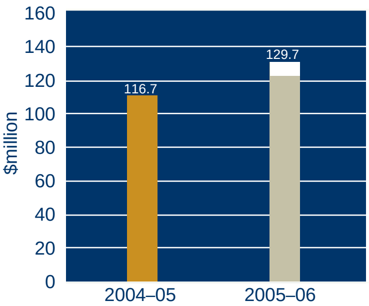
FINANCIAL SUMMARY

SunWater Consolidated results (AIFRS)

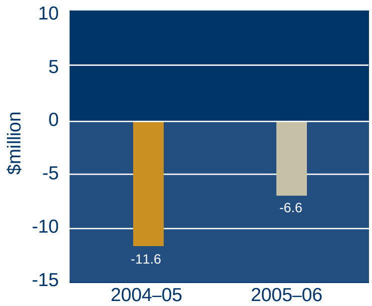
	2004–05*	2005–06
Revenue	$116.7m	$129.7m
Excess of fair value over cost upon acquisition of subsidiary	0	$7.9m
Revenue (excluding excess of fair value)	$116.7m	$121.7m
EBITDA (EBIT before depreciation, amortisation and impairment)	$26.7m	$36.4m
EBIT (Earnings before interest and tax)	-$18.1m	-$5.4m
Impairment	$32.3m	$29.6m
Net profit (after tax)	-$11.6m	$1.3m
Net profit (after tax and excluding excess of fair value)	-$11.6m	-$6.6m
Dividends declared	$3.2m	0
Total assets	$424.5m	$577.0m
Total liabilities	$56.3m	$157.3m
Net assets	$368.2m	$419.6m
Borrowings	$7.5m	$92.5m
Contributed equity	$229.4m	$282.5m
Cashflows from operating activities	$27.0m	$31.0m
Refurbishment, augmentation and backlog expenditure	$16.1m	$11.2m
Total water deliveries (million ML)	1.51 m ML	1.31 m ML
Employees (FTEs)	534	561

* Figures are not comparable with those used in the 2004–05 annual report, which were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP).

Revenue

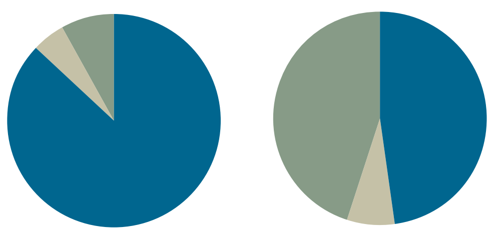


Net profit (after tax and excluding excess of fair value)



Excess of fair value over cost upon acquisition of subsidiary

Water deliveries and revenue by customer sector



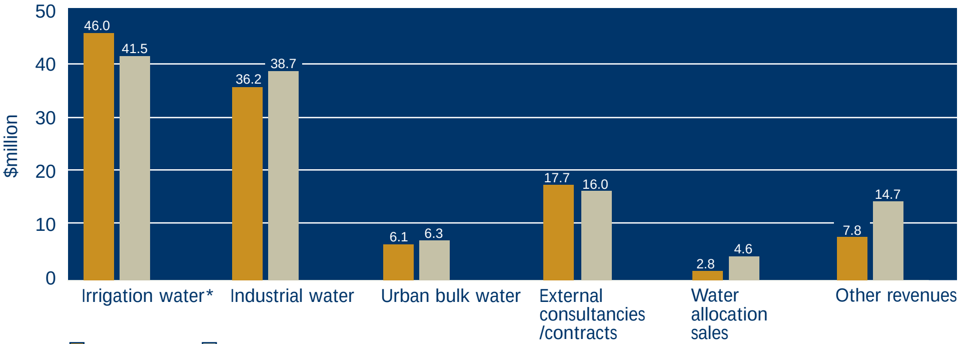
Water deliveries by sector 2005–06

Water revenues by sector 2005–06

Irrigation* Industrial Urban

*Includes irrigation CSO from government

Revenue breakdown (AIFRS and excluding excess upon acquisition)



2004-05 2005-06

Commentary on results

Basis of preparation of the financial report

SunWater's financial report for the year ended 30 June 2006, including the 2005 comparatives, was prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). In prior years, financial statements were prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP), which differ in certain respects from AIFRS. When preparing SunWater's 2006 financial statements, certain accounting, valuation and consolidation methods applied in the AGAAP financial statements were amended to comply with AIFRS. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the parent entity is provided in note 32 of the financial report.

Operating performance

SunWater's consolidated net profit (after tax) for 2005–06 was $1.3m compared to an $11.6m loss in 2004–05. Total revenue of $129.7m was $13.0m higher than the previous year, but includes $7.9m of revenue relating to an excess over cost upon acquisition of Burnett Water P/L (BW) and $5.6m in grants to that company. The excess over cost relates to a necessary adjustment to reflect the difference between the fair value of BW assets at acquisition date, and the purchase price paid by SunWater. Otherwise revenues were generally flat, although irrigation revenue was adversely affected by weather conditions including wide-spread drought.

Total expenses (excluding finance costs) of $127.0m were $7.8m lower than in 2004–05. Contracted services increased by $1.6m, which was largely attributable to increased project activity. A provision for doubtful debts created in a prior period was written back by $2.4m during the year when the underlying collection issues were satisfactorily resolved. Additionally, a $29.6m impairment charge for 2005–06 ($32.2m in 2004–05) is a non-cash operating expense recognised under AIFRS. AIFRS has had a significant impact on the carrying value of SunWater's infrastructure assets, which must now be valued individually (rather than by class) at cost or deemed cost less impairment losses based on fair value of operating cash flows.

Asset performance

As part of the regulated water price, funds are set aside to meet future asset refurbishment requirements. In 2005–06 SunWater spent $9.8m on asset refurbishment and augmentation ($13.6m in 2004–05), which was lower than expected due to deferment of an upgrade to the Fairbairn Dam outlet works. Another $1.4m was spent on a continuing backlog program ($2.5m in 2004–05), which was necessary to bring back to fair condition assets that were below standard at the time of SunWater's corporatisation. The total backlog program, in the order of $26m, was unfunded at corporatisation and expenditure since then has been funded from yearly cash generation. SunWater commenced a spillway upgrade program in 2004–05 and spent $1.6m in the 2006 year on an upgrade to Fred Haigh Dam. In addition, SunWater continued to fund recreation facilities from current cash flows for the benefit of regional communities.

Funds management

SunWater's consolidated cash position had decreased by $18.7m to $25.6m at 30 June 2006. In addition to a dividend reinvestment of $3.175m, an equity injection of $50.0m was received and debt to the value of $86.0m was drawn during the year to assist in funding capital projects including the Burdekin–Moranbah Pipeline and the acquisition of BW.

Net operating cash inflows of $31.0m ($27.0m for 2004–05) were offset by substantial purchases of property, plant and equipment ($125.0m in 2005–06 compared with $47.1m in 2004–05) with the largest expenditure being on the Burdekin–Moranbah Pipeline. In managing the cash balance, SunWater must ensure that deferred tax obligations (due primarily to timing differences in deductibility of accounting verses tax asset values) can be funded from current resources rather than being an obligation to be paid for by future customers. Additionally, SunWater strives to ensure that sufficient funds are in place to give it the flexibility to fund new capital projects.

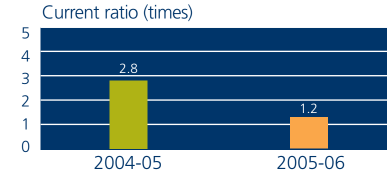
Dividends

In accordance with SunWater's established dividend process, dividends are based on profits but recognise the need to maintain cash for asset refurbishment and other future commitments. On this basis, no dividend was declared for 2005–06 on the profits reported under AIFRS.

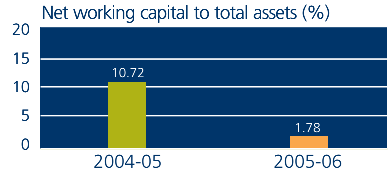
Key financial ratios

Liquidity indicators

Current ratio (times)

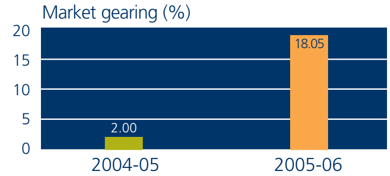


Net working capital to total assets (%)

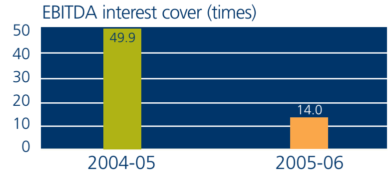


Financial leverage indicators

Market gearing (%)

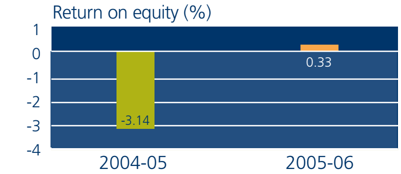


EBITDA interest cover (times)

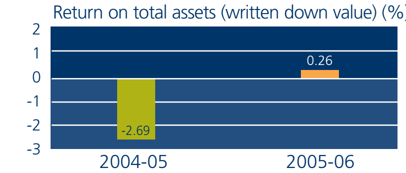


Profitability indicators

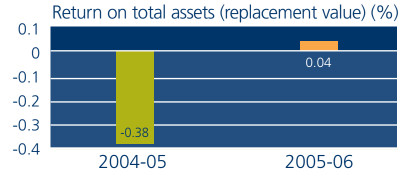
Return on equity (%)



Return on total assets (written down value) (%)



Return on total assets (replacement value) (%)



Operating cashflow to earnings (%)