seek innovative approaches to doing better business and driving costs down for customers. The use of drone technology to perform aerial surveys and underwater inspections of our infrastructure was a clever workaround that enhanced both safety and productivity during lockdown periods.

Significant investments in our Dam Improvement Projects and technology upgrades will ensure the business continues to deliver water efficiently and effectively in a highly regulated environment with growing stakeholder expectations.

Addressing climate change impacts and transitioning to a low-carbon future is a key focus for the organisation in coming years. We have adopted the Queensland Government's net zero by 2050 target, with an interim target to reduce emissions by 30 per cent below 2005 levels by 2030 and are maturing and strengthening Sunwater's policies and processes to deliver enhanced sustainability outcomes.

We continue to develop a Sunwater culture that is inclusive and diverse, recognising the benefits this brings to the wellbeing and performance of our people and our business.

The launch of a First Nations Commitment Statement in May 2022 was an important milestone in developing a deeper strategy to engage more meaningfully with Aboriginal and Torres Strait Islander peoples inside and outside the organisation.

I'm also pleased that Sunwater's gender-diverse Board comprises four women and two men, exceeding the Queensland Government target of 50 per cent representation of women.

As a government-owned bulk water manager and critical infrastructure company for regional Queensland, our growth comes from investing in our assets and strengthening our customer base. Looking ahead, our focus is fixed on remaining reliable and resilient while delivering long-term economic, social and environmental value for the customers and communities we serve.

Dr Lisa Caffery

Message from CEO

In 2021–22, our people worked safely and diligently to supply regional Queenslanders with the safe and secure bulk water they need to sustain vital agricultural production, industries and urban communities.

We were fortunate the ongoing COVID pandemic had minimal impact on our operations, and we were able to protect the health of our people, while maintaining customer service and project delivery.

The 2022 wet season presented a more significant challenge, resulting in numerous dams spilling across our service regions. Through a coordinated response with the Bureau of Meteorology, Local Disaster Management Groups and emergency services, we kept affected communities safe and informed as the rain events unfolded.

Importantly, spilling events at our storages were well managed, including several at Paradise Dam, which spilled for the first time since works were undertaken to improve the safety of the asset. For Sunwater, these occurrences are not necessarily crisis situations, as our assets are designed to pass water, and our processes, systems and people enable us to manage these events.

One benefit resulting from the wet season was an increase in the volume of water stored across our assets following inflows to many of our dams. However, some locations continue to experience dry conditions, and Sunwater understands the pressure drought conditions have on our customers and the community.

We are proud that our people remained safe and engaged throughout these uncertain times. We achieved a notable reduction in our total recordable injury frequency rate (TRIFR) from 2.86 injuries per million hours worked, compared to 3.4 in the previous year and our employee engagement and participation rates continue to trend upwards.

Securing a reliable water supply

Sunwater's work program achieved some significant milestones in 2021–22 – improving water security and protecting our communities and assets during extreme weather events.

We completed the \$32.54 million Mareeba Dimbulah Efficiency Improvement Project, are addressing spillway gate vibration at Callide Dam and finished short-term risk reduction measures to protect Paradise Dam in the event of extreme flooding.

The Queensland Government has committed to returning Paradise Dam to its original full supply height, while also further strengthening the asset. Sunwater will continue to advance this project. This significant undertaking will provide long-term security for Bundaberg irrigators and downstream communities.

Work is progressing on the construction of Rookwood Weir that will open up valuable new cropping and industrial opportunities in Central Queensland. Building a weir in Australia's second largest river basin has proved to be challenging with higher-than-average rainfall across most of the state. Our project team has responded well to multiple inundation events and we remain confident that construction will be completed on time.

We are also progressing planning for projects in the Dawson Valley, Lower Burdekin and Nogoa Mackenzie regions with the aim of further improving water reliability in the coming years.

A customer-centric business

Sunwater continues to engage with our customers and stakeholders to better understand their views and adapt to their needs. Over the past 12 months we established three new Customer Advisory Groups – bringing the total to six.

These are in addition to the specialist irrigation committees, reference and advisory groups that provide us with valuable feedback and advice on water issues that affect our customers' operations.

Our digital channels – the Sunwater App, website and social media platforms – were put to good effect this year in pushing out important public safety information. This included three social media campaigns to promote responsible behaviours in and around dams, targeting the high-use Easter period.

In 2022 we held open days to celebrate the 50-year anniversary of Beardmore Dam at St George and Emerald's Fairbairn Dam. The well-attended events allowed us to promote dam safety and strengthen the social fabric by bringing together locals and stakeholder and community groups. They also reinforced the role that securing a reliable water supply plays in delivering economic growth and social benefits to regional communities.

It was pleasing to see that our 2021–22 customer surveys showed increasing confidence and satisfaction in the way we do business. We continue to enhance our capabilities in this area with the rollout of improved enterprise platforms that enable a better customer experience.

Supporting our people

I am proud to be a part of a positive organisation that makes a difference to the daily lives of businesses and communities in regional Queensland.

Strong values and pride in our work is at the core of our culture.

Whether delivering water to customers, responding to extreme weather events or working on major projects, our success as a business is built on the capabilities of our highly skilled and diverse team.

Our people genuinely care and I thank them all for their willingness to collaborate and adapt to challenges, as well as their commitment to working safely every day.

First Nations recognition

This year, Sunwater made an important decision to better recognise, respect and engage First Nations peoples beyond our compliance needs.

We see this as the right thing to do. We launched a First Nations Commitment Statement as a first step in our pledge to the Aboriginal and Torres Strait Islander community, including those who work at Sunwater. It recognises their sacred connection to culture and Country and our intention to work together to achieve mutually beneficial outcomes.

In April, State Minister for Water, Glenn Butcher and I attended an on-Country co-signing ceremony for an Indigenous Land Use Agreement with members of the Darumbal People Aboriginal Corporation RNTBC that recognised the traditional Country and people at the Rookwood Weir location. This agreement ensures the construction and ongoing operation of the weir provide shared economic and social outcomes for the Darumbal peoples. We are also hopeful of closing out a similar agreement with the Gaangulu Nation Peoples in due course.

Our continued commitment

We have an extensive pipeline of infrastructure and enterprise projects ahead to improve bulk water delivery and business efficiency and ensure we fulfill the needs and expectations of our current and emerging customers and stakeholders. On behalf of all at Sunwater, we look forward to supporting regional Queensland's prosperity and growth by providing timely, trusted and secure water delivery today and into the future.

Glenn Stockton AM

A sustainable business

Dams are lifelong assets that require ongoing assessment, monitoring, and maintenance to perform at their best. Sunwater’s infrastructure projects are managed sustainably to optimise bulk water assets, drive efficiencies and minimise costs to our customers.

Growth and Asset Creation

In 2021-22 Sunwater secured \$6 million of funding from the National Water Grid Authority to progress two projects through the Options Analysis stage and a third project through a Detailed Business Case. These were:

- Dawson Valley WSS: the Options Analysis will explore ways to develop new permanent water allocations downstream of Glebe Weir. One option under investigation is a new weir at Paranui.
- Nogoia Mackenzie WSS: the Options Analysis will evaluate ways to increase long-term water reliability that, at a minimum, meets the scheme’s historical performance prior to the removal of the Bedford Weir inflatable rubber dam. Raising Bedford Weir is one of the options being considered.
- Burdekin Haughton WSS: the Detailed Business Case will consider upgrades to aging infrastructure and technology to improve monitoring, reduce losses, and reduce operating risks.

In 2021-22, our temporary trading and new water sales activities generated more than \$6 million in additional revenue for Sunwater.

Our Dam Infrastructure Program

In 2021-22, we invested \$26.9 million in our Dam Improvement Program (DIP), which is part of our wider Asset Management Strategy. The DIP considers dam condition, design standards and guidelines, and the latest hydrology and rainfall patterns to ensure our dams can safely hold water and release excess volumes of water during periods of extreme rainfall.

We undertake asset Comprehensive Risk Assessments and these are collated into a Portfolio Risk Assessment (PRA), which defines the priorities for dam safety improvements at a portfolio level, based on Australian National Committee on Large Dams guidelines.

Mareeba Dimbulah Efficiency Improvement Project

Sunwater completed the \$32.54 million Mareeba Dimbulah Efficiency Improvement Project in December 2021.

Works included the replacement and installation of 14 kilometres of pipeline, the installation of 125 automated control gates in irrigation channels, and upgrades to 157 water offtakes.

The process to validate water savings is underway and once the savings are confirmed, new water allocations will be made available for sale. This is targeted for late 2023.

Maximising viability of Burdekin Falls Dam

Burdekin Falls Dam is the largest dam in Queensland, holding 1,860,000 megalitres at full capacity. As a life-long asset, it requires ongoing monitoring and maintenance to allow it to provide water security well into the future.

In September 2019, we began work on a detailed business case for a dam improvement project that will ensure its long-term viability, so it can continue to safely pass excess water during extreme rainfall periods, meet current engineering standards and comply with safety requirements.

This has been undertaken in parallel with a program of work that is examining the case for raising the dam wall, to deliver an increased water supply and economic development to the Burdekin and surrounding regions.

Essential Works delivered safely at Paradise Dam

The Paradise Dam Essential Works Project was completed in late 2021 to protect the safety of downstream communities. The storage is located on the Burnett River, approximately 80 kilometres south-west of Bundaberg.

The project involved lowering the spillway by 5.8 metres to reduce pressure on the dam wall in a significant flood event, such as the one the community experienced in 2013.

This interim safety measure reduced the risk of dam failure to a 1 in 5000-year event, down from a 1 in 200-year event.

Taking a longer-term outlook, Sunwater assisted in the development of the Paradise Dam Improvement Project Options Evaluations Report.

Paradise Dam Improvement Project

In December 2021, the Queensland Government committed to a long-term remediation project to return Paradise Dam to its original height, as part of significant safety improvement works.

The dam will be returned to its original full supply height of 67.6 metres and a storage capacity of 300,600 megalitres.

To meet safety guidelines, this significant undertaking involves buttressing with mass concrete, installing new training walls, extending the existing downstream apron, and raising and improving sections of the secondary spillway.

In February 2022, the Queensland and Australian Governments each announced commitments totalling \$1.2 billion towards the project, based on concept design level estimates. The project will further improve public safety and provide long-term security for Bundaberg irrigators.

Planning is underway for a program of enabling works, including local road upgrades, material sourcing and development of a workers' camp, scheduled to begin in 2023.

The Paradise Dam Improvement Project is a multi-year, major infrastructure project and current planning activities will enable the development of construction methodologies and detailed project schedules once a construction partner is appointed. A key project consideration is to balance dam safety risks while working on an operational dam.

At this stage, work at the dam is expected to commence in 2024. Sunwater will continue to work proactively to mitigate, where possible, external factors such as longer than expected wet seasons or flood events, workforce availability and supply chain constraints.

Sunwater is continuing engagement with customers to maximise water availability, as the project progresses.

Rookwood Weir Project update

Rookwood Weir is currently being built on the Fitzroy River, 66 kilometres south-west of Rockhampton. The \$367.2 million project commenced in 2020 and will deliver improved water security and available water supply for irrigation along the Fitzroy River and industry and

urban use across the Capricornia and Gladstone regions.

Depending on the final mix of available water, the weir is expected to yield 86,000 megalitres of medium priority water. This will enable the transition to higher value agricultural land use and facilitate new industrial opportunities in Central Queensland.

Over the year we undertook activities at the weir site, associated enabling works and a landowner support program, including:

- moving 800,000m³ of spoil
- completing cofferdams to provide the site with better production from river flow events
- placing more than 25,000m³ of concrete
- upgrading Hanrahan Crossing (10 kilometres downstream of the weir). As at 30 June this work was suspended due to the inundation of the Fitzroy River
- launching the \$1.2 million Landholder Support Program to assist landowners to bid for water from the upcoming tender two process.

The site of Rookwood Weir has been impacted by three inundation events during the period, as a result of significant flows in the catchment.

The project is jointly funded by the Australian and Queensland governments, and design and construction is being delivered through a partnership alliance between Sunwater, GHD and McCosker-Acciona.

A safe high-performance culture

People are the lifeblood of our organisation. We value and protect our team members by strengthening and maturing our safety culture, programs and systems to ensure our people can perform at their best and go home safely at the end of each day.

Keeping our people safe

As our business expands to encompass the delivery of large-scale infrastructure projects, our risk profile is also evolving.

Due to ongoing improvement in our Health, Safety and Environment (HSE) systems and capability we

have seen a steady reduction in injuries over the past four years.

Our 2021-22 total recordable injury frequency rate (TRIFR) was 2.86 injuries per million hours worked, compared to 3.4 in the previous year, and we recorded a lost time injury rate (LTIFR) of 0.57 compared to 0 in the previous year. While strains associated with manual tasks and walking on uneven ground are the most common type of injuries observed, we treat every incident seriously and put measures in place to prevent reoccurrences.

Our all-injury frequency rate was higher than our target this financial year. However, this can be attributed to the improvement of our reporting culture and the increase in on-site construction activities, in particular in-river construction works and on-site living arrangements for Rookwood Weir.

As part of improving the systems that enable a high performance, Sunwater's Myosh (safety reporting) system was refreshed as part of the simplification and digitisation of existing processes.

A range of wellbeing activities were conducted including the annual Mental Health Series through The Resilience Project.

Communication and consultation have been enhanced through the refresh of HSE Committees and establishment of the Leading HSE Forum.

An improved HSE Contractor Management framework was also introduced to more effectively engage contractors for the right work activities.

Our prevention and management of injuries continued to improve, compared to industry levels, with a resulting decrease to Sunwater's WorkCover premium of 28 per cent.

Managing COVID-19 risks

We are pleased to report that in 2021-22 Sunwater experienced minimal impact on our operations and customer water delivery due to COVID.

We supported customers by allowing them to apply for payment relief if their income was affected by the pandemic.

COVID safe protocols in our offices, combined with the flexibility of remote working days, helped protect the health, safety, and wellbeing of our office-based staff.

Each of our major infrastructure projects has a COVID safe plan in place. As well as keeping our workers safe, the plans set out contingency measures to keep project progress on track in the event of an outbreak. In August 2021, the workforce at the Rookwood Weir Project

completed a 14-day quarantine period due to a positive case on site.

Throughout this challenging period, Sunwater took steps to alleviate the impact on site staff and their families as much as possible.

We continue to adhere to strict safety guidelines and work with Queensland Health to keep our people and the community safe.

Supportive stakeholders

Sunwater values the insights and perspectives that our customers and stakeholders bring. We undertake meaningful engagement activities that help us to deeply understand and meet the needs of our communities.

Engaging with our customers

Positive response to customer surveys

Our annual Customer Satisfaction Survey plays an important role in understanding how we are meeting customer expectations. As well as tracking performance, we use these results to identify areas for improvement and opportunities for innovation.

Sunwater's customer satisfaction scores (CSAT) have continued to trend upwards. Our CSAT scores for irrigation and industrial customers exceeded 2021-22 targets and have seen a 68 per cent increase over the past four years.

Overall, 90 per cent of irrigation customers feel we are 'somewhat to extremely responsive' and 'provide great customer service', while 75 per cent believe we understand their business 'somewhat to extremely well'.

Our industrial customers also responded favourably to the survey, rating customer satisfaction significantly higher than the previous year. More than 80 per cent responded that Sunwater provided 'very or extremely good' customer service.

Customer engagement

Customer Advisory Committee (CACs) enable customers and stakeholders to collaborate and consult with Sunwater on a range of matters relating to the management and maintenance of

their service. In 2021-22, we established the Lower Mary CAC, with more planned in the coming year.

Committees also convene across most water supply schemes, as outlined below.

Discussions in these forums have been successful catalysts for projects in planning. These include preliminary business cases to improve water security in Nogoia Mackenzie and Dawson Valley, and a detailed business case for modernisation in the Burdekin Haughton. We connect with irrigators across regional Queensland via our Irrigator Advisory Committees.

Engaging with our communities

Community Reference Groups

When undertaking significant projects, we establish Community Reference Groups to share information and take on board the knowledge, concerns and ideas of local community stakeholders.

The Paradise Dam Community Reference Group (PDCRG) was formed in late 2019 to facilitate information sharing and discussion of matters relating to the Paradise Dam Essential Works.

The PDCRG was led by Independent Chair, Mike McKay APM, and provided insight into a diverse range of perspectives on community safety.

Its members included senior leaders from two regional councils, downstream residents, and representatives from farming, irrigation, business, community, environment and disaster management groups.

The Paradise Dam Industry Forum (PDIF) was subsequently established with membership across six industry groups and a focus on water security. From its inception until June 2021, the PDIF was led by Independent Chair Stuart Armitage. Stuart stepped down from his role in June 2021 after being appointed to the Sunwater Board.

Building on the productive work of the PDCRG and PDIF, a new Paradise Dam Reference Group will be the key forum for discussions in relation to community safety, water security, cultural, social and economic and environmental values as the Paradise Dam Improvement Project is implemented.

The Burdekin Falls Dam Community Reference Group was formed in March 2021 to foster consultation and information exchange about the

Burdekin Falls Dam Improvement Project and proposed Burdekin Falls Dam Raising Project.

It meets quarterly and captures a diverse range of views to be incorporated into the detailed business case, the environmental impact statement process and project-related communication with the broader community.

The inclusive group brings together a wide range of stakeholders across local government, customer, community and business, including First Nations perspectives from indigenous corporation representatives/Traditional Owners.

Celebrating dam milestones together

In 2022, the 50-year anniversaries of Fairbairn and Beardmore dams provided an opportunity to engage with customers and community stakeholders in a special way.

Sunwater and Central Highlands Regional Council joined together to host a celebratory open day at Fairbairn Dam on 21 May. Located 25 kilometres south of Emerald, the dam is a popular recreation spot and provides a reliable water source for surrounding communities and irrigators.

On 4 June, locals and visitors from further afield enjoyed an open day at EJ Beardmore Dam, which supplies the St George Irrigation Area. The open day kicked off with a Welcome to Country by Gomeroi Traditional Owners to ensure we had a safe event.

These family-friendly events provided a valuable opportunity to learn about how dams work, staying safe on and around water storages, and how to prepare for weather-related emergencies.

Attendees also had the chance to interact with a range of invited community groups and emergency services, including representatives from the police, ambulance and fire services.

With a barbecue and live entertainment also on the agenda, the open days provided a relaxed social atmosphere for building community spirit as well as broadening dam safety awareness.

Safeguarding communities

We protect downstream communities by ensuring our dams are managed safely year-round.

During high rainfall events we work hand in hand with the Bureau of Meteorology, Local Disaster Management Groups, and government agencies to manage flows and keep our communities safe and informed.

Each of our referable storages has an Emergency Action Plan (EAP) in place, approved by the Queensland Government.

Last year, we facilitated four emergency preparedness exercises, both internally and with disaster management groups:

- Coolmunda Dam Event Plan facilitated discussion – 31 August 2021.
- Enterprise-wide multi-spill site simulation exercise – 8 September 2021.
- Critical Decision-Making Workshop – 23 September 2021.
- Callide Dam emergency exercise – 22 November 2021.

Enhancing safety for dam users

Sunwater takes an active approach to raising public awareness and educating communities about how to stay safe on or near our water storages.

We share information and updates through the Sunwater App, website and social media accounts, Local Disaster Management Groups and local councils. Paid advertising and media campaigns are also implemented at times to educate the public on specific issues or topics.

Our 2021-22 wet season media campaign reminded dam users and downstream communities to be prepared during periods of wet weather by downloading the Sunwater App for storage level information and checking conditions, signs and hazards.

The multi-channel campaign, which included advertising, media coverage and communication through our stakeholder networks, exceeded our target of 50 per cent new subscribers to the Sunwater app. The initiative resulted in 1951 new app subscribers, an increase of 58 per cent. Our Facebook page grew by close to one-third, attracting 2210 new followers.

In 2021-22, we also implemented four social media campaigns directed at public safety at specific dams and during high-risk periods.

In February, we developed a boating safety campaign and engaged Maritime Safety Queensland to ensure consistency of boating safety messages. The campaign urged boat users to stay safe on the water when visiting Sunwater storages for recreation and aimed to reduce boating incidents and injury.

The Visiting Tinaroo Foreshore campaign ran from 15 February to 14 March 2022. By publicly sharing the do's and don'ts of using the Lake Tinaroo foreshore and waterfront reserve areas, we aimed to improve amenity and public safety for all visitors and dam users.

In May 2022, we launched a Eungella Dam safety campaign to encourage respectful and responsible use of the dam and surrounds. It highlighted new on-site security to reduce anti-social behaviour such as unauthorised four-wheel-driving.

To improve safety over the Easter period, we implemented multiple safety awareness campaigns, tailored for specific regions. The messaging focused on improving boating safety, by raising awareness of changing water conditions, submerged hazards, and speeding risks.

Commercially focused operations

Stage two water tenders at Rookwood Weir

Following the successful sale of 30,000 megalitres in December 2020, Sunwater is helping landholders prepare for the second stage of the Rookwood Weir water tender specific to irrigated agriculture, to be held in late 2022.

A minimum of 7500 megalitres will be released, with bidders able to apply for lots of up to 500 megalitres.

To support applicants in tendering, we have partnered with Advance Rockhampton, the economic development, investment and industry growth unit of Rockhampton Regional Council, to provide a Landholder Support Program.

Since its launch in January 2022, 44 Lower Fitzroy landholders have received assistance under the program, facilitated by Advance Rockhampton. As a result, participation in the upcoming tender is expected to be high.

The tailored program helped irrigators to understand and capitalise on future access to water from the weir, offering farm and land use planning, agronomy assessment, irrigation design and commercial feasibility assessments.

Participants received an onsite agricultural report, business plan support and subsidies for independent financial advice to assist in taking part in the second stage of water sales.

Queensland Floods Class Action

In 2020–21, the New South Wales Supreme Court approved a settlement with the plaintiff of the 2011 Queensland Floods Class Action.

The class action related to the operation of the Wivenhoe and Somerset dams during the 2011 floods in south-east Queensland.

Sunwater finalised payment of its share of the settlement in May 2022.

The settlement terms are confidential.

In respect to insurance recoveries for the settlement amount, Sunwater has appealed the New South Wales Supreme Court decision denying indemnity for Sunwater from the upper levels of insurers. The outcome of the appeal will likely be known in late 2022 and will determine whether Sunwater can recover the settlement amount from its insurers.

Making it easier to do business through ICT improvements

Our customer and enterprise experience will be significantly enhanced following the 2021–22 expenditure of \$10.98 million to upgrade or replace outdated and inefficient business systems.

Building upon work undertaken in 2021–22, this investment will deliver enterprise platforms that support an efficient, technology-enabled business.

We are improving the way we do business by:

- mitigating risks
- strengthening security and data protection
- enhancing customer and employee engagement capabilities
- improving operational efficiency.

The new digital environment will further heighten customer experience by allowing our customers easier and quicker access to the information they need to make business decisions. New functionality includes a platform for real-time data from sensors, meters and gauges, combined with mobile platforms for information capture and distribution.

Keeping our data secure

Acting on advice from security experts and the Australian Cyber Security Centre (ACSC), we have adopted a position of heightened cyber awareness to strengthen the security of our information, systems and assets.

In 2021, we commenced a three-year cyber security program to enhance capacity across the organisation.

Sunwater is working with a leading security vendor to monitor any emerging threats, improve overall security and respond to any cyber security events.

Improvements to date include updated software to monitor vulnerabilities, additional technology engineering capacity to adopt the Essential 8 and better monitoring of our information systems in a central system.

We have also established a 24-hour Security Operations Centre to continuously monitor our network and infrastructure for cyber threats.

Trialling a pass-through of electricity costs

Electricity can be a large component of the costs incurred in delivering water to irrigation customers.

Due to the unpredictability and significance of electricity costs, we worked with customer representatives and the Queensland Farmers' Federation to develop an electricity cost pass-through trial. The trial commenced on 1 July 2020 and will continue until 30 June 2023.

It applies to irrigation customers in the Bundaberg distribution, Burdekin Haughton distribution, Lower Mary River distribution, Mareeba-Dimbulah distribution, Barker Barambah and Upper Condamine schemes. These regions were selected because the electricity cost is a significant portion of the irrigation groups' total cost per megalitre.

Under the mechanism, eligible irrigators only pay the actual electricity costs incurred by Sunwater to deliver the water. In the first 12 months of the trial, \$3.16 million was returned to irrigators in regional Queensland.

Post the trial, we will consult with stakeholders before putting forward a recommendation to the Queensland Government on whether the pass-through mechanism should continue, and in what form.

3. Our people

Team profile

Our workforce

To deliver our services efficiently and meet customer and stakeholder expectations, we employ staff with the relevant professional, trade and technical skills and competencies.

As at 30 June 2022, Sunwater had a total workforce of 556 FTEs.

Table 2: Sunwater workforce

| Employment category | 2021-22 Actual | 2021-22 Budget |
|--|----------------|----------------|
| Casual positions | 0 | 0 |
| Senior executives positions | 7 | 7 |
| Common law contract positions | 35 | 34 |
| General employee positions ¹ | 436 | 518 |
| Vacancies ² | 81 | - |
| Total Statement of Corporate Intent (SCI) ³ | 478 | 559 |
| Additional workforce (non-permanent) | | |
| Contractors ⁴ | 70 | 79 |
| Apprentices/trainees | 8 | 11 |
| TOTAL WORKFORCE | 556 | 649 |

1. Enterprise Agreement and Annualised Salary Arrangement employees.

2. Positions that were not filled as at 30 June 2021. This takes into account project completions.

3. Positions as outlined in Sunwater's SCI 2020-21, taking into account project lifecycles and changing requirements through the year.

4. Temporary positions for a defined period or project.

Staff turnover

Staff turnover in 2021-22 was 16.32 per cent compared to 9.7 per cent in 2020-21 and 17.68 per cent in 2019-20. This change reflects changing conditions since COVID lockdowns ceased and the employment market tightening.

Developing talent for the future

Sunwater is invested in building entry level capability and developing career pathways for those interested in joining the water industry.

While apprentices and cadets make up just a small part of our workforce, they are an important part of the 'One Sunwater' team that delivers a safe, reliable and affordable water supply to our customers.

Sunwater committed to employing five apprentices, either directly or indirectly, throughout the life of our negotiated 2018-2022 EA. Of these, four have been indirectly hired through a group training organisation, with one based in the Burdekin district at Clare and three in Bundaberg. The final position, based in Moranbah, is currently vacant.

Our apprenticeship program provides participants with first-hand knowledge of processes and procedures across a range of Sunwater's operations, while completing an industry-recognised qualification.

We have also employed two Cadet Operator Maintainers and one Cadet Draftsperson. The Cadet Operator Maintainers are based in Bundaberg and Clare.

Together our apprenticeship and cadet programs boost regional employment and ensure we have talented and skilled people coming through in years to come.

Industrial relations

Updating our Enterprise Agreement

The current Sunwater Enterprise Agreement came into effect on 18 December 2020 and expired on 30 June 2022.

During 2021–22 we have been actively planning and negotiating the new agreement.

Our negotiations with unions and employee representatives have been conducted in good faith, guided by relevant Government policies and guidelines.

Supporting union membership

We respect the right of our employees to join and belong to a union, to have their industrial interests represented and to receive advice and support from their union or another advisor about workplace issues affecting them.

No forced redundancies

We remain committed to no forced redundancies, in line with current Queensland Government policy. In 2021–22 there were no voluntary redundancies.

Reviewing and rectifying underpayments

In late-2019, we became aware that a small number of employees on Individual Employment Contracts were also covered under Sunwater's Enterprise Agreement (EA).

Although these employees were paid correctly under their contracts, an inadvertent application issue meant they did not receive their full entitlements under the EA.

Sunwater was quick to notify the Fair Work Ombudsman (FWO) of the error and engaged independent external advisors to undertake a full review to identify the current and former employees eligible for additional payments.

As part of the rectification process we worked closely with FWO and other authorities such as Office of State Revenue.

Sunwater has now completed rectification and payment to all our affected current and former employees for the period from 28 November 2006 to 30 June 2020.

New employment contracts, on-boarding processes and remuneration schedules have been introduced to avoid a repeat of this regrettable issue.

Leadership profile

Guided by our Board and headed by our Chief Executive Officer, Sunwater's Executive Leadership Team is tasked with delivering on corporate objectives and strategic goals.

Sunwater operates under the organisational structure shown on page 25.

In 2021–22, there were a number of changes to the Executive Leadership Team:

- Simon Ellinor stepped down as Chief Financial Officer (CFO) on 20 August 2021
- Erin Strang was appointed Chief Financial Officer (CFO) in November 2021
- James Stuart stepped down as Executive General Manager Water Resources and Dam Safety on 29 April 2022
- Michael Kahler was appointed Executive General Manager Water Resources and Engineering on 25 April 2022.

The Sunwater Board underwent the following changes in 2021–22:

- Dan Hunt stepped down as interim Chairman in September 2021
- Dr Lisa Caffery was appointed Chair in October 2021
- Leeha James joined the Board as a Director in October 2021.

Sunwater Board

Dr Lisa Caffery | Chair

BA (QLD), GCBU (USQ) MPRL (USQ), PhD (CQU), GAICD

Lisa Caffery was appointed as Chair on 1 October 2021.

Lisa is a respected business and community engagement leader with more than 20 years' professional experience in regional Queensland.

Lisa is the founder and principal of a regionally based advisory firm, which utilises her strong background in stakeholder relations, performance management and social research.

She is currently Deputy Chair of the Central Queensland Hospital and Health Services Board and the independent Chair of the Groundwater and Environment Reference Group for Glencore Coal Investments Australia.

Lisa holds undergraduate and postgraduate qualifications in communications from the University of Queensland and the University of Southern Queensland. She also received her PhD from Central Queensland University, which had a research focus on rural health equity and social impact.

Stuart Armitage | Director

Stuart Armitage was appointed as a Non-Executive Director on 17 June 2021.

For more than 40 years, Stuart has been a Darling Downs irrigation farmer and involved in various leadership positions across rural and agricultural industries. He has served as the president of the Queensland Farmers Federation for four years, working with government and industry to develop strategies and policies to improve efficiencies in water and energy consumption.

Stuart is a member of Central Downs Irrigators and the Darling Downs Cotton Growers and previously served as a Director of Cotton Australia and a Millmerran Shire councillor. He is a member of the Arrow Energy Intensively Farmed Land Committee, a commissioner for the Gasfields Commission Queensland and a Chair of their sub-committee, the Surat Stakeholder Advisory Group.

He was independent Chair of Sunwater's Paradise Dam Industry Forum from February 2020 until June 2021. In 2020, Stuart was awarded the Peter Kenny Medal for his ongoing contribution to improving and developing sustainable outcomes within the Queensland agriculture sector. He is the patron and current Chair of 'Are you bogged mate?', a charity addressing mental health impacts in regional and farming communities.

Leeha James | Director

BA(Hons), LLB

Leeha James was appointed to the Sunwater Board as a Director on 1 October 2021.

Leeha has more than 20 years' experience as a lawyer, specialising in workplace health and safety, litigation, and compensation law.

As the owner and Director of specialist compensation law firm, James Law, Leeha has represented everyday people across a range of industry sectors, including emergency and first responders, electrical, construction, health, mining, and the public service.

She is currently President of the Bayside Community Legal Service and has appeared before Queensland Parliamentary Committees in relation to public policy issues.

Leeha holds a Bachelor of Laws degree from the Queensland University of Technology and a Bachelor of Arts in Humanities degree with Honours from Griffith University. She is also an Accredited Specialist in personal injuries through the Queensland Law Society.

David Stewart | Director

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

David Stewart was appointed as a Non-Executive Director on 3 December 2015 and was re-appointed for a second term in October 2021.

David is a civil engineer with 40 years' experience in Australia and internationally, specialising in large dams, water supply, irrigation and other infrastructure projects.

He has worked in the private sector with major engineering consulting firms and in the public sector with large water businesses.

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

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

Vanessa Sullivan | Director

'BecBEc (Hons), GradDip (AppFin), GAICD

Vanessa (Fernandes) Sullivan was appointed to the Sunwater Board as a Non-Executive Director on 15 December 2016 and re-appointed on 1 October 2019. Vanessa has significant experience in the water, energy, zero emissions and sustainability sectors at both board and executive levels.

Vanessa's previous executive roles include being a climate change leader and a utilities leader for a big four professional services firm, founding a renewable energy and storage development business and being a commercial and financial lead for significant market reforms in both the water and energy sectors.

Vanessa is also a non-executive Director of Essential Energy, Niche Environment and Heritage, Eco-Markets Australia and AGL Energy. Vanessa is an expert advisor to the Queensland Government Hydrogen Taskforce and does a number of pro bono advisory board roles including with Centacare (not-for-profit domestic violence and disability support provider).

Jane Williams | Director

AICD

Jane Williams was appointed as a Non-Executive Director in October 2020.

Jane has extensive experience working in rural and regional Queensland, with strong qualifications and long-term experience in serving and leading boards.

Barcaldine-based, Jane has contributed to her community over 30 years through a career in registered nursing, telehealth, midwifery, wellness and family support in Western Queensland, including Indigenous communities.

In addition to her work with Sunwater, Jane serves as Chair of the Central West Hospital and Health Board, and Chair of the Central West Rural Wellness Network. She is also a Board member of Health and Wellbeing Queensland as well as a Director of CheckUP Australia.

Executive Leadership Team

Glenn Stockton AM | Chief Executive Officer

GAICD, MBA

Glenn Stockton AM was appointed Chief Executive Officer on 3 August 2020.

Glenn has extensive leadership experience in challenging environments and in generating successful outcomes for both individuals and organisations. He brings a strong understanding of complex, high-value infrastructure projects to Sunwater, with a focus on enhancing the internal and external relationships required to achieve project objectives.

Throughout his career, Glenn has developed a keen appreciation for the connection between design, performance and maintenance to ensure the delivered asset meets design life performance, operational cost parameters and provides the requisite returns to clients, customers and shareholders.

Glenn is a strong advocate of safety, governance and accountability, and customer focused outcomes. He takes an active role in developing the resilience of the business and the capacity of its leaders to respond effectively to the challenge of our dynamic environment.

His previous roles include General Manager Operations at Pacific Partnerships, Director and Board Chairman of the Pulse Partnerships Consortium delivering Cross River Rail, Director and Chief Executive Officer of the ACT Light Rail project and served as a Colonel in the Royal Australian Engineers.

Erin Strang | Chief Financial Officer

BComm(Hons), MAppFin

Erin Strang was appointed Chief Financial Officer on 8 November 2021.

She leads Sunwater's corporate services function, encompassing the finance, legal, procurement, commercial customer and information, communication and technology teams.

Erin has over 20 years' financial services experience across the finance, transport and infrastructure industries, working within both public and private sector entities.

She has previously held the roles of Chief Financial Officer of Banking and Wealth at Suncorp, and Treasurer VP Tax and Governance at Aurizon.

Erin has led teams through periods of substantial change, including business transformation and financial restructuring, and has extensive stakeholder management experience.

Colin Bendall | Executive General Manager Operations

AssocDip AppSc, CertTropAg

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

Kellie Breen | Chief People Officer

BBus (HRM) GAICD

Kellie Breen was appointed as Chief People Officer on 29 January 2018. Kellie provides strategic direction on best practice organisational strategies that ensures we recruit and retain talent, build business capability and deliver organisational change necessary to deliver the best possible business outcomes.

With more than 20 years' experience in human resources, Kellie delivers business value by providing strategic direction to develop and implement organisational strategies aimed to improve business outcomes.

Kellie has a strong background in the resources sector and professional experience in the manufacturing, retail and legal sectors in Australia and internationally.

Mal Shepherd | Chief Development Officer

Dip. Proj Mgt. CertEng (Civil), AFIE Aust CEngA, EngExec NER, Reg PMCPPP, FAIPM, PAWA, MAICD

Mal Shepherd was appointed Chief Development Officer on 12 October 2020. Leading Sunwater's Infrastructure Development and Delivery function, Mal oversees the implementation of the business' growth and development strategies for new projects and the engineering, procurement and delivery of major infrastructure projects. Mal has more than 35 years' experience in the private and public sectors developing, designing, and delivering over \$8 billion worth of water infrastructure projects in Australia and internationally, across a broad range of contracting models.

Cameron Milliner | Executive General Manager Customer and Stakeholder Relations

BCom (Mark)

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

Michael Kahler | Executive General Manager Engineering and Water Resources

BEng (Civil), Grad Dip Mun Eng, MEngSc, GAICD, RPEQ

Michael Kahler was appointed Executive General Manager Engineering and Water Resources on 25 April 2022.

Michael has 30 years' experience across the asset management, infrastructure planning, design, construction and operations in the private and public sectors.

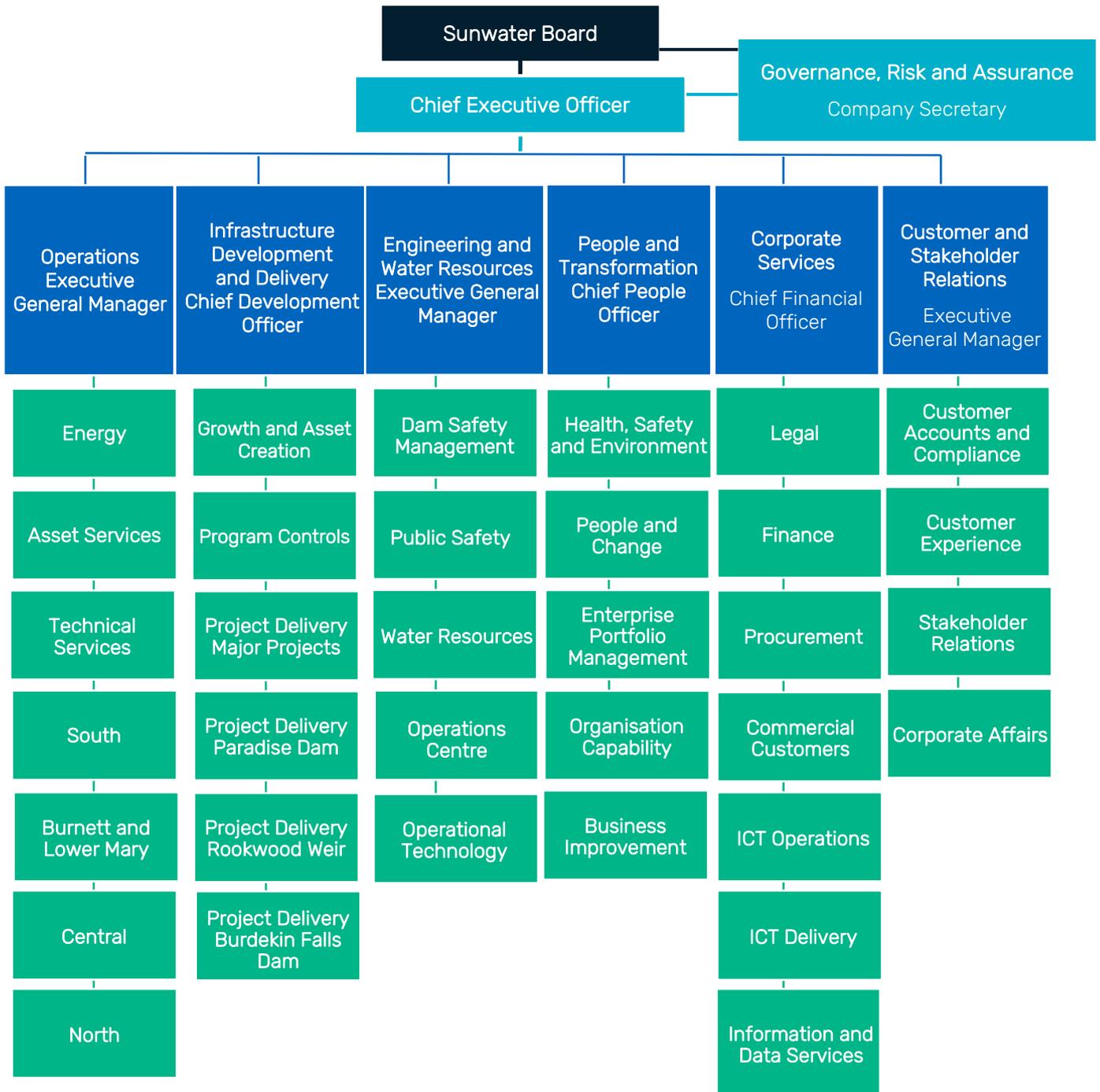
Prior to joining Sunwater, Michael led the development and implementation of an integrated planning and delivery model at Urban Utilities, which transformed the approach to capital investment and achieved industry leading performance.

He is a Registered Professional Engineer of Queensland and is a graduate of the Australian Institute of Company Directors. He was formerly a president of the Institute of Public Works Engineers Australasia (IPWEA).

Michael holds a Bachelor of Civil Engineering, a Graduate Diploma in Municipal Engineering and a Masters in Engineering Science.

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

Organisational chart



4. Environmental, Social and Governance

In building a sustainable future, one that meets our customers' and stakeholders' changing demands, we aim to nurture trusted relationships, manage our assets efficiently and minimise the impact from our activities on the environment.

Our Sustainability Framework

We take a transparent approach to measuring, monitoring and disclosing our sustainability progress.

Our decisions, which will be aligned with the Queensland Government's Sustainability and ESG reporting requirements, are guided by the Sunwater Sustainability Framework principles. These align with Sunwater sustainability-related material risks and customer and community expectations, and outcomes of the 2021-22 business cycle planning (Strategic and Regional Work Programs)

The Sunwater Sustainability Framework focuses on six areas that are critical to achieving a sustainable future:

- Water Security - Optimising the efficient use of the water resource under our stewardship.
- Low Carbon Future - Minimising our carbon footprint by actively pursuing efficient use of available energy resources.
- Biodiversity - Minimising our impact on biodiversity in the areas where we operate.
- Waste Reduction - Assessing and managing waste across the life cycle of our activities to ensure the development of long-term positive social, economic and environmental outcomes.
- Customer, Community and Country - To build trust, and achieve mutually beneficial outcomes we will work with Traditional Owners, our customers and communities. We acknowledge that Aboriginal and Torres Strait Islander peoples are the traditional custodians of this Country and we recognise and respect their cultures, connection to Country and aspirations.
- Governance and Business Systems - Firstly, defining materiality, responsibilities and

commitments for sustainability performance, then adapting our business systems and processes to empower our people and suppliers to advance sustainability in the delivery of services and management of assets.

When building major assets, we provide sustainability assessments for proposals with a capital value of more than \$100 million, as required by the Queensland Government. These independent assessments are undertaken by the Infrastructure Sustainability Council, which uses an Infrastructure Sustainability Rating Scheme to evaluate economic, social and environmental performance of infrastructure across the planning, design, construction and operational phases of infrastructure assets.

By carefully managing our environmental, social and financial demands we will continue to provide shared value to present customers and communities, without compromising the needs and expectations of future generations.

Environmental

We are an environmentally aware organisation committed to minimising environmental harm on the land, water and ecosystems we manage on behalf of our communities.

Our sustainability governance

Our bulk water infrastructure is located in riverine environments including areas of high conservation value, such as The Great Barrier Reef (GBR) catchment.

To ensure we meet statutory obligations, achieve our corporate goals and progress sustainable practices, we are guided by the Sunwater Sustainability Framework, our Environmental Policy and a HSE Strategy.

Sunwater is continuously improving our environmental management by setting measurable goals, monitoring, reporting and reviewing the effectiveness of our Environmental Management System (EMS), which is certified to ISO 14001:2015 standard.

Managing climate change impacts

Stage 1 of the Sunwater Regional Blueprint identified climate change as a global trend that would have multiple impacts on our business and affect the productivity of our customers.

Predicted climate variability threatens not only our water supply and the operation and management of our assets but the safety of the environment and communities in which we operate.

Increased risks include water security, biosecurity issues, response to emergency events and financial impacts from rising insurance premiums and dam improvement costs.

The Sunwater Resilience Framework is in place to support us to respond, adapt, survive and prosper in a changing environment.

This overarching framework and associated strategies, plans and processes help us to mitigate the effects of climate change and stay resilient in a changing environment.

Protecting our natural environment

When undertaking new projects and essential works, we develop plans and implement a range of initiatives to protect and preserve the natural environment.

As part of the Paradise Dam Essential Works, Sunwater developed an Environmental Management Plan (EMP) including a Species Management Plan relevant to species noted as Matters of National Environmental Significance (MNES) under the Australian Government's *Environment Protection and Biodiversity Conservation Act 1999*. These species included the Australian Lungfish and the White-throated Snapping Turtle.

Because of changes to water levels due to the essential works, the dam's downstream fishlock entrance was demolished and replaced with a new floating fishway entrance with a greater operating range. Testing of the new fishway entrance commenced in May 2022 and is ongoing. We have also commenced a 12-month fishway monitoring program to assess the movement of fish utilising the downstream fishlock.

In constructing Rockwood Weir, Sunwater's EMP sets out measures to protect aquatic and terrestrial ecology, vegetation and habitat, and maintain water quality.

The weir will incorporate Queensland's first turtle ramp, enabling protected species such as the Fitzroy River Turtle and White-throated Snapping

Turtle to move freely upstream and downstream. Detailed plans have been developed to outline specific management measures to minimise impacts to turtle nests and movement. A fish passage for a range of species, including Barramundi, is currently under construction.

The project will incorporate an environmental offset area adjacent to the Mackenzie River. This will provide a mix of vegetation types and ages, suitable for a range of fauna habitat. The offset area will also reduce sediment and nitrogen runoff, helping maintain water quality in the catchment.

Once construction is completed, an Operational Management Plan will be in place to assure compliance with water quality standards and measures.

Maintaining water quality

We routinely monitor and report physical water parameters and nutrient levels at our storages, in line with WSS requirements.

In August 2020, DRDMW released new collection and reporting standards that come into effect at the end of August 2022.

After completing a gap analysis, we have incorporated a new risk assessment approach that allows us to meet the revised standards.

In October 2020, the Queensland Government gazetted a Copper Sulfate Code of Practice (COP) for the Mareeba-Dimbulah WSS. Copper sulfate is used solely in that region to treat algal blooms and weeds in water supply channels.

A 12-month external review of our copper sulfate dosing monitoring against the COP has been completed. It found that no amendments to the COP and associated protocols were required. A further review will be undertaken in November 2022.

Preserving fish stocks

The majority of Queensland's freshwater fish species need to move along river systems to complete their lifecycle.

Sunwater operates 15 fishways across Queensland to allow free passage for migrating native fish. As changing water levels can affect the operation of fishways, our website provides monthly reports on the operational status of these structures.

We are active members of the Fishway and Aquatic Reference Group. The group brings together water providers, representatives from State Government departments, researchers and consultants to improve the long-term viability of fish species reducing biosecurity risks.

Biosecurity risks include the spread of water hyacinth, introduced Tilapia fish and the soil-borne fungus that causes Panama Disease in banana crops.

Our proactive approach to biosecurity includes:

- exploring the use of drone technology to enhance weed and pest detection
- financial and in-kind support for new aquatic herbicide trials
- maintaining fish exclusion screens at selected sites to prevent tilapia transfer
- ensuring appropriate vehicle hygiene measures are maintained
- regular pest control activities at key and emerging sites of concern.

We undertake joint pest and weed control management activities with regional councils as required and are currently aligning our biosecurity processes with the relevant Council Biosecurity Plans.

Sunwater is an active member of the State Land Pest Management Committee, which shares information and coordinates biosecurity efforts across the state.

Social

We take our social responsibility seriously. In planning and delivering our services we act in the best interests of our people, our stakeholders and the communities in which we operate.

Our strategic approach to stakeholder management

Sunwater's stakeholder engagement approach is framed around our five engagement principles of being proactive; engaging openly and transparently; considering the 'big picture'; undertaking two-way communication; and being responsive.

Sunwater's engagement principles are aligned with our organisational purpose, strategy and values with a view of:

- driving customer focused decision-making
- fostering supportive, informed and engaged shareholders
- building respectful community partnerships.

To ensure we hear from a broad range of voices when delivering our services or maintaining or

building assets, we develop stakeholder management plans (SMP) at a corporate, regional and project level.

The process for developing SMPs aligns with Sunwater's Project, Program and Portfolio Management Framework (P3MF), and to effectively record, manage and report on interactions with stakeholders noted in SMPs, we use an enterprise stakeholder management system.

Our Corporate SMP guides strategic conversations with key agencies, lobby groups and peak bodies to better understand and monitor water issues including scheme operations and management. We also work closely with peak industry groups on state-wide policy issues, such as irrigation price reviews.

Project-specific SMPs allow us to actively engage with those affected by, or interested in, a specific infrastructure or non-infrastructure initiative.

Our regional SMPs offer a structured approach to listening, learning and engaging with the key individuals and groups we need to work with in our day-to-day operations.

Sunwater is developing Regional Stakeholder Management Plans (SMP) for each of its operational regions: South; Burnett and Lower Mary; North; and Central.

Local engagement

We recognise that leveraging local knowledge is critical to developing respectful community relationships – those where stakeholders feel comfortable about contacting us directly with any feedback, questions, or concerns.

In 2021-22, some of our regional operations teams met with their Traditional Owner group.

These meetings were the first step in recognising that we have not always engaged effectively in the past, and we are committed to listening and learning to better understand culture, Country and what is important to each group. We thank Western Kangoolu, South West Indigenous Corporation, Bailai, Gurang, Gooreng Gooreng, Taribelang Bunda Peoples Aboriginal Corporation, and Gudjuda Reference Group Aboriginal Corporation for agreeing to work with us in this past year. We are positive about what the future holds in our newfound relationships.

Aboriginal and Torres Strait Islander engagement and recognition

Recognising, respecting and engaging First Nations peoples beyond our compliance needs is the right thing to do. It is the expectation of the community and aligns with our Values: Value People, Work Together and Take Responsibility.

In 2021–22, Sunwater appointed a Senior Advisor Indigenous Affairs to lead this work through a phased structured process to ensure this new focus for Sunwater is genuine, embedded and valued. The approach is being informed and maintained by a cross-functional senior leader steering committee, and the entire process will be underpinned by listening to and learning from First Nations peoples, being open to their cultures, stories, and aspirations and ensuring we are inclusive of these in the way we work.

Our first significant step was the development of a First Nations Commitment Statement, which was launched on 23 May 2022. The statement frames our recognition of Aboriginal and Torres Strait Islander peoples as the First Peoples of this country and the Traditional Custodians of the land and waters we rely on. The statement articulates our commitment to the Aboriginal and Torres Strait Islander community, including those who work at Sunwater, demonstrating that we recognise their sacred connection to culture and Country and intend to work together to achieve mutually beneficial outcomes.

The First Nations Commitment Statement will be enabled through an Aboriginal and Torres Strait Islander recognition, engagement and participation strategy in the coming year. The strategy will embed a disciplined, strategic approach to Sunwater’s engagement with Traditional Owners and First Nations peoples more broadly, inclusive of and valuing their cultures and stories, and improving First Nations experiences as employees, customers, and suppliers.

Governance

Strong corporate governance is an important foundation for fulfilling Sunwater’s purpose of delivering ‘water for prosperity’. We continue to evolve and strengthen our governance framework to enhance the operational efficiency of our assets and our business and meet the needs of all stakeholders.

Our principles

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

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

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

Principle 1: Foundations of management and oversight

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

- Audit Committee (previously Audit, Finance and Risk Committee)

- Safety and Culture Committee (previously Culture Committee)
- Risk Committee (previously Strategic Projects Committee).

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

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

- KPIs are set and approved annually by the Board which are tailored for each role and aligned to the Business Performance Framework and the Board approved Statement of Corporate Intent.
- Regular performance feedback is provided during the year, and there are six-monthly and 12-monthly performance reviews.
- Senior executive and CEO remuneration is determined by the Board in accordance with prescribed principles for GOCs and the CEO & Senior Executive Remuneration Policy.

Principle 2: Structure the Board to add value

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

The Board is focused on the improvement of the management of conflicts of interest and implemented the following initiatives:

- Integrity Commissioner presenting to the Board and Executive Leadership Team
- Governance Refresher Training with a focus on conflict-of-interest obligations

- Enhancements to the Directors and Executives' Conflict of Interest Procedures and Register of Disclosures and interests.

All Board Directors regularly evaluate the performance of the Board, individual Directors, Chair and Board Committees, in accordance with the Board Performance Evaluation procedure.

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

An external review of Board performance and governance policies was carried out in August 2021 which included participation by senior executives. An internal review will be carried out in June/July 2022. A Board skills review was undertaken in December 2021.

All Directors must maintain their skills and carry out professional development to enable them to meet their responsibilities. Feedback on the Board's performance is also provided by a Director after each meeting and suggestions for improvement are noted. The Board also reviews member's information needs. Details of Directors' terms of office, experience, expertise and attendance at Board and committee meetings and remuneration are outlined on pages 88 - 90 of this report.

Principle 3: Ethical and responsible decision making

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

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

Sunwater's 'Fraud and Corrupt Conduct', 'Whistleblower Interest Disclosure' and 'Public Interest Disclosure' policies and procedures outline how complaints of alleged impropriety and corrupt conduct are received, evaluated, reported and investigated. We also have complaints policies

around alleged CEO, Chair and Director corrupt conduct. Sunwater has partnered with EthicsPoint – a comprehensive, confidential reporting system – to help managers and employees address fraud, abuse and other misconduct in the workplace. EthicsPoint allows independent telephone and online disclosure reporting for employees and third parties, anonymous reporting of allegations of unethical behaviour, misconduct and fraud via the Sunwater Whistleblower Hotline or an online portal on our website.

Principle 4: Safeguarding integrity in financial reporting

The CEO and CFO certify the accuracy of Sunwater’s financial statements to the Board each financial year. They have confirmed in writing that the 2021–22 financial statements present a true and fair view and are in accordance with accounting standards. The Audit Committee helps the Board fulfil its financial reporting responsibilities by:

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

The Committee is made up of three independent Non-Executive Directors who have appropriate financial experience and understand the water industry. The Chair of the Board is a member of the Audit Committee and cannot be the Chair of the Committee. During the year the Board approved the appointment of a qualified accountant as an Independent Advisor to the Audit Committee. Details of committee members, meetings and attendance are on page 44 of this report.

Principle 5: Timely and balanced disclosures

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

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

The Board and senior executives are required to report extensively to shareholding Ministers. Continued standing arrangements for reporting are described in Principle 6.

Sunwater will notify shareholding Ministers of any breaches of its code of conduct, conflict and interest policy and securities trading policies by Sunwater’s Board members, the CEO and senior executives.

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

Principle 6: Respect shareholders’ rights

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

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

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

Principle 7: Recognise and manage risk

Through a system of oversight and management controls, the Board ensures Sunwater

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

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

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

Principle 8: Remunerate fairly and responsibly

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

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

Remuneration: Directors and senior executives

Remuneration of Board Directors is determined by the shareholding Ministers and does not include performance-based remuneration. Remuneration in Sunwater is overseen by the Board's Safety and Culture Committee. The Board sets remuneration levels for the CEO and senior executives in line with Queensland Government policy and external independent advice on position evaluation. Remuneration is fixed and includes all payments and benefits. All senior executives are engaged on 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).

In line with Temporary Policy Change for *Policy for Government Owned Corporations Chief and Senior Executive Employment Arrangements*, no performance payments were paid in 2021–2022 for the performance pay accrued in 2020–21.

Board remuneration is listed in the Notes to the Financial Statements on page 86 and that of senior executives is on pages 87 and 88 of this report.

Remuneration: staff

Remuneration for the majority of Sunwater staff, is determined by the Sunwater EA in accordance with the Queensland Government approved bargaining framework. More on the current EA can be found on page 21 of this report. Remuneration for employees under common law contracts is based on the median salary of each evaluated position and the employee's individual performance. Sunwater does not have a performance payment scheme for non-senior executive employees.

Subsidiary reporting

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

Government directives and notifications

Sunwater received no direction and notifications in 2021–22.

Sustainable practices

Sunwater compliance program

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

Referable dam safety

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

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

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

Financial management

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

Right to information

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

Modern Slavery & Human Rights

Sunwater is committed to working with its employees and business partners to ensure that it has a positive impact on eliminating modern slavery practices in all forms within the local and global community.

Sunwater respects human rights and is embedding human rights considerations into decision-making process under the *Human Rights Act 2019* (Qld).

Sunwater continues to develop and implement guidance material, employee awareness, and updates to processes and procedures in relation to modern slavery and human rights, including in relation to the *Modern Slavery Act 2018* (Cth) and *Human Rights Act 2019* (Qld).

No human rights complaints were received during 2021–22.

Legal proceedings

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

- NSW Supreme Court Equity Division Claim by Liberty Mutual Insurance Co & Ors v Sunwater & Ors
- Qld District Court Claim by Mirandcoe Engineering Pty Ltd v Sunwater.

Internal audit

Internal audit is a key part of Sunwater’s corporate governance framework guided by a risk-based annual plan approved by the Audit Committee. In 2021–22, Sunwater’s internal audits were performed in accordance with a co-source model between internal resources and an external accounting firm, and in some more technical cases, by independent external firms. Once

completed, Audit Reports are submitted to the Audit Committee for consideration and discussion.

The Audit Committee also monitors the implementation of agreed management actions arising from audits.

Infrastructure maintained to reflect customer and QCA requirements

Sunwater has fit-for-purpose asset management plans, strategies and standards to ensure all infrastructure is maintained, repaired, refurbished and enhanced to standards in line with regulatory and legislative requirements.

We regularly engage with customers and seek feedback on operations and infrastructure maintenance through our customer engagement forums including Network Service Plans.

Sunwater reviews and adjusts planned maintenance expenditure to ensure costs incurred are prudent, efficient and in line with QCA pricing principles. Sunwater has accreditation in Quality Environment AS/NZS 14001 and aligns with ISO 45001 standards (previously Safety AS/NZS 4801) and ISO 9001 Quality Management standards which provide the framework within which we implement infrastructure management and maintenance.

Insurance renewal program

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

Governance structure

Shareholding ministers

The Honourable Cameron Dick, MP, Treasurer (11 May 2020 – ongoing) and Minister for Trade and Investment (7 October 2021 – ongoing)

The Honourable Glenn Butcher, MP, Minister for Regional Development and Manufacturing and Minister for Water (19 November 2020 – ongoing)

Accountable

Sunwater Board

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

| | | | | | |
|--|---|---------------------------------------|---|--|---|
| Chair Dr Lisa Caffery | Director Stuart Armitage | Director Leeha James | Director David Stewart | Director Vanessa Sullivan | Director Jane Williams |
|--|---|---------------------------------------|---|--|---|

Committees

| | | |
|---|--|--|
| <p>Safety & Culture Committee – assists the Board in discharging its duties regarding organisational structure, CEO succession, executive appointments, executive performance, staff remuneration, employee relations, stakeholder & customer engagement, and culture.</p> | <p>Risk Committee – assists the Board to review and oversee all categories of risk, the risk appetite and an enterprise risk management framework that supports well planned and resilient business operations.</p> | <p>Audit Committee – assists the Board with oversight of the quality, adequacy, and integrity of Sunwater’s finance, audit (internal and external) and assurance practices.</p> |
|---|--|--|

| | |
|-----------------------|-----------------------|
| External Audit | Internal Audit |
|-----------------------|-----------------------|

Appoints

Chief Executive Officer

Appoints

Executive Leadership Team

| | | | | | |
|--|--|--|--|---|---|
| Chief Financial Officer Corporate Services | Executive General Manager Operations | Chief People Officer People and Transformation | Executive General Manager Customer and Stakeholder Relations | Executive General Manager Engineering and Water Resources | Chief Development Officer Infrastructure Development and Delivery |
|--|--|--|--|---|---|

Establishes

Committees

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

5. Summary of key performance indicators

Table 3. Sunwater's key performance indicators 2021-22

| Key performance indicators | Actual 2021-22 | Budget 2021-22 | Actual 2020-21 | Budget 2020-21 | Actual 2019-20 | Budget 2019-20 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total Operating Revenue (exc. Rookwood) (\$m) | 347.9 | 330.2 | 322.8 | 316.0 | 321.2 | 300.3 |
| Total Operating Revenue (incl. Rookwood) (\$m) ¹ | 351.4 | 483.3 | 351.9 | 436.7 | 343.1 | 367.3 |
| Total Operating costs ^{^1} (exc. Rookwood) (\$m) | 288.9 | 244.5 | 133.0 | 228.0 | 536.1 | 201.0 |
| Total Operating costs ^{^1} (incl. Rookwood) (\$m) | 292.4 | 397.5 | 162.1 | 349.1 | 268.9 | 228.1 |
| Operating Profit (Loss) [^] (\$m) | 69.6 | 85.7 | 241.4 | 87.6 | (214.6) | 99.3 |
| EBITDA [^] (\$m) | 116.4 | 139.3 | 287.9 | 135.6 | (168.6) | 145.4 |
| Net Profit After Tax [^] (\$m) | 18.1 | 2.5 | 39.0 | (15.4) | (202.6) | 15.0 |
| Total Cash (incl advance facility) \$m | 130.8 | 33.8 | 84.7 | 28.6 | 30.9 | 12.5 |
| Total Assets (\$m) | 969 | 972 | 1117.0 | 1073.1 | 1110.3 | 985.3 |
| Debt (\$m) | 369.1 | 384.0 | 283.9 | 284.1 | 284.0 | 284.1 |
| Shareholders' Equity [^] (\$m) | 298.1 | 342.6 | 280.0 | 236.2 | 251.4 | 460.5 |
| EBITDA Interest Coverage [^] (times) | 9.8 | 9.5 | 1.0 | 2.1 | (11.6) | 9.2 |
| Market Gearing (debt/debt + equity) (%) | 55.3 | 52.9 | 50.3 | 54.6 | 53.0 | 38.2 |

1. Operating revenue and costs have been restated in FY2021 by \$69 million to reflect where Sunwater is acting in its capacity as agent on the Rookwood Weir project.

Directors' report

The Directors present their report for the financial year ended 30 June 2022, the Financial Report of Sunwater Limited and its subsidiaries (collectively the Group) and the Independent Auditor's Report.

1. Directors

The following people were Directors of Sunwater Limited during all or part of the financial year:

- Lisa Caffery, appointed 1 October 2021 to 30 September 2025
- Stuart Armitage
- Leeha James, appointed 1 October 2021 to 31 May 2024
- David Stewart, re-appointed 1 October 2021 to 30 September 2025
- Vanessa Sullivan
- Jane Williams
- Dan Hunt, appointed 17 June 2021 to 30 September 2021

Further information about Directors' qualifications, experience, and terms of appointment is on pages 40 to 43 of this financial report.

2. Secretaries

The following people were Secretaries of Sunwater Limited during the financial year:

- Julie Tealby
- Kate Wright

3. Principal activities

The Group owns and operates bulk water supply and distribution infrastructure throughout regional Queensland and provides water-related engineering and facilities management services. It also engages in construction of bulk water supply and distribution infrastructure.

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

4. Dividends and return of contributed equity

The Group's dividend policy is stated in the 2021–22 Statement of Corporate Intent (SCI). It takes into account the return its shareholding Ministers expect on the government's investment.

On 10 May 2022, the Directors recommended no dividend to be paid for the 2021–22 financial year given the large Dam Improvement Program costs expected in future years. The recommendation was accepted by shareholder Ministers on 24 June 2022.

No dividend has been provided for in 2021–22.

5. Review of operations

For a detailed overview of operating and financial performance, please see section 3 on page 68 of this report.

6. Significant changes in the state of affairs

There have been no changes in the state of affairs to the end of the 2021–22 financial year.

7. Events since the end of the financial year

No matter or circumstance has arisen since the end of the financial year significantly affecting the Group's operations, results or state of affairs, or which may do so in future years.

8. Likely developments and expected results of operations

Likely developments in the operations of the Group not finalised at the end of the financial year and are understood by our stakeholders include:

- a) Sunwater will be heavily engaged to deliver the Dam Improvement Program, a multi-year program of dam safety upgrades. These upgrades are not expected at this time to deliver further revenues, but to increase the resilience of water systems and networks. This program will impact the availability of profits available for dividend in future years until completion.
- b) Continuing construction activity in relation to Rookwood Weir on behalf of the State of Queensland.

9. Environmental regulation

The Group's operations are subject to significant environmental regulation under Australian and Queensland legislation. The Group's Environmental Management System (EMS) successfully completed the ISO 14001 surveillance audit by SAI Global in March 2022. The EMS includes a comprehensive Environmental Legal Obligations Register which links environmental processes to relevant legislation. Monthly HSE Reports are tabled to the Board highlighting any environmental incidents or legislative changes.

10. Insurance of Directors and Officers

During the financial year, the Group paid a premium of \$0.44 million (excluding GST) to insure the Directors, Company Secretary and Executive Officers of Sunwater and its wholly-owned subsidiaries.

This insured for legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Officers of Sunwater, and any

other payments arising from liabilities from such proceedings.

This does not include liabilities incurred by Directors or Officers arising from:

- conduct involving a wilful breach of duty
- the improper use of their positions
- the use of information to gain advantage for themselves or someone else or to cause detriment to Sunwater

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

11. Relief from financial reports for wholly-owned subsidiaries

Sunwater and its wholly-owned-subsiaries are parties to ASIC Corporations' (wholly-owned companies) Instrument 2016/785 which grants relief from reporting to its wholly owned subsidiaries. Under the Corporations Act 2001 (Cth), the following subsidiaries are not required to prepare, audit and lodge separate financial reports:

- Eungella Water Pipeline Pty Ltd
- North West Water Pipeline Pty Ltd
- Burnett Water Pty Ltd

12. Rounding of amounts

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

13. Auditor's Independence Declaration

The Auditor-General of Queensland continues in office in accordance with section 30 of the *Auditor-General Act 2009* (Qld). No non-audit services are provided to the Group by the Auditor-General. Further information is set out in note 21 to the financial statements.

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

Signed in accordance with a resolution of the Directors:



Lisa Caffery

Chair

Dated: 31 August 2022



Vanessa Sullivan

Director

Dated: 31 August 2022

Sunwater Board

Dr Lisa Caffery, Chair – non-executive (from 1 October 2021)

BA (QLD), GCBU (USQ) MPRL (USQ), PhD (CQU), GAICD

| Appointment | Experience and expertise | Other current directorships | Former directorships in last 3 years | Special responsibilities |
|--|--|---|--------------------------------------|---|
| Appointed 1 October 2021 Term of Appointment to 30 September 2025 | Founder and principal of a regionally-based advisory firm on stakeholder relations, performance management and social research | Deputy Chair of Central Queensland Hospital and Health Service Board (Statutory Authority) Director of Central Highlands Community Services Ltd (Not for Profit) Director of Aura Services Pty Ltd Director of Caffery Group Pty Ltd | Nil | Chair of the Board – appointed 1 October 2021 Member of Audit Committee (from 1 November 2021) Member of Safety and Culture Committee (from 1 November 2021) Member of Risk Committee (from 1 November 2021) |

Stuart Armitage, Director – non-executive

| Appointment | Experience and expertise | Other current directorships | Former directorships in last 3 years | Special responsibilities |
|--|---|--|--------------------------------------|--|
| Appointed 17 June 2021 Term of Appointment to 31 May 2024 | Darling Downs irrigation farmer and involved in various leadership positions across rural and agricultural industries including 4 years as President of Queensland Farmers Federation Awarded the Peter Kenny Medal in 2020 for ongoing contribution to improving and developing sustainable outcomes within the Queensland agriculture sector | Chair of “ARE YOU BOGGED MATE?” Limited (Not for Profit) | Director of Cotton Australia Limited | Member of Audit Committee (from 1 November 2021) |

Leeha James, Director – non-executive

BA(Hons), LLB

| Appointment | Experience and expertise | Other current directorships | Former directorships in last 3 years | Special responsibilities |
|--|--|-------------------------------|--------------------------------------|--|
| Appointed 1 October 2021 Term of Appointment to 31 May 2024 | Lawyer specialising in workplace health and safety, litigation, and compensation law | Director of James Law Pty Ltd | Nil | Chair of Safety and Culture Committee (from 1 November 2021) |

David Stewart, Director – non-executive

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

| Appointment | Experience and expertise | Other current directorships | Former directorships in last 3 years | Special responsibilities |
|---|---|--|--------------------------------------|--|
| Appointed 3 December 2015 Re-appointed 1 October 2018 Re-appointed 1 October 2021 Term of appointment to 30 September 2025 | Civil engineer with experience in Australia and internationally, specialising in large dams, water supply, irrigation and other infrastructure projects Recognised by Engineers Australia in 2009 as one of Australia’s 100 most Influential Engineers and has been awarded the River Murray Water Medal by the MDBA | Director of Australian Dams and Water Consultants Pty Ltd Director of Eungella Water Pipeline Pty Ltd Director of North West Queensland Water Pipeline Pty Ltd | Nil | Chair of Risk Committee Member of Safety and Culture Committee (to 31 October 2021) |

Vanessa Sullivan, Director – non-executive

BEd (Hons), GradDip (AppFin), GAICD

| Appointment | Experience and expertise | Other current directorships | Former directorships in last 3 years | Special responsibilities |
|--|---|--|--------------------------------------|---|
| Appointed 15 December 2016 | Experience in the water, energy, zero emissions and sustainability sectors at both Board and executive levels | Director of AGL Limited (from 1 March 2022) | Nil | Chair of Audit Committee |
| Re-appointed 1 October 2019 | | Director of Eco-Markets Australia Limited | | Member of Risk Committee |
| Term of appointment to 30 September 2022 | | Director of Niche Environment and Heritage Pty Ltd Director of Essential Energy (Statutory Body) Director of Bircher Capital Pty Ltd | | Member of Safety and Culture Committee (to 1 July 2021) |

Jane Williams, Director – non-executive

AICD

| Appointment | Experience and expertise | Other current directorships | Former directorships in last 3 years | Special responsibilities |
|--|--|--|--------------------------------------|---|
| Appointed 1 October 2020 | Experience working in rural and regional Queensland, and with strong qualifications and long-term experience in serving and leading boards | Chair of Central West Hospital and Health Service (Statutory Authority) | Nil | Member of Safety and Culture Committee (from 1 November 2021) |
| Term of Appointment to 30 September 2023 | | Director of RFDS Foundation Limited Director of CheckUP Australia Limited (Not for Profit) Director of Health Workforce Qld Limited (Not for Profit) Director of Health and Wellbeing Qld (Statutory Body) Director of Burnett Water Pty Ltd | | Member of Audit Committee (from 23 March 2021 to 31 October 2021) |

Dan Hunt, Chair – non-executive (to 30 September 2021)

B.Bus(Accty), GAICD

| Appointment | Experience and expertise | Other current directorships | Former directorships in last 3 years | Special responsibilities |
|---|--|-----------------------------|--|---|
| Appointed 11 May 2021 to 31 May 2021 Re-appointed 17 June 2021 Term of appointment to 30 September 2021 | Experience with the Queensland Government including as the Director-General of several departments working across a range of the state's public sector portfolios including water supply, energy, natural resources, transport, mines and economic development | Nil (to 30 September 2021) | Chair of Granite Belt Water Limited (Company Limited by Guarantee) | Member of Audit Committee (from 11 May 2021 to 31 May 2021 and from 17 June 2021 to 30 September 2021) Chair of Safety and Culture Committee (from 11 May 2021 to 31 May 2021 and from 17 June 2021 to 30 September 2021) Member of Risk Committee (from 11 May 2021 to 31 May 2021 and from 17 June 2021 to 30 September 2021) |

Sunwater Secretaries

Julie Tealby (BBus, CPA, FGIA, FCIS, MAICD) was appointed alternate secretary on 22 May 2018 and as Company Secretary on 30 January 2021. Julie is an experienced, senior executive and company secretary, skilled in corporate governance, financial services, risk management, performance management, internal audit and business process improvement. Julie has held previous Company Secretary roles for ASX Listed companies and non-executive director roles in the not-for profit area. She is currently a member of the Governance Committee for a Brisbane private girl's college.

Kate Wright (LLB (Hons), Grad Dip Legal Prac, BA Arts) was appointed alternate secretary on 1 February 2021. Kate is the General Counsel of Sunwater and has been a member of the Sunwater legal team since 2013. Kate managed the 2011 Queensland Floods Class Action for Sunwater and was integral to the settlement of the claim. She is an experienced legal practitioner and has extensive experience in areas of law ranging from corporate and commercial, energy, property, resources and infrastructure, through to commercial and insolvency litigation.

Meetings of Directors

The meetings of the Group's Board of Directors and Board committee meetings held during the financial year and each Director's attendance were:

| Director | Board Meetings | | Audit Committee Meetings | | Safety and Culture Committee | | Risk Committee Meetings | |
|------------------|-------------------|---------------------|--------------------------|---------------------|------------------------------|---------------------|-------------------------|---------------------|
| | Attended | Held ⁽¹⁾ | Attended | Held ⁽¹⁾ | Attended | Held ⁽¹⁾ | Attended | Held ⁽¹⁾ |
| Lisa Caffery | 8 | 8 | 3 | 3 | 3 | 3 | 3 | 3 |
| Dan Hunt | 4 | 4 | 1 | 1 | - | - | 1 | 1 |
| Stuart Armitage | 10 | 12 | 2 | 3 | - | - | - | - |
| Leeha James | 6 | 8 | - | - | 2 | 3 | - | - |
| David Stewart | 11 | 12 | - | - | - | - | 4 | 4 |
| Vanessa Sullivan | 12 ⁽²⁾ | 12 | 4 | 4 | - | - | 4 | 4 |
| Jane Williams | 10 ⁽³⁾ | 12 | 1 | 1 | 3 | 3 | - | - |

- *Not a member of the relevant committee*

- (1) *Number of meetings held during the time the director held office or was a member of the committee during the year.*
- (2) *The Board meeting on 21 June 2022 had Agenda Items 1.1 to 7.3 (10:00am to 3:30pm), Vanessa Sullivan attended part of the meeting to Agenda Items 3.1 and left the meeting at approximately 12:00pm.*
- (3) *The Board meeting on 21 June 2022 had Agenda Items 1.1 to 7.3 (10:00am to 3:30pm), Janes Williams attended from Agenda Item 4.3 being approximately 2:30pm and stayed until the completion of the meeting at 3:30pm*

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 2022, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit. This declaration is in respect of Sunwater Limited and the entities it controlled during the period.

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



Vaughan Stemmett
as delegate of the Auditor-General
Queensland Audit Office Brisbane
31 August 2022

General Information

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

The financial statements are presented in Australian dollars.

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

Green Square North

Level 9, 515 St Pauls Terrace

Fortitude Valley 4006

Queensland

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

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

| | | 2022 | *Restated 2021 |
|--|----------|-----------------|-------------------|
| | Notes | \$'000 | \$'000 |
| Revenue from contracts with customers | 1 | 351,410 | 351,858 |
| Other income | 2 | 4,010 | 53,816 |
| Total revenue and other income | | 355,420 | 405,674 |
| Expenses | | | |
| Operating expenditure | 3A | (186,648) | (59,511) |
| Employee benefits | 3B | (60,028) | (57,599) |
| Depreciation and amortisation | 10,11,12 | (45,704) | (44,986) |
| Impairment of assets | 10,11 | (64,217) | (85,500) |
| Loss on disposal of assets | | (1) | (695) |
| Operating (loss)/profit | | (1,178) | 157,383 |
| Finance costs | 8 | (12,688) | (14,052) |
| Profit/(loss) before income tax | | (13,866) | 143,331 |
| Income tax credit/(expense) | 4 | 31,952 | (104,305) |
| Profit/(loss) for the year | | 18,086 | 39,026 |
| Other comprehensive income | | - | - |
| Total comprehensive income/(expense) for the year | | 18,086 | 39,026 |

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

**Refer to notes 1 and 3 for details regarding the restatement.*

Consolidated Statement of Financial Position

As at 30 June 2022

| | | 2022 | *Restated 2021 |
|--------------------------------------|-------|----------------|-------------------|
| | Notes | \$'000 | \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 56,577 | 42,536 |
| Trade and other receivables | 6 | 126,943 | 191,293 |
| Inventories | 25 | 3,335 | 2,690 |
| Assets held for distribution | 25 | 282 | 190 |
| Total current assets | | 187,137 | 236,709 |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 734,059 | 795,313 |
| Right-of-use assets | 12 | 19,451 | 18,309 |
| Intangible assets | 11 | 28,370 | 22,813 |
| Total non-current assets | | 781,880 | 836,435 |
| Total assets | | 969,017 | 1,073,144 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 7 | 37,376 | 291,247 |
| Provisions | 14 | 74,347 | 36,117 |
| Lease liabilities | 12 | 4,338 | 3,389 |
| Other current liabilities | 13 | 35,017 | 20,346 |
| Total current liabilities | | 151,078 | 351,099 |
| Non-current liabilities | | | |
| Provisions | 14 | 8,617 | 9,450 |
| Borrowings | 8 | 369,071 | 283,858 |
| Lease liabilities | 12 | 19,050 | 18,412 |
| Other non-current liabilities | 13 | 123,077 | 130,287 |
| Total non-current liabilities | | 519,815 | 442,007 |
| Total liabilities | | 670,893 | 793,106 |
| Net assets | | 298,124 | 280,038 |
| EQUITY | | | |
| Contributed equity | 16 | 236,347 | 236,347 |
| Retained earnings | | 61,777 | 43,691 |
| Total equity | | 298,124 | 280,038 |

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

*Refer to notes 5 and 13 for details regarding the restatement.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

| | Notes | Contributed equity \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|---|-------|------------------------------|-----------------------------|------------------------|
| Balance at 1 July 2020 | | 236,347 | 15,069 | 251,416 |
| Total comprehensive expense for the year | | - | 39,026 | 39,026 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 15 | - | (10,404) | (10,404) |
| Balance at 30 June 2021 | | 236,347 | 43,691 | 280,038 |
| Total comprehensive income for the year | | - | 18,086 | 18,086 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 15 | - | - | - |
| Balance at 30 June 2022 | | 236,347 | 61,777 | 298,124 |

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

| | | 2022 | *Restated 2021 |
|---|-------|-----------------|-------------------|
| | Notes | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers | | 364,479 | 322,656 |
| Payments to suppliers and employees | | (474,322) | (221,937) |
| Net receipts | | (109,843) | 100,719 |
| Rookwood Weir project funding | | 8,398 | 20,000 |
| Government grants | | 13,242 | - |
| Community service obligations received | | 21,788 | 15,430 |
| Interest received | | 113 | 196 |
| Income taxes received/(paid) | | 35,590 | 14,459 |
| GST recovered | | 10,768 | 15,739 |
| Net cash inflow from operating activities | 5 | (19,944) | 166,543 |
| Cash flows from investing activities | | | |
| Payments (to)/from advance facility | 6 | 25,017 | (12,673) |
| Payments for property, plant and equipment | | (50,162) | (126,819) |
| Interest received | | 626 | 725 |
| Proceeds from sale of property, plant and equipment | | 64 | 283 |
| Net cash (outflow) from investing activities | | (24,455) | (138,484) |
| Cash flows from financing activities | | | |
| Dividends paid | | (10,405) | - |
| Drawdown of borrowings | 8 | 85,000 | - |
| Interest paid on financing activities | 8 | (11,059) | (12,378) |
| Principal elements of lease payments | 12 | (4,278) | (2,814) |
| Interest paid on leasing liabilities | 12 | (1,031) | (1,071) |
| Repayments of borrowings | 8 | 213 | (162) |
| Net cash (outflow) from financing activities | | 58,440 | (16,425) |
| Net (decrease) increase in cash and cash equivalents | | 14,041 | 11,634 |
| Cash and cash equivalents at the beginning of the financial year | | 42,536 | 30,902 |
| Cash and cash equivalents at the end of the financial year | 5 | 56,577 | 42,536 |

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

*Refer to note 5 for details regarding the restatement.

Notes to the financial statements for the year ended 30 June 2022

Basis of preparation

Sunwater Limited is a company incorporated and domiciled in Australia and is a for-profit entity for the purposes of preparing the financial statements. The financial statements are for the consolidated Group consisting of Sunwater Limited (the Company) and its subsidiaries and together are referred to as the Group or Sunwater.

Compliance with Australian Accounting Standards

The financial statements are general purpose financial statements which:

- have been prepared in accordance with the requirements of the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), *the Corporations Act 2001 (Cth)* and the provisions of the *Government Owned Corporations Act 1993 (Qld)*.
- have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value.
- are presented in Australian dollars, with all amounts in the financial report being rounded off in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* to the nearest thousand dollars, unless otherwise indicated.
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2021, except for if there is a practical impediment, in which case management will provide further disclosure. New standards or interpretations and the groups response is as follows:

IFRIC Interpretation on configuration or customization costs in a cloud computing environment (April 2021)

In April 2021, the International Financial Reporting Standards Interpretation Committee (IFRIC) issued a final agenda decision, Configuration or customisation costs in a cloud computing arrangement.

The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The Group deferred adoption of this interpretation at June 2021 and have adopted this IFRIC agenda decision in 2022. The Group reviewed all cloud-based arrangements which resulted in capitalisation of an asset. This review resulted in \$3.3 million being recognised as an operating expense in the prior year, resulting in de-recognition from assets under construction (refer Note 10). Management have reflected the expense in the current period as the application of the interpretation is not material to the Group.

Going concern

Having read the information available to them and made any enquiries that were necessary the Directors are of the opinion that the business has sufficient resources to continue to trade.

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

Further, it is expected that the business will remain a going concern for at least 12 months from the signing of the financial statements.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Critical accounting estimates and judgements

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

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

Restatement

During the year management have reassessed its contractual relationships in regard to the Rookwood Weir project. A significant part of this review was in relation to whether Sunwater was acting in the capacity of principal or agent in these arrangements. Sunwater have concluded that in respect of the delivery of Weir construction that it is largely acting as agent, whilst in the delivery of ancillary obligations and project management Sunwater is acting as principal.

In its role as agent, Sunwater has a responsibility to ensure that decisions made in relation to weir construction are in line with the agreed project plan and that funds are distributed to suppliers of the construction activities on performance of agreed milestones.

Where Sunwater is providing project management or is principal in the arrangement, revenue will be reflected in recognition of the delivery of those services.

The impact on the Consolidated Statement of Comprehensive Income is to reduce financial year 2021 revenue from contracts with customers by \$69 million (refer to note 1) and operating expenditure by \$69 million (refer to note 3) resulting in a net nil effect to the net profit after tax for the comparative year.

Additionally, funds received by Sunwater from the State to support the weir construction are held on Trust for the State, with the use of those funds limited to the progression of the weir construction activity. In this regard, Sunwater does not control this cash and has therefore de-recognised the cash held in this arrangement and the accompanying liability (reflecting that the amount was re-payable to the State). The impact to the Consolidated Statement of Financial Position is a reduction of cash (refer to note 5) of \$42 million and a reduction of other liabilities (refer to note 13) of \$42 million, resulting a nil impact to net assets.

The impact on the Consolidated Statement of Cash Flows is a reduction of Rookwood Weir project funding by \$42 million and to disclose only the funds received by Sunwater over which it has control.

Section 1: Profit or loss information

Note 1: Revenue

Accounting policy

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

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

Table 1.1. Revenue for major business activities

| Revenue from customers | Performance Obligations | Revenue Recognition |
|--|---|--|
| Industrial water distribution services | Transportation of water from Sunwater's water sources along a pipeline to a customer's off-take. | Capital charges are recognised over time as the customer simultaneously receives and consumes benefits as water is delivered. |
| Irrigation water distribution services | Delivery of water through water supply scheme assets to a customer's off-take. | Consumption is recognised at the point-in-time when water is delivered to the customer. |
| Urban water distribution services | Reservation and supply of water to customers for urban needs - especially regional councils. | Recognised over time as the water is made available to the customer. |
| Drainage | Fixed fee for capital infrastructure and maintenance of drainage systems to remove excess water. | Recognised over time as the customer simultaneously receives and consumes benefits. |
| Water allocations | Water allocations are saleable/tradeable rights that may be granted by the Crown free of charge in a Resource Operations Plan under the <i>Water Act 2000</i> (Qld). Water allocations are an entitlement to a share of available water from Sunwater's sources and the authority to take water from a catchment. | Permanent allocation sales are recognised at a point-in-time on completion and execution of a contract. Leased or Term allocations are recognised over the water year evenly as the water is made available. All other water allocations granted free of charge are recognised, when granted, at fair value which is nominal cost (\$1). |
| Consulting and facilities management | Providing operations and maintenance or consultancy services as a service provider to third party water assets. | Recognised as the customer receives the services provided or can benefit from the work completed to date. |
| Rookwood Weir funding | Specific obligations as outlined in a funding arrangement for Sunwater to carry out design, development, construction and commissioning. | Falls within scope of AASB 15 <i>Revenue from Contracts with Customers</i> and recognised over time reflecting the pattern of costs incurred. |
| Community service obligations | As these are subsidies from the Queensland Government, no conditions (apart from normal commercial considerations in maintaining water deliveries) are required to be met. | Evenly over time. |
| Lease rental income | Operating leases from renting premises. | Recognised at point in time in line with rental occupation. |

| | 2022 \$'000 | Restated* 2021 \$'000 |
|---|----------------|-----------------------------|
| Revenue from contracts with customers | | |
| Industrial water distribution services | 226,163 | 200,178 |
| Irrigation water distribution services ⁽¹⁾ | 42,304 | 61,145 |
| Urban water distribution services | 14,266 | 14,957 |
| Drainage | 1,051 | 1,035 |
| Water allocations revenue | 21,720 | 21,092 |
| Consulting and facilities services revenue | 3,895 | 6,232 |
| Rookwood Weir project funding ⁽²⁾ | 3,448 | 29,081 |
| Grants | 13,242 | - |
| Community service obligation – irrigation | 18,996 | 11,897 |
| Community service obligation – urban (Cloncurry) | 6,325 | 6,241 |
| Total revenue from contracts with customers | 351,410 | 351,858 |

*The only item restated in the prior year is Rookwood Weir project funding

Irrigation revenue is largely determined by the cost reflective tariffs over the price path recommended by the Queensland Competition Authority (QCA). The cost-reflective tariffs determined by the QCA are not necessarily recovered by Sunwater from irrigation customers and may be lower than the actual costs incurred by Sunwater in the provision of services to Table 1.2.

Rookwood Weir project funding in 2021 has been restated by \$69 million to reflect where Sunwater is acting in its capacity as agent on the Rookwood Weir project (refer to Restatement on page 52). Revenue is in respect of specific activities to undertake design and construction of Rookwood Weir and ancillary works near Rockhampton. The funding is received at developmental milestones and revenue is recognised over time reflecting the pattern of costs incurred.

Table 1.2. Disaggregation of revenue from contracts with customers

| | Industrial customers | Irrigation customers | Urban water | Drainage | Water allocations | Consulting and facilities services revenue | Government (Rookwood Weir, grants & CSOs) | Total |
|--------------------------------|----------------------|----------------------|---------------|--------------|-------------------|--|---|----------------|
| 2022 | | | | | | | | |
| Timing of revenue recognition: | | | | | | | | |
| At a point-in-time | 59,834 | 3,008 | 2,770 | - | 5,223 | 3,895 | - | 74,730 |
| Over time | 166,329 | 39,295 | 11,496 | 1,051 | 16,498 | - | 42,011 | 276,680 |
| Total | 226,163 | 42,303 | 14,266 | 1,051 | 21,721 | 3,895 | 42,011 | 351,410 |
| Number of customer contracts | 502 | 4,512 | 143 | 128 | 75 | 35 | 2 | |
| 2021* | | | | | | | | |
| Timing of revenue recognition: | | | | | | | | |
| At a point-in-time | 40,544 | 18,208 | 4,032 | - | 5,113 | 6,232 | - | 74,129 |
| Over time | 159,634 | 42,937 | 10,925 | 1,035 | 15,979 | - | 47,219 | 277,729 |
| Total | 200,178 | 61,145 | 14,957 | 1,035 | 21,092 | 6,232 | 47,219 | 351,858 |
| Number of customer contracts | 457 | 4,566 | 149 | 131 | 56 | 52 | 3 | |

*The 2021 numbers have been restated in respect of Rookwood only.

Note 2: Other income

| | 2022 | 2021 |
|--|--------------|---------------|
| | \$'000 | \$'000 |
| Proceeds from insurance | 980 | 50,066 |
| Interest income | 740 | 921 |
| Rent received | 141 | 141 |
| Gain on disposal of non-current assets | 64 | 283 |
| Fees and other income | 2,085 | 2,405 |
| Total other income | 4,010 | 53,816 |

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

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

Note 3: Expenses

A. Operating expenditure

| | 2022 | Restated 2021 |
|---------------------------------------|----------------|------------------|
| | \$'000 | \$'000 |
| Settlement provisions | - | (80,000) |
| Contracted services | 113,060 | 70,539 |
| Electricity | 23,675 | 28,690 |
| Insurance | 12,983 | 13,013 |
| Materials, plant hire and fleet | 8,754 | 8,982 |
| Legal services | 2,011 | 2,409 |
| Telephone and data lines | 2,392 | 1,262 |
| Travel and accommodation | 1,699 | 1,493 |
| Rates and land tax | 2,514 | 2,211 |
| ICT equipment and software | 7,604 | 4,658 |
| Corporate and administrative expenses | 11,956 | 6,254 |
| Total operating expenditure | 186,648 | 59,511 |

Operating expenditure in 2021 has been restated by \$69 million to reflect where Sunwater is acting in its capacity as agent on the Rookwood Weir project (refer Restatement on page 52).

Settlement provisions are transactions relating to the 2011 Queensland Flood Class Action. In 2020, the Group took up a provision of its best estimate of the obligation of \$330 million. During 2021, a settlement with the Plaintiff (approved by the Court) agreed a final payment which was booked as payable (refer note 7). This has resulted in a write back to the Consolidated Statement of Comprehensive Income.

B. Employee benefits

| | 2022 | 2021 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| <i>Employee benefits</i> | | |
| Salaries and allowances | 42,977 | 41,737 |
| Redundancy expenses | - | 201 |
| Annual leave, banked time and time off in lieu (TOIL) | 4,804 | 4,868 |
| Long service leave expenses | 1,220 | 1,079 |
| Employer superannuation contribution | 5,586 | 5,308 |
| <i>Employee-related expenses</i> | | |
| Workers' compensation premium | 417 | 380 |
| Payroll tax | 2,977 | 2,698 |
| Other employee-related expenses | 2,047 | 1,328 |
| Total employee benefits | 60,028 | 57,599 |

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

Annual leave, banked time and time off in lieu

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

Long service leave

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

Sick leave

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

Superannuation

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

Note 4: Income tax

Accounting policy

(a) Current tax - income tax equivalents

The Group is exempt from income tax under section 24AM of the *Income Tax Assessment Act 1997* (Cth). However, under the *Government Owned Corporations Act 1993* (Qld) and the National Tax Equivalents Regime, the Group is required to make payments to the Queensland Government, equivalent to the amount of any Commonwealth income tax for which an exemption is received.

The income tax equivalent expense (referred to as income tax expense) for the period is the tax payable on the current period's taxable income based on the Australian corporate income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax using the liability method is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss.

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

(b) Deferred tax balances

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

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

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

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

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

(c) Investment allowances and similar tax incentives

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

(d) Tax consolidation legislation

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

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

The Group has also entered into a tax funding agreement under which the wholly-owned entities fully compensate Sunwater Limited for any current tax payable assumed and are compensated by Sunwater Limited for any current tax receivable and deferred tax assets for unused tax losses or tax credits transferred to Sunwater Limited under the legislation.

The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due on payment by Sunwater of those liabilities and are subject to Sunwater entity providing to the wholly-owned entities satisfactory evidence of that payment. The wholly-owned entities will promptly pay Sunwater the contribution amount and Sunwater will promptly pay to the relevant wholly-owned entities the amounts receivable by them under the funding arrangement.

Key estimates and judgements

Recovery of deferred tax assets

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

(i) Income tax expense

| | 2022 \$'000 | 2021 \$'000 |
|--|-----------------|----------------|
| Income tax equivalents (credit) / expense | | |
| Current tax equivalents expense | 2,260 | - |
| Deferred tax equivalents expense | - | 104,232 |
| Adjustments for current tax of prior periods* | (34,212) | - |
| Prior year under / (over) provision | - | 73 |
| | (31,952) | 104,305 |
| Income tax equivalents (credit) / expense is attributable to: | | |
| Profit from continuing operations | (31,952) | 104,305 |

*Loss carry back tax offset

In January 2022, the Australian Tax Office made an amendment to the temporary loss carry back rules and their application was extended to the National Tax Equivalent Regime (NTER) corporate tax entities, allowing NTER entities to choose to carry back a tax loss incurred in the year ended 30 June 2021 against an income tax liability for the income year ended 30 June 2019 and/or 30 June 2020 to generate a refundable tax offset

Sunwater elected to apply the loss carry-back offset in the income tax return for the year ended 30 June 2021, resulting in a refundable loss carry-back offset of \$34.212 million.

(ii) Reconciliation of income tax expense

| | 2022 \$'000 | 2021 \$'000 |
|--|-----------------|----------------|
| Profit/(loss) before income tax | (13,866) | 143,331 |
| Tax expense at the Australian rate of 30% (2021:30%) | (4,160) | 43,000 |
| Non-deductible entertainment | 8 | 5 |
| Sundry items | 12 | (1,116) |
| Non-deductible provisions | 21 | 37 |
| Previously unrecognised tax losses now recouped | (48,295) | - |
| De-recognition of temporary differences | 20,462 | 62,379 |
| | (31,952) | 104,305 |
| Income tax (credit) / expense | | |
| Current tax | (31,952) | 73 |
| Deferred tax | - | 104,232 |
| | (31,952) | 104,305 |

(iii) Movement in deferred tax balances

| | Net balance at 1 July \$'000 | Adjustments* \$000 | Adjusted Net Balance at 1 July \$000 | Charged to Income Statement \$'000 | Net balance at 30 June \$'000 | Deferred Tax Asset (DTA) \$'000 | Deferred Tax Liability (DTL) \$'000 |
|---|------------------------------------|-----------------------|---|---|-------------------------------------|---------------------------------------|--|
| 2022 | | | | | | | |
| Employee benefits | 1,501 | - | 1,501 | 176 | 1,677 | 1,677 | |
| Property, plant and equipment | 4,799 | 1,156 | 5,955 | 4,660 | 10,615 | 10,615 | |
| Provisions | 7,208 | 67 | 7,275 | 15,707 | 22,982 | 22,982 | |
| Leases | 1,105 | (57) | 1,048 | 134 | 1,182 | 1,182 | |
| Other | (1,720) | 24 | (1,696) | (215) | (1,911) | 50 | (1,961) |
| Deferred tax assets / (liabilities) before set off | 12,893 | 1,190 | 14,083 | 20,462 | 34,545 | 36,506 | (1,961) |
| Set off DTL against DTA | | | | | | (1,961) | 1,961 |
| De-recognition | (12,893) | (1,190) | (14,083) | (20,462) | (34,545) | (34,545) | - |
| Net Tax Assets | - | - | - | - | - | - | - |

*Adjustment to opening balance is to adjust for a true up that was processed through the income tax expense in 2021 but did not get disclosed in 2021 movement in deferred tax balances below.

| | Net balance at 1 July \$'000 | Charged to Income Statement \$'000 | Net balance at 30 June \$'000 | Deferred Tax Asset (DTA) \$'000 | Deferred Tax Liability (DTL) \$'000 |
|---|------------------------------------|---|-------------------------------------|---------------------------------------|---|
| 2021 | | | | | |
| Employee benefits | 1,108 | 393 | 1,501 | 1,501 | - |
| Property, plant and equipment | 1,917 | 2,882 | 4,799 | 4,799 | - |
| Provisions | 102,424 | (95,216) | 7,208 | 7,208 | - |
| Leases | 599 | 506 | 1,105 | 1,105 | - |
| Other | (1,816) | 96 | (1,720) | - | (1,720) |
| Deferred tax assets / (liabilities) before set off | 104,232 | (91,339) | 12,893 | 14,613 | (1,720) |
| Set off DTL against DTA | - | - | - | (1,720) | 1,720 |
| De-recognition | - | (12,893) | (12,893) | (12,893) | - |
| Net Tax Assets | 104,232 | (104,232) | - | - | - |

(iv) Unrecognised deferred tax assets

Deferred tax assets have not been recognised regarding the following items, because it is not currently assessed as probable that future taxable profit will be available against which the Group can use the benefits therefrom.

| | 2022 \$'000 | 2022 \$'000 | 2021 \$'000 | 2021 \$'000 |
|----------------------------------|-----------------|----------------|----------------|----------------|
| | Gross Amount | Tax effect | Gross Amount | Tax effect |
| Deductible temporary differences | 115,149 | 35,545 | 42,972 | 12,893 |
| Unused tax losses | - | - | 160,983 | 48,295 |
| | 115,149 | 35,545 | 203,955 | 61,188 |

Unused tax losses have been fully utilised in 2022.

Section 2: Financial assets and financial liabilities

Note 5: Cash and cash equivalents

Accounting policy

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

Risk exposure

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

| | 2022 \$'000 | Restated 2021 \$'000 |
|------------------------------------|----------------|----------------------------|
| Cash at bank and on hand | 38,713 | 29,276 |
| Cash held as security | 1,382 | 1,375 |
| Deposits at call | 16,482 | 11,885 |
| Cash at bank and on deposit | 56,577 | 42,536 |

Cash held as security is held in separate bank accounts and is subject to repayment on call by the customer subject to meeting the obligations under their respective agreements (refer note 13).

Comparatives for 2021 have been restated (refer Restatement on page 52).

At 30 June 2022, the Group held cash of \$94.16 million (2021 \$44.38 million) in relation to the Rookwood Weir project. This cash has been determined to be held on trust for the State and has therefore not been recognised in these financial statements as cash at bank and in hand.

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

| | 2022 | Restated* |
|---|-----------------|----------------|
| | \$'000 | \$'000 |
| Profit/(loss) for the year | 18,086 | 39,026 |
| Depreciation and amortisation | 45,703 | 44,986 |
| Impairment of assets | 64,217 | 85,500 |
| Bad and doubtful debts | 7,545 | (562) |
| Net (gain)/loss on disposal of non-current assets | (63) | 412 |
| Interest received | (626) | (725) |
| Interest paid | 11,060 | 12,379 |
| Interest on lease liabilities | 1,031 | 1,071 |
| Change in assets and liabilities: | | |
| (Increase) in inventories | (645) | (25) |
| Decrease in deferred tax assets | 905 | 115,905 |
| Decrease/(increase) in receivables and other assets | 31,404 | (35,992) |
| (Decrease) in trade and other payables | (198,094) | (59,706) |
| (Decrease) in deferred revenue | (1,896) | (24,053) |
| Increase in income tax payable | 2,334 | - |
| (Decrease) in deferred tax liabilities | (905) | (11,673) |
| Net cash inflow from operating activities | (19,944) | 166,543 |

*Comparatives for 2021 have been restated (refer to Restatement on page 52).

Note 6: Trade and other receivables

Accounting policy

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

| | 2022 | 2021 |
|------------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Trade Receivables | | |
| Trade receivables | 28,074 | 14,202 |
| Accrued revenue | 28,892 | 72,845 |
| Loss provision | (8,155) | (610) |
| | 48,811 | 86,437 |
| Other receivables | | |
| Advance facility | 74,271 | 99,288 |
| Prepaid income tax | - | 1,305 |
| GST receivable 'net' | 2,964 | 3,269 |
| Pre-payments | 897 | 994 |
| | 78,132 | 104,856 |
| Trade and other receivables | 126,943 | 191,293 |

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and generally have credit terms ranging from seven to 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Accrued revenue

Accrued revenue reflects water delivered to 30 June 2022 but not invoiced and costs recoverable from customers for projects which did not proceed to construction.

In 2021, accrued revenue includes \$50 million insurance proceeds recoverable against the 2011 Queensland Flood Class Action.

Loss provision

The Group applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which requires the use of the lifetime expected loss provision for all trade receivables. Trade receivables have not had a significant increase in credit risk since they originated. The Group has applied the simplified approach to measuring credit losses which uses an expected loss allowance for all trade receivables and contract assets and liabilities. Where there is a specific risk the Group has reviewed the possible outcomes and applied an expected value to the likely credit position.

In applying the simplified approach, the Group has considered the potential additional impact of the COVID-19 pandemic on customers' ability to pay invoices. Impact on the Group's accounts in arrears have been immaterial, consistent with the Group's assessment of the expected impact on its customers due to the nature of the goods and services provided by its customer Groups.

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

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

| | 2022 \$'000 | 2021 \$'000 |
|-----------------------------------|----------------|----------------|
| At 1 July | 610 | 1,172 |
| Allowances added | 7,545 | (562) |
| Carrying amount at 30 June | 8,155 | 610 |

Foreign exchange and interest rate risk

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

Fair value and credit risk

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

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

Advance facility

Under the Queensland Government's cash pooling arrangement, Government Owned Corporations (GOCs) advance surplus cash to Queensland Treasury. Queensland Treasury Corporation (QTC) pays interest on these advances at the QTC Cash Fund rate which averaged 0.64% in 2021-22 (0.75% 2021).

During 2021-22 \$25.0 million cash was advanced to the facility (2021: \$12.7m withdrawn) which can be drawn down as required. Notification periods of 24 to 48 hours are generally required to access the advances.

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

Note 7: Trade and other payables

Accounting policy

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

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Trade creditors | 4,616 | 7,059 |
| Settlement 2011 Queensland Floods Class Action | - | 250,000 |
| Other creditors and accruals | 32,760 | 34,188 |
| | 37,376 | 291,247 |

Note 8: Borrowings

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, using the effective interest rate method.

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

Finance costs for the construction of any qualifying asset are capitalised during the time required to complete and prepare the asset for its intended use. Interest and finance costs of \$nil were capitalised in the year ending 30 June 2022 (2021: \$nil capitalised). Other borrowing costs are expensed.

| | 2022 \$'000 | 2021 \$'000 |
|------------------------|----------------|----------------|
| Unsecured | | |
| QTC loan | 369,071 | 283,858 |
| | 369,071 | 283,858 |
| Represented by: | | |
| Current | - | - |
| Non-current | 369,071 | 283,858 |
| | 369,071 | 283,858 |

Financing arrangements

The loans from QTC are interest bearing. Sunwater non-current borrowings have no fixed repayment date. The terms of the loan facilities are reviewed with QTC annually. Borrowings are subject to the annual approval of the Queensland Treasurer and have previously been sourced from the approved borrowing program. In May 2022 \$85 million was drawn from the approved state borrowing program for 2021–22 of \$105 million (2021: \$nil).

The Group maintained financial covenants in 2022.

It has a rolling \$50 million working capital facility with QTC. This facility is repayable on demand and operates as an overdraft which is used to cover temporary funding shortfalls. The facility was undrawn as at 30 June 2022 (2021: undrawn).

The difference between the carrying amount and fair value represents the market realisation adjustment on borrowings from QTC. Generally, the Group repays borrowings in accordance with the requirements of the relevant agreement, so no adjustment to fair value is needed. Where there is a market realisation charge, it has been included in finance costs in the Consolidated Statement of Comprehensive Income.

Fair value

| | 2022 | | 2021 | |
|------------|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying Amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Borrowings | 369,071 | 348,246 | 283,858 | 313,228 |

Changes in liabilities arising from financing activities

The amounts disclosed in the Consolidated Statement of Cash Flows under Financing Activities relate to cash transactions arising from the Group's long-term borrowing with Queensland Treasury Corporation.

Note 9: Financial risk management

The Group's activities may, at certain times, expose it to a variety of financial risks, including market risk (including currency risk, interest rate risk and price risk) and credit risk and liquidity risk.

The Group's financial risk management policies aim to focus primarily on counterparty risks and the unpredictability of the financial markets and to minimise potential adverse effects on its financial performance.

The Group uses different methods to measure different types of risk to which it is exposed, including:

- sensitivity analysis in the case of interest rate risk
- a counterparty credit rating analysis for credit risk
- a contract aging analysis for liquidity risk.

The Board has endorsed principles for overall risk management, and policies covering specific areas, such as:

- mitigating interest rate and credit risk
- use of derivative financial instruments
- investment of liquid assets.

Market risk

Foreign exchange risk

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

In 2021–22, the Group had no significant exposure to foreign exchange risk and did not enter into any derivative contracts to hedge its foreign exchange risk exposure.

Price risk

During 2022, the Group had no significant exposure to price risk.

Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose Sunwater and its subsidiaries to cash flow interest rate risk, whereas borrowings issued at fixed rates expose them to fair value interest-rate risk.

The Group manages its interest rate risk in consultation with QTC in accordance with policies approved by the Board. Interest rate risk is measured monthly by monitoring changes in yields over the debt duration profile.

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

Financial Instruments

| | Carrying Amount \$'000 | 2022 interest rate risk | | | |
|-------------------------------------|---------------------------|-------------------------|------------------|------------------|------------------|
| | | -1% | | +1% | |
| | | Profit \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| Cash and advance facility | 130,848 | (1,439) | (1,439) | 1,439 | 1,439 |
| QTC borrowings | 369,071 | 2,864 | 2,864 | (2,864) | (2,864) |
| Overall effect on profit and equity | | 1,425 | 1,425 | (1,425) | (1,425) |

Financial Instruments

| | Carrying Amount \$'000 | 2021 interest rate risk | | | |
|-------------------------------------|---------------------------|-------------------------|------------------|------------------|------------------|
| | | -1% | | +1% | |
| | | Profit \$'000 | Equity \$'000 | Profit \$'000 | Equity \$'000 |
| Cash and advance facility | 141,824 | (1,354) | (1,354) | 1,354 | 1,354 |
| QTC borrowings | 283,858 | 2,700 | 2,700 | (2,700) | (2,700) |
| Overall effect on profit and equity | | 1,346 | 1,346 | (1,346) | (1,346) |

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with financial institutions and receivables from customers. Credit risk largely arises from the potential failure of counterparties to meet their obligations under contracts. Credit evaluations are carried out on all customers requiring credit over a certain amount and on all counterparties to significant contracts.

Exposure to credit risk is monitored on an ongoing basis.

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

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

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

For customers with balances after more than 180 days that are greater than 90 per cent of the total balance due, 100 per cent an expected credit loss is provided across all ageing brackets.

No provision is taken up for government customers unless there is no reasonable expectation of a full recovery.

Historic default rates are applied to the remainder of balances.

The COVID-19 pandemic has had minimal impact on recoverability of receivables. The Group has considered impacts on the expected credit losses and believes that fully providing for customers with balances greater than 90 per cent after 180 days of the total balance due provides coverage for customers struggling during this difficult period. On the above basis the expected credit loss for trade receivables as at 30 June 2022 and 30 June 2021 was determined as follows:

| \$000 | Current | Less than 30 days past due | 31 to 60 days | 61 to 90 days | 91 to 180 days | More than 180 days | Total balance |
|---|--------------|----------------------------|---------------|---------------|----------------|--------------------|---------------|
| Carrying value of trade receivables | 24,388 | 374 | 275 | 14 | 218 | 2,821 | 28,090 |
| Amount provided at 100% | 3 | 8 | 2 | 2 | 6 | 526 | 547 |
| Amount provided at 50% | 7,600 | - | - | - | - | - | 7,600 |
| Remaining carrying value of trade receivables | 16,785 | 366 | 273 | 12 | 212 | 2,295 | 19,943 |
| Expected credit loss rate | 0.59% | 0.59% | 0.59% | 0.59% | 0.59% | 0.59% | |
| Amount provided (\$000) | - | 2 | 1 | - | 2 | 3 | 8 |
| Total provided 30 June 2022 | 7,603 | 10 | 3 | 2 | 8 | 529 | 8,155 |
| Carrying value of trade receivables | 13,227 | 451 | 11 | 33 | 277 | 1,279 | 15,279 |
| Amount provided at 100% | 4 | 6 | 3 | 1 | 8 | 579 | 601 |
| Remaining carrying value of trade receivables | 13,223 | 445 | 8 | 32 | 269 | 700 | 14,678 |
| Expected credit loss rate | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | 0.3% | |
| Amount provided (\$000) | 4 | 2 | 0 | 0 | 1 | 2 | 9 |
| Total provided 30 June 2021 | 8 | 7 | 3 | 2 | 9 | 581 | 610 |

In 2021-22, the Group had no transactions involving derivative financial instruments.

At the balance sheet date there were no other significant concentrations of credit risk outside of QTC for recognised financial instruments. The maximum exposure to credit risk at 30 June 2022 in each class of recognised financial assets is the carrying amount of those assets shown in the following table:

Maximum exposure to credit risk

| Category | Notes | 2022 \$'000 | 2021 \$'000 |
|--|-------|----------------|----------------|
| Cash at bank and at call invested in Australian institutions rated AA- or higher * | 5 | 56,576 | 42,534 |
| Other cash and cash equivalents | 5 | 1 | 1 |
| Receivables – current | 6 | 48,811 | 86,438 |
| | | 105,388 | 128,973 |

*Inclusive of accrued interest

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

Liquidity risk

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

The Group had an approved borrowing program of \$105 million of which it drew down \$85 million in the year. Access to this approved borrowing program continues to be made available by Queensland Treasury Corporation and drawdowns are determined through the State Borrowing Program and adherence to covenant requirements. It has a rolling \$50 million working capital facility with QTC. This facility was not drawn on during 2022 (\$nil:2021) but operates as an overdraft used to cover temporary funding shortfalls and is repayable on demand.

The following table sets out the liquidity risk of financial liabilities held by Sunwater and its subsidiaries. It shows the contractual maturity of financial liabilities, with calculations based on undiscounted cash flows.

| 2022 | Carrying Amount \$'000 | Less than 1 year \$'000 | 1 – 5 years \$'000 | Over 5 years \$'000 | Total cash flows (contractual) \$'000 |
|------------------|---------------------------|-------------------------------|-----------------------|------------------------|---|
| Payables | 37,376 | 37,376 | - | - | 37,376 |
| Borrowings* | 369,071 | 11,267 | 45,001 | 368,147 | 424,415 |
| Leases | 23,388 | 5,317 | 15,634 | 5,869 | 26,820 |
| Deposits payable | 14,215 | 7,911 | 6,304 | - | 14,215 |
| | 444,050 | 61,871 | 66,939 | 374,016 | 502,826 |
| 2021 | | | | | |
| Payables | 291,247 | 291,247 | - | - | 291,247 |
| Borrowings* | 283,858 | 8,832 | 35,327 | 283,147 | 327,306 |
| Leases | 21,801 | 4,354 | 13,279 | 8,066 | 25,699 |
| Deposits payable | 9,779 | 3,444 | 6,335 | - | 9,779 |
| | 606,685 | 307,877 | 54,941 | 291,213 | 654,031 |

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

Section 3: Operating assets and liabilities

Note 10: Property, plant and equipment

Accounting policy

Property, plant and equipment

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

This means all items of property, plant and equipment revalued to fair value on or before 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 incidental costs, including all those incurred in preparing the assets for use, such as engineering design fees, an appropriate proportion of directly attributable overheads and finance costs (refer note 8). 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 an estimate is relevant and reliable in the context of the very long design life of most assets.

All items of property, plant and equipment acquired at a cost or other value, above the threshold for capitalisation are capitalised in the year of acquisition. Assets under construction are recorded at cost and are not depreciated until they are completed and ready for use.

No threshold is applied to items in 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 enhancements or replacements do not satisfy asset recognition criteria and are expensed.

The assets' useful lives are reviewed and adjusted if appropriate at the end of each reporting period.

Depreciation

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

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

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

| Asset class | Depreciation rate |
|---------------------------------|--------------------------------|
| Land | Land is not depreciated |
| Buildings and land improvements | 0.67% to 20% [5 – 150 years] |
| Plant and equipment | 6.67% to 33.33% [3 – 15 years] |
| Water infrastructure | 0.5% to 10% [10 – 200 years] |

Impairment of property, plant and equipment

Items of property, plant and equipment are assessed each year for indicators of impairment.

Where an indicator of impairment exists, an estimate of the recoverable amount of the asset is carried out. An impairment loss is recognised for its recoverable amount less the asset's carrying amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use.

In the case of the Group's water infrastructure assets, which are not traded in an active market, value-in-use is applied in estimating the recoverable amount and an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Items of property, plant and equipment that were impaired in a previous period are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which cannot exceed the original

cost or deemed cost of that asset. A reversal of an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

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

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

The Group does not recover full costs under the government's regulated irrigation price path which governs irrigation water supply revenue. 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 from each cash generating unit, key estimates and assumptions are made about the future.

The Group has reviewed the impact of COVID-19 on its future cash flows to ensure they are adjusted and reflect future earnings. The Group's commercial assets that have a positive Discounted Cashflow Forecast (DCF) are largely contracted on a fixed revenue basis, giving stability to future earnings so no adjustment has been applied and there has been no impact on impairment in 2021–22.

For assets supplying water for irrigation customers, revenue reflects the Queensland Government set pricing plus any applicable Community Service Obligation (CSO) expected to be received and agreed with the State. Most of these schemes have a negative DCF. Therefore, new capital investment is impaired during the year regardless of price adjustments.

The sources for the key estimates and assumptions include:

Key estimates and judgments

- The Group receives a portion of its irrigation revenue from customers, which is determined by the irrigation prices set by the Queensland Government. The remainder of its irrigation revenue is paid by the Queensland Government, through its CSO payment, which is the difference between the Queensland Competition Authority's (QCA) recommended cost-reflective prices and the prices set by the Queensland Government. It is noted by Sunwater, that the cost-reflective prices recommended by the QCA do not recover all the Group's costs of earning the irrigation revenue. In addition, although the Group receives revenue related to a portion of renewals spend, the regulated price does not provide for a commercial return on capital. Therefore, the reduced cashflows substantially impact on the carrying values assigned to the water infrastructure assets.
- The cash flow projections used in the Group's model are based on these approved irrigation pricing arrangements and likely future pricing trends.
- The discount rate used to discount the estimated future cash flows included in the 'value in use' calculation is the estimated WACC provided by Queensland Treasury Corporation. Future cash flows have been discounted using a pre-tax discount rate of 8.9% (2021: 6.8%)
- The net present value of the discounted cash flows is reasonably sensitive to likely changes of the WACC rate applied.
- There is no open market for the sale of water infrastructure assets owned by the Group.
- The cash flow projections used in the Group's model anticipate that business efficiencies will be achieved over time to meet QCA-recommended efficient costs and that future price paths will recover efficient costs.
- The regulated price path, which reduces the Group's ability for cost recovery, results in large impairment. A significant increase or decrease in a CSO adjustment would result in a higher or lower value-in-use and a resulting impairment loss or reversal.
- Management employ judgement to determine the cashflows to be included in the testing model and in the selection of an appropriate discount rates to be applied.

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 and improvements \$'000 | Plant & equipment \$'000 | Water infrastructure \$'000 | Work in progress \$'000 | Total PPE \$'000 |
|--------------------------------|----------------|---|--------------------------------|-----------------------------------|-------------------------------|------------------------|
| At 1 July 2020 | | | | | | |
| Cost | 7,144 | 18,733 | 14,107 | 1,448,332 | 101,743 | 1,590,059 |
| Accumulated depreciation | - | (5,409) | (10,853) | (367,920) | - | (384,182) |
| Accumulated impairment | - | - | (522) | (343,820) | (54,526) | (398,868) |
| Net book amount | 7,144 | 13,324 | 2,732 | 736,592 | 47,217 | 807,009 |
| Year ended 30 June 2021 | | | | | | |
| Additions | - | - | - | - | 126,539 | 126,539 |
| Disposals | (60) | (1,033) | (22) | (3) | - | (1,118) |
| Transfer between classes | - | 1 | 836 | 7,175 | (8,012) | - |
| Transfer to intangibles | - | - | - | - | (14,049) | (14,049) |
| Assets held for distribution | - | - | - | (190) | - | (190) |
| Depreciation expense | - | (509) | (781) | (36,202) | - | (37,492) |
| Impairment (loss) | - | - | - | (3,877) | (81,512) | (85,389) |
| At 30 June 2021 | | | | | | |
| Cost | 7,084 | 17,023 | 14,617 | 1,454,802 | 206,220 | 1,699,746 |
| Accumulated depreciation | - | (5,239) | (11,330) | (403,608) | - | (420,177) |
| Accumulated impairment | - | - | (522) | (347,696) | (136,038) | (484,256) |
| Net book amount | 7,084 | 11,784 | 2,765 | 703,498 | 70,182 | 795,313 |
| Year ended 30 June 2022 | | | | | | |
| Additions | - | - | - | - | 56,435 | 56,435 |
| Disposals | - | - | - | (1) | - | (1) |
| Transfer between classes | - | 151 | 1,278 | 36,967 | (38,396) | - |
| Transfer to intangibles | - | - | - | - | (9,344) | (9,344) |
| Transfer to P&L expense* | - | - | - | - | (6,842) | (6,842) |
| Assets held for distribution | - | - | - | (92) | - | (92) |
| Depreciation expense | - | (446) | (974) | (35,888) | - | (37,308) |
| Impairment (loss) | - | - | - | (39,521) | (24,581) | (64,102) |
| At 30 June 2022 | | | | | | |
| Cost | 7,084 | 17,174 | 15,891 | 1,491,663 | 208,074 | 1,739,886 |
| Accumulated depreciation | - | (5,685) | (12,301) | (439,482) | - | (457,468) |
| Accumulated impairment | - | - | (522) | (387,218) | (160,619) | (548,359) |
| Net book amount | 7,084 | 11,489 | 3,068 | 664,963 | 47,455 | 734,059 |

*In 2022, the Group reviewed all cloud-based arrangements and de-recognised any configuration or customisation expenditure. In addition, some Comprehensive Risk Assessments and work in progress projects have been reviewed and expensed.

Impairment

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

| | 2022 | 2022 | 2021 | 2021 |
|--|-----------------|--------------------|-----------------|--------------------|
| | Loss/(Reversed) | Recoverable amount | Loss/(Reversed) | Recoverable amount |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Nogoa Mackenzie Water Supply Scheme | 6,347 | 40,502 | (12,182) | 47,338 |
| This CGU includes Fairbairn Dam and Blackwater pipeline. The reduction in the recoverable amount is primarily the result of additional costs associated with investigation of potential dam safety risks and solutions in relation to Fairbairn Dam. | | | | |
| Boyne River and Tarong Water Supply Scheme | 3,446 | 8,343 | 5,762 | 11,556 |
| This CGU includes all the water infrastructure assets in the Boyne supply including Boondooma Dam and Tarong pipeline. The impairment loss is primarily due to marginally lower net revenues from operations. | | | | |
| Mareeba Water Supply Scheme | 32,548 | - | 227 | - |
| The impairment write down is primarily due to impairing current year capital expenditure which occurs on most impaired where new revenue water charges are at lower bound prices and is not sufficient to hold that carrying value. | | | | |
| Barker Barambah Water Supply Scheme | 48 | - | 3,204 | - |
| This CGU includes the Silverleaf major refurbishment of the weir project in 2021. The impairment loss is primarily due to the impairing of the capital expenditure of the project which is not supported by future net cash inflows. | | | | |
| Upper Condamine Water Supply Scheme | (5,002) | 6,238 | 3,394 | - |
| This CGU includes Leslie Dam. The impairment write back is primarily due changes in the WACC rate combined with reduced longer term Planned Corrective Maintenance. | | | | |
| Burdekin Water Supply Scheme | 686 | - | 698 | - |
| The impairment write down is primarily due to impairing current year capital expenditure which occurs on most impaired where new revenue water charges are at lower bound prices and is not sufficient to hold that carrying value. | | | | |
| Other cash generating units | 1,448 | 1,048 | 2,774 | 563 |
| Total | 39,521 | | 3,877 | |

The discount rate applied across all CGU's in 2022 was 8.9% (2021: 6.8%).

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

Work in progress

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

| | Loss/(Reversed) | Recoverable amount |
|---------------------------------|-----------------|--------------------|
| | \$'000 | \$'000 |
| At 30 June 2022 | | |
| Paradise Dam improvements | 22,774 | - |
| Burdekin Falls Dam improvements | 4,282 | - |
| Coolmunda Dam improvements* | (962) | - |
| Leslie Dam improvements | 22 | - |
| Teemburra Dam improvements* | (1,535) | - |
| Total | 24,581 | - |

*Coolmunda and Teemburra Dam improvement works were impaired in previous years. However, in the current year these impairments were reversed and the work in progress balances resulting were expensed to the income statement.

| | Loss/(Reversed) | Recoverable amount |
|---------------------------------|-----------------|--------------------|
| | \$'000 | \$'000 |
| At 30 June 2021 | | |
| Paradise Dam improvements | 77,900 | - |
| Burdekin Falls Dam improvements | 2,625 | - |
| Coolmunda Dam improvements | 403 | - |
| Leslie Dam improvements | 3 | - |
| Teemburra Dam improvements | 581 | - |
| Total | 81,512 | - |

The Group has a portfolio of dam improvement projects (as part of the Dam Improvement Program) and as these projects do not generally generate any additional revenue, the costs are impaired at the time incurred. Other work in progress projects are not assessed for impairment until project completion or more certainty of cost recoverability is known. This is assessed project-by-project.

Note 11: Intangible assets

Accounting policy

Software

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

Costs of software development include only direct costs of the development phase and are only recognised after completion of technical feasibility assessments and where the Group intends to and can use the asset.

Amortisation is calculated using the straight-line method over the estimated useful life which varies from three to ten years.

Software as a Service (SaaS) (refer to Compliance with Australian Accounting Standards on page 51)

The purchase of a cloud-based software where there is a contractual right to take possession of the software at any time of the hosting period and it is feasible to run the software on Sunwater's own hardware is treated as an intangible asset.

Purchase of a cloud-based software under a hosting arrangement where there are no contractual or legal rights to the specific asset and the rights are to access the supplier's application are treated as an operating expense.

Configuration and customisation of the SaaS product which involves setting of various flags or switches, defining parameters within the application software's existing code to function in a specified way is treated as an operating expense.

Water Allocations

Water allocations are intangible assets that are valued at cost or deemed cost. The Group elected to exercise the option allowed under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS) to adopt the fair value of an intangible asset at its deemed cost. This means all water allocations that had been revalued to fair value on or before 1 July 2005 (the date of transition to AIFRS) were measured at 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 impaired in a previous period are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which cannot exceed the original cost or deemed cost of that asset. A reversal of impairment is recognised in the Consolidated Statement of Comprehensive Income.

Key estimates and judgments

In determining that water allocations have an indefinite life, Sunwater has assumed that the current Resource Operating License conditions will continue, although notes that the plans and associated conditions may be reviewed and changed by Government.

Movements

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

| | Software | Trade names | Water allocations | Total Intangible assets |
|--------------------------------|---------------|-------------|-------------------|-------------------------|
| | \$'000 | \$'000 | \$'000 | \$000 |
| At 1 July 2020 | | | | |
| Cost | 31,188 | 8 | 58,147 | 89,343 |
| Accumulated amortisation | (28,350) | - | - | (28,350) |
| Accumulated impairment | (359) | - | (48,811) | (49,170) |
| Net book amount | 2,479 | 8 | 9,336 | 11,823 |
| Year ended 30 June 2021 | | | | |
| Transfer from work in progress | 14,049 | - | - | 14,049 |
| Amortisation expense | (2,948) | - | - | (2,948) |
| Impairment (loss) | - | - | (111) | (111) |
| At 30 June 2021 | | | | |
| Cost | 45,238 | 8 | 58,147 | 103,393 |
| Accumulated amortisation | (31,299) | - | - | (31,299) |
| Accumulated impairment | (359) | - | (48,922) | (49,281) |
| Net book amount | 13,580 | 8 | 9,225 | 22,813 |
| Year ended 30 June 2022 | | | | |
| Transfer from work in progress | 9,343 | - | - | 9,343 |
| Amortisation expense | (3,671) | - | - | (3,671) |
| Impairment (loss) | - | - | (115) | (115) |
| At 30 June 2022 | | | | |
| Cost | 54,582 | 8 | 58,147 | 112,737 |
| Accumulated amortisation | (34,970) | - | - | (34,970) |
| Accumulated impairment | (359) | - | (49,038) | (49,397) |
| Net book amount | 19,253 | 8 | 9,109 | 28,370 |

Note 12: Leases

Accounting policy

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

As a lessee, the Group:

- recognise right-of-use assets and lease liabilities at the lease commencement date in the Consolidated Statement of Financial Position, initially measured at the present value of future lease commitments using the Group's incremental borrowing rate which applies in the year of application
- recognise depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statement of Comprehensive Income
- separate the total amount of cash paid into the principal portion and interest in the Consolidated Statement of Cashflow
- recognise lease incentives as part of the measurement of the right-of-use assets and lease liabilities.

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

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

Right-of-use assets are reviewed for impairment each year.

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

The Group has applied the practical expedient of allocating leases into portfolios which have similar characteristics, estimates and assumptions.

The lease liability is initially measured at the present value of lease payments that are not paid to date. Lease payments to be made under reasonably certain extension options are also included in the measuring liability.

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

Nature of leasing activities

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

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

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

| Right-of-use assets 30 June 2022 | No of right-of- use assets leased | Range of terms | Average remaining lease term | Extension options |
|-------------------------------------|---|-------------------|------------------------------------|----------------------|
| Brisbane head office | 3 | 4 to 10 years | 6.2 years | Yes |
| Regional offices and premises | 5 | 5 to 11 years | 2.5 years | Yes |
| Light and heavy fleet | 175 | 2 to 7 years | 1.5 years | Modifiable |
| Plant and equipment | 1 | 4 years | 0.3 years | Yes |

Right-of-use assets

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

| | Buildings | Light and heavy fleet | Plant and equipment | Total |
|--------------------------|---------------|-----------------------|---------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$000 |
| At 1 July 2020 | | | | |
| Additions | 91 | 2,260 | - | 2,351 |
| Disposals | - | (5) | (5) | (10) |
| Depreciation expense | (2,007) | (2,432) | (106) | (4,546) |
| At 30 June 2021 | | | | |
| Cost | 18,230 | 7,597 | 355 | 26,182 |
| Accumulated depreciation | (3,870) | (3,788) | (215) | (7,873) |
| Net book amount | 14,360 | 3,809 | 140 | 18,309 |
| At 1 July 2021 | | | | |
| Additions | 2,932 | 2,939 | - | 5,871 |
| Disposals | - | (5) | - | (5) |
| Depreciation expense | (2,040) | (2,579) | (106) | (4,725) |
| At 30 June 2022 | | | | |
| Cost | 21,162 | 9,910 | 354 | 31,426 |
| Accumulated depreciation | (5,910) | (5,746) | (319) | (11,975) |
| Net book amount | 15,252 | 4,164 | 35 | 19,451 |

Lease liabilities

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

| | 2022 | 2021 |
|-------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | 4,338 | 3,389 |
| Non-current | 19,050 | 18,412 |
| | 23,388 | 21,801 |

The total cash outflow for leases during 2021–22 was \$5.29 million (2020–21 \$3.88 million).

Lease liabilities are secured by the assets leased and represent the discounted future rental payments payable by the Group. Excepting short-term leases and leases of low-value assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Amounts recognised in the Consolidated Statement of Comprehensive Income

| | 2022 | 2021 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Interest on lease liabilities | 1,031 | 1,071 |
| Expenses relating to short-term leases and low value assets | 2,712 | 2,790 |
| | 3,743 | 3,861 |

Note 13: Other liabilities

Accounting policy

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

| | 2022 | Restated 2021 |
|----------------------------|----------------|------------------|
| | \$'000 | \$'000 |
| Current | | |
| Income received in advance | 27,063 | 16,837 |
| Deposits payables | 7,911 | 3,475 |
| Other | 43 | 34 |
| | 35,017 | 20,346 |
| Non-current | | |
| Income received in advance | 116,773 | 123,983 |
| Deposits payable | 6,304 | 6,304 |
| | 123,077 | 130,287 |

Deposits payable

Deposits payable are securities paid by customers for supply contracts with Sunwater and are refundable at the completion of the contract.

Income received in advance

Income received in advance has been restated (refer Restatement on page 52).

Income received in advance consists of an advance payment of \$180.25 million split between current and non-current and being amortised over the life of the contract.

Note 14: Provisions

Accounting policy

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

- the Group has a present legal or constructive obligation as a result of past events; and
- an outflow of resources will probably be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions for dam improvements are measured following Board approval once the scope of works has progressed to contractual arrangements from which a reliable measure can be derived. Where there is still uncertainty around the timing or amount, it is disclosed as a contingent liability. All current provisions are expected to be settled within a year of the reporting date and non-current within the contractual terms of the agreements.

| | Notes | 2022 \$'000 | 2021 \$'000 |
|---|-------|----------------|----------------|
| Current | | | |
| Compensation for handover of assets | | 6,591 | 6,520 |
| Bridge demolition | | - | 12,682 |
| Dam improvements | | - | 1,492 |
| Contract provision | | 59,416 | - |
| Employee benefits | | 5,590 | 5,003 |
| Income tax | | 2,334 | - |
| Legal costs | | 416 | 16 |
| Dividends | 15 | - | 10,404 |
| | | 74,347 | 36,117 |
| Non-Current | | | |
| Bridge demolition | | 1,500 | 8,000 |
| Contract provision | | 6,937 | - |
| Land commitment | | - | 1,270 |
| Make good leased sites at the end of their term | | 180 | 180 |
| | | 8,617 | 9,450 |

Compensation for handover of assets

Sunwater has reached an agreement to hand over assets (Fairbairn Dam recreation facility and LN1 drain in central Queensland) to another government entity with a payment to compensate for future works to bring the assets up to a standard set out in the agreement.

Bridge demolition

Sunwater as the 100% parent of Burnett Water Pty Ltd has a legal obligation to remove a bridge at Paradise dam under the *Planning Act 2016* (Qld). In partnership with external engineering firms, the Group at 30 June 2021 had taken up its best estimate and had approval by the Board to expedite the work. During the year the Group re-assessed its estimate to complete the required work having identified a more cost-effective approach and have adjusted the provision accordingly. Timing of the works are unknown due to water height impacting access to complete the work.

Dam improvements

The provision for dam improvements represents management's best estimate of the present constructive obligation for the cost of carrying out dam improvement works. During the year all work that was required to meet the obligation had been completed, the remaining provision was released.

Contract provision

In the year, a provision has been recognised for the unavoidable costs related to the Group's contract obligations in relation to the completion of the Rookwood Weir Project. It represents the best estimate of those costs required to fulfil the contract, that are in excess of the remaining economic benefits that the contract will generate for the Group. Provision is made for this excess amount. The remaining activities in the contracts are expected to be delivered within the next 12 months, however there are possible events that could cause the timing as well as the amount of the provision to change, examples of which are: the economic environment and further weather events that might lead to contract delivery delays.

Employee benefits

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

Land commitments

Under an agreement between the former State Water Projects and the Department of Regional Development Mines and Water (DRDMW), Sunwater is required to settle the disposal of surplus land with the Department. However, in the year the Group have determined to retain the land and a sale is now considered remote. The provision has therefore been released and no contingent liability has been recognised.

Make good

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

Movements in provisions

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

| | Compensation for handover of assets \$000 | Bridge demolition \$000 | Dam improvements \$000 | Contract provision \$000 | Employee benefits \$000 | Land commitments \$000 | Legal and make good \$000 | Dividends \$000 |
|--|--|----------------------------|------------------------------|--------------------------------|-------------------------------|------------------------------|---------------------------------|--------------------|
| Carrying amount at 1 July 2021 | 6,520 | 20,682 | 1,492 | - | 5,003 | 1,270 | 196 | 10,404 |
| Provisions added | 300 | - | - | 66,353 | 587 | - | 400 | - |
| Provisions released to income statement | | (14,760) | (1,277) | - | - | (1,270) | - | - |
| Transferred to payables | - | - | - | - | - | - | - | - |
| Payments made during the year | (229) | (4,422) | (215) | - | - | - | - | (10,404) |
| Carrying amount at 30 June 2022 | 6,591 | 1,500 | - | 66,353 | 5,590 | - | 596 | - |
| Represented by: | | | | | | | | |
| Current | 6,591 | - | - | 59,416 | 5,590 | - | 416 | - |
| Non-current | - | 1,500 | | 6,937 | - | - | 180 | - |

Key estimates and judgements

Under AASB 137 Provisions, Contingent Liabilities and Contingent Assets, a provision is to be raised if it is a present obligation due to a past event, if it is probable an outflow will occur in the future and the amount can be reliably estimated. Management reviews all information that is available to them to estimate the amount of any provision that is recognised. Events after the balance sheet date are reviewed to determine if further information has become available that changes a condition that existed at the balance sheet date.

Section 4: Capital structure

Note 15: Capital management

Risk management

When managing capital, the Group's objectives are to safeguard its ability to continue as a going concern and maintain an optimal capital structure to reduce the cost of capital, subject to government's policy and directives. This means it can continue to provide returns for shareholders and benefits for other stakeholders

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

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

| | 2022 | 2021 |
|-----------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Total borrowings | 369,071 | 283,858 |
| Total equity | 298,124 | 280,038 |
| Total capital | 667,195 | 563,896 |
| Market gearing ratio | 55% | 50% |

The Group's current ratio at 30 June 2022 was 1.24 (2021: 0.67).

Loan covenant

Under the terms of the major borrowing facility with Queensland Treasury Corporation (QTC), the Group is required to comply with financial covenants. All covenants were met in 2021-22.

Dividends

Accounting policy

Provision is made for the amount of any dividend declared which has been appropriately authorised and no longer at the discretion of Sunwater, on or before 30 June 2022 but not distributed at the date the Statement of Financial Position is signed.

| | 2022 | 2021 |
|---|--------|---------------|
| | \$'000 | \$'000 |
| Ordinary shares | | |
| 2022 first and final dividend of \$nil (2021: \$5.20 million per share) per share declared at 30 June | - | 10,404 |
| | - | 10,404 |

(a) Dividends paid

In the prior year, the Sunwater Board recommended a 2020-21 dividend of \$10.404 million being an adjusted net profit after tax (NPAT) which was accepted by shareholding Ministers. The adjustments to NPAT were applied to remove non-cash profit attributable to movements in the provision and expected insurance proceeds in respect of the 2011 Queensland Floods class action and the write down of the Group's Deferred Tax Asset (DTA), a non-cash expense.

(b) Dividends declared

In June 2022, the Sunwater Directors did not recommend payment of a dividend and this recommendation has been accepted by shareholding Ministers giving consideration to the significant capital programs the Group will be undertaking in future periods (2020-21: 100% of adjusted NPAT).

Note 16: Contributed equity

Accounting policy

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

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Share capital | | |
| Issued and paid up capital: | | |
| Two ordinary shares of \$118.173 million each | 236,347 | 236,347 |

Note 17: Investment in subsidiaries

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at reporting date and the results of all subsidiaries for the financial year.

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

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

The Group's principal subsidiaries are set out below:

| Name of entity | Country of incorporation | Class of shares | Equity holding | Equity holding |
|--|--------------------------|-----------------|----------------|----------------|
| | | | 2022 | 2021 |
| 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% |

Deed of Cross Guarantee

These wholly-owned subsidiaries have entered into a deed of cross guarantee with Sunwater Limited (the Company) under the *ASIC Corporations (wholly-owned Companies) Instrument 2016/785* and are not required to prepare and lodge an audited Financial Report and Director's Report.

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

Pursuant to *ASIC Instrument 2016/785*, the wholly-owned subsidiaries listed above are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and a Directors' report. It is a condition of the Class Order that Sunwater Limited and each of the subsidiaries enter into a Deed of Cross Guarantee.

The Deed's effect is that the Company guarantees each creditor payment in full of any debt if any of the subsidiaries are wound up under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable if, after six months, any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that Sunwater is wound up.

Section 5: Unrecognised items

Note 18: Commitments

Capital commitments

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

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Information Communication Technology projects | 1,890 | 1,150 |
| Water infrastructure projects | 39,717 | 40,505 |
| | 41,607 | 41,655 |
| Payable: within one year | 41,607 | 41,655 |

Dam Improvement Program

The Group has a significant commitment to a Dam Improvement Program (DIP) in the coming years. Two DIP projects that are currently in progress with future committed costs are:

Paradise Dam

Sunwater is progressing planning activities for the Paradise Dam Improvement Project (PDIP) in parallel with developing a detailed assessment to support a final investment decision. Works currently underway and committed includes progressing design (reference design for issue for construction proposals), environmental assessment and approvals, planning for early contractor procurement and engagement processes, and enabling works to support early construction activities (planning and design for local road upgrades, material sourcing and quarry investigations, and accommodation camp planning).

Burdekin Falls Dam

Burdekin Falls Dam DIP is currently in detailed assessment phase which will determine the works to be completed. Work has included technical assessments to refine the preliminary design, costs estimate, geotechnical investigations, and engaging with the local community and other key stakeholders through the Burdekin Falls Dam Community Reference Group. The majority of the costs of this phase have been incurred to date.

Note 19: Contingencies

The Group had the following contingent assets and liabilities at 30 June 2022:

Contingent liabilities

- a. In 2020–21, Sunwater received informal notification of a potential Class Action in relation to the integrity of, and resulting actions in relation to, the lowering of the Paradise Dam wall. No formal action has been launched, any basis for such an action is unknown and no further communication has been received to date.
- b. Following the adverse 2011 Queensland Flood Class Action judgement, Sunwater, has sought to recover further insurance proceeds from insurers. A legal process was commenced that resulted in a decision rebutting Sunwater's ability to access further proceeds, Sunwater have subsequently appealed this decision. The appeal is expected to be heard in quarter two of financial year 2023. Sunwater have taken up a provision for its best estimate of associated legal costs, however if the appeal is unsuccessful Sunwater may become liable for the other party's legal costs.
- c. Sunwater has taken up a provision for the unavoidable costs related to the Group's contractual obligations in relation to the completion of the Rookwood Weir Project. Sunwater's liability is contingent

on relevant contractual processes and further events that could cause the amount of the provision to change, examples of which are: the economic environment and further rain events that may lead to contract delivery delays.

- d. At 30 June 2022, the Group is dealing with various commercial and legal disputes that occur as a normal part of its business operations. At the date of this report, it is not possible to reliably estimate the merit of or the eventual outcome of, these disputes or the financial consequences of them.

Contingent assets

- a. Following the adverse 2011 Queensland Flood Class Action judgement, Sunwater, has sought to recover further insurance proceeds from insurers. A legal process was commenced that resulted in a decision rebutting Sunwater's ability to access further proceeds, Sunwater have subsequently appealed this decision. The appeal is expected to be heard in quarter two of financial year 2023. The recoverability of further insurance proceeds is therefore considered not virtually certain and no asset representing recovery has been recognised at June 2022.
- b. Sunwater holds a number of bank guarantees in the event of non-payment of services.

Note 20: Subsequent events

To the date of the signing by the Board of these Financial Statements, except as detailed elsewhere in the Financial Statements, no events have occurred subsequent to balance date since the Consolidated Statement of Financial Position dated 30 June 2022, that would materially impact on these financial statements or would require disclosure under accounting rules.

Section 6: Other notes

Note 21: Remuneration of auditors

During the year, fees of \$204,500 (2021: \$216,500) were paid or payable for services provided by the auditor of the consolidated entity for the audit of the Financial Report of Sunwater and its subsidiaries.

No other services were provided.

Note 22: Related party transactions

(a) Parent entity

The parent entity within the Group is Sunwater Limited. The ultimate Australian controlling entity is the State of Queensland, which at 30 June 2022 owned 100% (2021: 100%) of the issued ordinary shares of Sunwater Limited.

(b) Transactions with related parties

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

In the year ended 30 June 2022, the following significant transactions occurred between the Group and other State of Queensland-controlled entities.

| | 2022 | Restated 2021 |
|---|--------|------------------|
| | \$'000 | \$'000 |
| Interest received from QTC | 581 | 687 |
| Water sales, CSO, grants received | 48,281 | 47,166 |
| Rookwood Weir project funding received* | 8,398 | 20,000 |
| Consultancy and other income** | 11,314 | 238 |
| Interest paid to QTC | 11,060 | 12,505 |

* Comparatives for 2021 have been restated (refer to Restatement on page 52).

** Includes works invoiced in respect of flood repairs at Boondooma Dam.

(c) Transactions with subsidiaries

Interests in subsidiaries are set out in note 17. All transactions with subsidiaries are carried out under normal commercial terms and conditions or at cost. No transactions occurred between subsidiaries, other than with the Parent.

(d) Key management personnel

i. Directors

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

Chair

- Lisa Caffery (appointed 1 October 2021)
- Dan Hunt (until 30 September 2021)

Non-executive Directors

- Stuart Armitage

- Leeha James
- David Stewart
- Vanessa Sullivan
- Jane Williams

ii. Directors' contracts

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

Terms of appointment are as follows:

| Directors as at 30 June 2022 | Term of appointment | Appointment expiry date |
|------------------------------|---------------------|-------------------------|
| Lisa Caffery | 4 years | 30 September 2025 |
| David Stewart | 4 years | 30 September 2025 |
| Vanessa Sullivan | 3 years | 30 September 2022 |
| Jane Williams | 3 years | 30 September 2023 |
| Stuart Armitage | 3 years | 31 May 2024 |
| Leeha James | 3 years | 31 May 2024 |

iii. Other key management personnel

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

| Name | Position |
|------------------|---|
| Glenn Stockton | Chief Executive Officer |
| Erin Strang | Chief Financial Officer |
| Colin Bendall | Executive General Manager, Operations |
| Kellie Breen | Executive General Manager, People and Transformation |
| Cameron Milliner | Executive General Manager, Customer and Stakeholder Relations |
| Simon Ellinor | Chief Financial Officer |
| Mal Shepherd | Chief Development Officer |
| Michael Kahler | Executive General Manager, Engineering and Water Resources |
| James Stuart | Executive General Manager, Water Resources and Dam Safety |

iv. Shareholding Ministers

The GOC's shareholding Ministers are identified as part of its key management personnel and as at 30 June 2022, these Ministers were the Honourable Cameron Dick MP, Treasurer and Minister for Trade and Investment and the Honourable Glenn Butcher MP, Minister for Regional Development and Manufacturing and Minister for Water.

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 in light of government policy, relevant market comparisons and performance against goals set at the start of the financial year.

v. Key management personnel compensation disclosures by category

| Category | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Short-term employee benefits – cash salary | 2,915 | 2,746 |
| Short-term employee benefits – other | - | 62 |
| Post-employment benefits – superannuation | 201 | 183 |
| Total | 3,116 | 2,991 |

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

vi. Compensation – Directors

| Director's remuneration | Short term benefits Directors' fees | | Post-employment benefits Superannuation | | Total | |
|-----------------------------|--|---------------|---|---------------|---------------|---------------|
| | 2022 \$000 | 2021 \$000 | 2022 \$000 | 2021 \$000 | 2022 \$000 | 2021 \$000 |
| Leith Bouilly, Former Chair | - | 69 | - | 7 | - | 76 |
| Dan Hunt, Interim Chair | 18 | 27 | 2 | 3 | 20 | 30 |
| Lisa Caffery, Chair | 65 | - | 6 | - | 71 | - |
| Patrice Sherrie | - | 27 | - | 3 | - | 30 |
| David Stewart | 49 | 52 | 5 | 5 | 54 | 57 |
| Jo Sheppard | - | 28 | - | 3 | - | 31 |
| Vanessa Sullivan | 48 | 46 | 5 | 4 | 53 | 50 |
| Jane Williams | 48 | 36 | 5 | 3 | 53 | 39 |
| Leeha James | 32 | - | 3 | - | 35 | - |
| Stuart Armitage | 40 | 1 | 4 | - | 44 | 1 |
| Total | 300 | 286 | 30 | 28 | 330 | 314 |

Directors' remuneration excludes insurance premiums (exclusive of GST) of \$443,325 (2021 - \$337,500) paid by the parent entity for Directors' and Officers' liability insurance contracts as the contracts do not specify premiums paid for individual Directors and Officers.

vii. Compensation – Executives

| 2022 | Short term employee benefits | | Post-employment benefits | | Total |
|---|------------------------------|------------|--------------------------|----------------------|--------------|
| | Cash salary | Cash bonus | Superannuation | Termination benefits | |
| Name and title of executive | \$000 | \$000 | \$000 | \$000 | \$000 |
| Glenn Stockton, Chief Executive Officer | 633 | - | 24 | - | 657 |
| Erin Strang, Chief Financial Officer | 256 | - | 17 | - | 273 |
| Colin Bendall, Executive General Manager, Operations | 334 | - | 24 | - | 358 |
| Kellie Breen, Executive General Manager, People and Transformation | 307 | - | 24 | - | 331 |
| Cameron Milliner, Executive General Manager, Customer and Stakeholder Relations | 286 | - | 24 | - | 310 |
| Simon Ellinor, Chief Financial Officer | 49 | - | 5 | - | 54 |
| Mal Shepherd, Chief Development Officer | 447 | - | 24 | - | 471 |
| Michael Kahler, Executive General Manager, Engineering and Water Resources | 63 | - | 5 | - | 68 |
| James Stuart, Executive General Manager, Water Resources and Dam Safety | 240 | - | 24 | - | 264 |
| Total | 2,615 | - | 171 | - | 2,786 |

1 No bonuses were given based on performance to 30 June 2021 during 2021-22.

2 Ms Erin Strang was appointed as Chief Financial Officer on 8 November 2021.

3 Mr Simon Ellinor resigned as Chief Financial Officer on 20 August 2021.

4 Mr Michael Kahler was appointed as Executive General Manager, Engineering and Water Resources, on 26 April 2022.

5 Mr James Stuart resigned as Executive General Manager, Water Resources and Dam Safety, on 30 June 2022.

6. Mr Colin Bendall acted as Chief Financial Officer for two weeks during 2021-22.

7. Short term employee benefits include accruals for annual leave for services rendered during the year.

| 2021 | Cash salary | Short term | Post-employment benefits | | Total |
|---|-------------|------------|--------------------------|-------------|-------------|
| | | employee | Superannuation | Termination | |
| | | benefits | | benefits | |
| Name and title of executive | \$000 | \$000 | \$000 | \$000 | \$000 |
| Glenn Stockton, Chief Executive Officer | 572 | - | 22 | - | 594 |
| Lisa Dalton, Interim Chief Executive Officer | 46 | - | 2 | - | 48 |
| Colin Bendall, Executive General Manager, Operations | 300 | - | 23 | - | 323 |
| Kellie Breen, Executive General Manager, People and Transformation | 294 | - | 23 | - | 317 |
| Cameron Milliner, Executive General Manager, Customer and Stakeholder Relations | 276 | - | 23 | - | 299 |
| Simon Ellinor, Chief Financial Officer | 411 | - | 23 | 62 | 496 |
| Mal Shepherd, Chief Development Officer | 329 | - | 16 | - | 345 |
| James Stuart, Executive General Manager, Water Resources and Dam Safety | 232 | - | 23 | - | 255 |
| Total | 2460 | - | 155 | 62 | 2677 |

No bonuses were given based on performance to 30 June 2020 during 2020-21

viii. Executive employment contracts

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

All senior executives are engaged on tenured employment contracts which provide for three months' notice or equivalent payment on termination. Where a redundancy applies, the payment is made in accordance with the *Fair Work Act 2009* (Cth).

Remuneration and other terms of employment are formalised in each executive's Senior Executive Employment Agreement. Sunwater executives received a Total Fixed Remuneration (TFR) inclusive of all rewards including base salary and superannuation for the 2021-22 financial year.

Annual input is sought on remuneration of each role from an independent remuneration expert on market and industry movements. Based upon the market median, the performance of Sunwater and the executive, a new TFR is determined annually, effective 1 July. The Board considers, at its discretion, whether senior executives are eligible for an incentive bonus of up to 15% of TFR from 1 July each year.

ix. Compensation – shareholder Ministers

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The GOC does not bear any cost for remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as Key Management Personnel (KMP) of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements 2021-22, which are published as part of Queensland Treasury's Report on State Finances.

x. Other transactions with key management personnel

There were no other related party transactions of key management personnel to be reported in 2021-22.

Note 23: New or amended accounting standards and interpretations issued but not yet effective

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

Note 24: Climate risk

The financial statements have been prepared in consideration of climate related risks and associated potential impacts on the amounts and disclosures contained therein. Any key estimates or judgements made by the Group have considered the Queensland Sustainability Report and Queensland Climate Action Plan 2030.

Note 25: Summary of other accounting policies and activities

(a) Inventories

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

(b) Goods and Services Tax (GST)

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

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

(c) Assets held for distribution**Accounting policy**

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

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

At 30 June 2022, the Group had received acceptance (subject to a formal contract) of the transfer of ownership of Fairbairn Dam recreation area and LN1 drain in central Queensland. The Group has taken a provision (refer note 14) for payment to compensate future works to bring the assets up to a standard set out in the agreement. The carrying value of the assets has been transferred to assets held for distribution.

| | 2022 | 2021 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Fairbairn recreation facility and LN1 drain assets | 282 | 190 |
| | 282 | 190 |

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 46 to 90 are in accordance with the *Corporations Act 2001* (Cth), including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee described in the corporate structure.

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

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



Lisa Caffery
Chair



Vanessa Sullivan
Director

Brisbane
31 August 2022

Brisbane
31 August 2022

Independent Auditors' Report

To the Members of Sunwater Limited

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the group's financial position as at 30 June 2022, and its financial performance and cash flows for the year then ended
- b) complies with the Corporations Act 2001, the Corporations Regulations 2001 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at

30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements including summaries of significant accounting policies and other explanatory information, and the directors' declaration.

Basis for opinion

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

I am independent of the group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the Auditor-General Auditing Standards. I am also independent of the group in accordance with the auditor independence requirements of the Corporations Act 2001, and confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

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

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

Refer to note 10 of the financial statements

| Key audit matter | How my audit addressed the key audit matter |
|---|--|
| <p>Significant judgement is required by management in the determination of the carrying value of property, plant and equipment (water infrastructure assets), which due to prior impairments, is highly sensitive to changes in inputs.</p> <p>The key assumptions used in the financial model include:</p> <ul style="list-style-type: none"> • Allocating assets to cash generating units that are the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash flows from other assets or group of assets. • Irrigation pricing arrangements including likely future pricing trends. • Estimating future capital expenditure and operating costs. • The discount rate applied to forecast cash flows. | <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness with reference to common industry practices. • Evaluating whether the cash generating units used by management are consistent with the entity’s internal reporting and our understanding of the business. • Checking, on a sample basis, the accuracy and relevance of the input and data used, including reconciling input data to supporting evidence such as approved budgets. • Assessing the reasonableness of cash flow forecasts by corroborating the key market related assumptions to relevant internal and external data. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process. • Evaluating whether the discount rate applied was within a reasonable range, with reference to market data and industry research. • Challenging the reasonableness of key assumptions based on our knowledge of the entity and industry. • Performing a sensitivity analysis to assist in considering the potential impact of reasonably possible changes (downside/upside) in these key assumptions. • Verifying the mathematical accuracy of the net present value calculations. |

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

Refer to note 10 of the financial statements

| Key audit matter | How my audit addressed the key audit matter |
|---|--|
| <p>The straight-line depreciation method required significant judgements for:</p> <ul style="list-style-type: none"> • Identifying the significant parts of infrastructure that have different useful lives. • Forecasting the remaining useful lives of those significant parts. | <p>My procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating management’s approach for identifying the parts of water infrastructure that have different useful lives, having regard to recent replacement projects and long-term asset management plans. • Evaluating remaining useful life estimates for reasonableness with reference to management’s documented assessments, historical disposal rates, condition assessments for older assets, and long-term asset management plans and budgets. |

Other information

Other information comprises financial and non-financial information (other than the audited financial report). At the date of this auditor's report, the available other information in Sunwater's annual report for the year ended 30 June 2022 was the directors' report.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the company for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

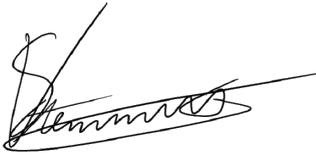
As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the group.
- Conclude on the appropriateness of the group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

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



Vaughan Stemmett
as delegate of the Auditor-General
Queensland Audit Office Brisbane
5 September 2022

Appendix 1

Table 4. Customer, stakeholder and community engagement costs

| Activity | 2021-22 Actual \$ | 2021-22 Budget \$ |
|--|----------------------|----------------------|
| Industry and community support | | |
| Australian National Committee on Large Dams (ANCOLD) conference | 9,000 | 10,000 |
| Industry | 18,996 | 30,000 |
| Community | 10,509 | 11,000 |
| Total industry and community support | 79,505 | 51,000 |
| Advertising | | |
| Water safety advertising campaign (submerged hazards) | 107,853 | 110,000 |
| School safety program | 13,398 | 25,000 |
| Total advertising | 121,251 | 135,000 |
| Corporate entertainment | | |
| Employee (value improvement) awards ceremony ¹ | 14,061 | 10,000 |
| Office Christmas celebrations | 18,745 | 29,800 |
| Other (total of meetings and events below \$5000 per event) | 6,210 | 10,200 |
| Total corporate entertainment | 39,016 | 50,000 |
| Strategic community and stakeholder engagement activities | | |
| Inspector-General Emergency Management (IGEM) education campaign | 62,993 | 205,000 |
| Total community and stakeholder activities | 63,003 | 205,000 |
| Total all activities | 261,775 | 441,000 |

1. Regional and head office awards ceremony

Sunwater

Green Square North

Level 9, 515 St Pauls Terrace

Fortitude Valley, Queensland, 4006

Head Office: (07) 3120 0000

Customer enquiries: 13 15 89

www.sunwater.com.au

Delivering water
For prosperity