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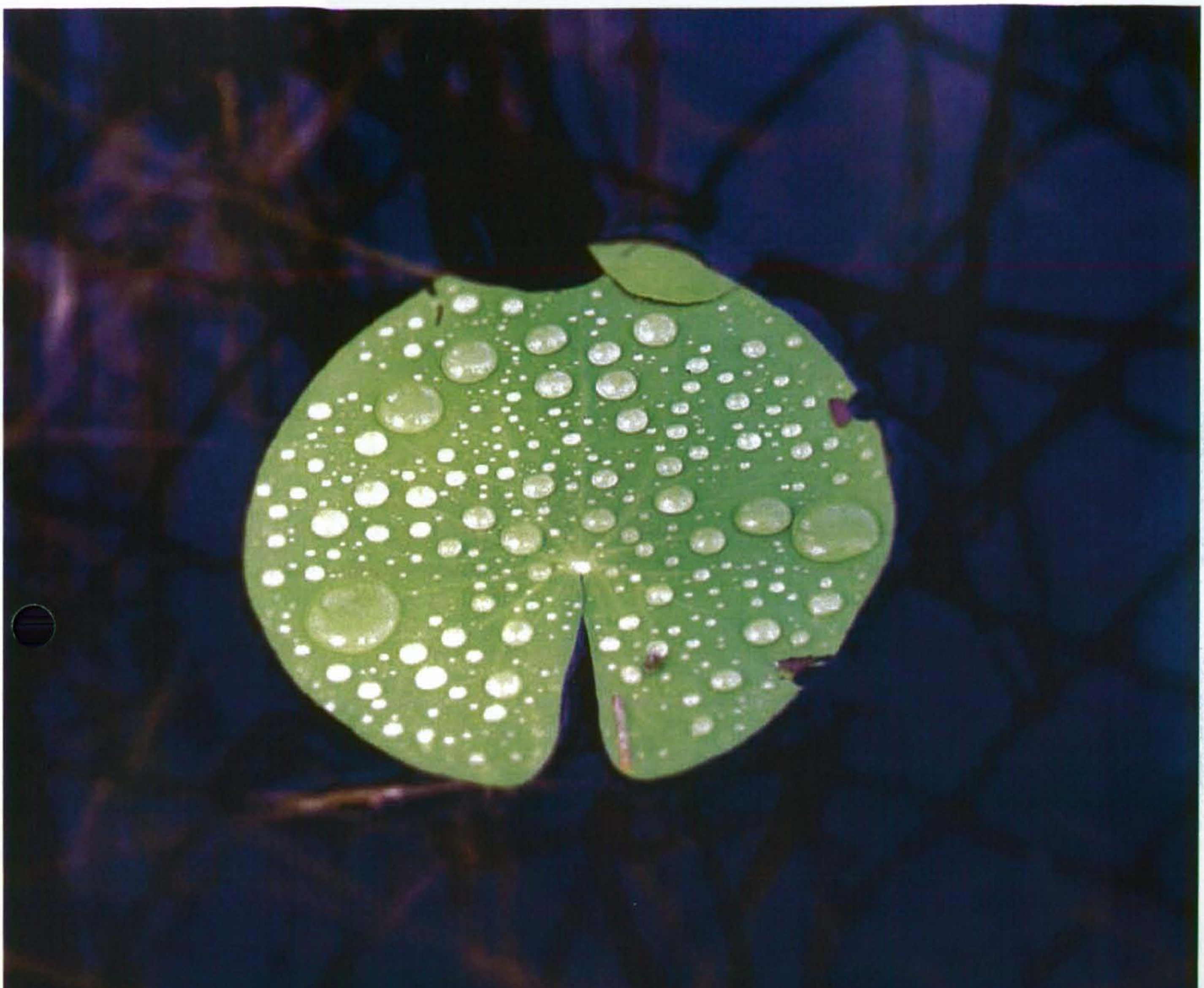
annual report 2008/09

seqwater
WATER FOR LIFE



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This Annual Report provides information about the financial and non-financial performance of the Queensland Bulk Water Supply Authority (QBWSA, trading as Seqwater) for 2008-09.

It has been prepared in accordance with the *Financial Administration and Audit Act 1977, Financial Management Standard 1997* and Annual Report Guidelines for Queensland Government Agencies.

The report records the significant achievements against the strategies and activities detailed in the organisation's Strategic and Operational Plans.

This report has been prepared for the Minister for Natural Resources, Mines and Energy and Minister for Trade to submit to Parliament.

It has also been prepared to meet the needs of Seqwater's customers and stakeholders which include the Commonwealth and local governments, industry and business associations and the community.

This report is publically available and can be viewed and downloaded from Seqwater website at **www.seqwater.com.au/public/news-publications/annual-reports**

Printed copies are available from Seqwater's registered office.

Seqwater Annual Report 2008-09.

ISSN 1837-4557

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, please contact us and we will arrange an interpreter to effectively communicate the report to you.

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Annabelle Chaplain

Peter Borrows

2 Report from the Chairman and CEO

As the Statutory Authority for bulk water supply and catchment management, Seqwater made good progress this year in helping to secure safe and reliable water supplies for South East Queensland.

The 2008-09 year marked the first full year of operation as Seqwater, following the July 1 2008 implementation of water industry reforms under the *South East Queensland Water Restructuring Act 2007*.

Without doubt it has been a challenging year, with extremes in weather and increased operational demands as Seqwater took on new roles and responsibilities, while investment in large-scale water supply infrastructure projects continues.

A series of extreme weather events across the region during this period has seen a remarkable turnaround for our storages. In the space of 12 months, we have gone from a position of preserving bulk water supplies in extreme drought conditions, to a situation where storages are now at levels few would have predicted at the height of the drought. The year began with a combined storage capacity at just under 40 percent; it reached 50 percent capacity in late March, and finished the year at over 76 percent.

While the rain and increase in storage levels brought welcome relief with many of Seqwater's dams overflowing in spectacular fashion, they in fact serve as a reminder of the challenges associated with more extreme and unpredictable weather.

An equally challenging and immediate priority this year has been to bring together the various water entity assets and staff that comprise the new Seqwater business. Each of these entities and assets brought their own technologies, processes and systems. The integration of people, processes and systems is a sizeable undertaking and a critical aspect of this has been to build greater operational understanding and capabilities of the expanded asset base under Seqwater's control.

Combined with this is a concentrated focus on workplace health and safety, targeting identified high risk areas across the business. A number of preventative programs were introduced throughout the year, significantly reducing the lost time injury frequency rate.

A number of major infrastructure projects, some inherited as part of the reform process and some new, were undertaken throughout the year to increase storage capacity, improve water treatment and deliver water fluoridation services across the region. These incude raising the Hinze Dam wall and the construction of advanced water treatment facility at the Ewen Maddock Dam on the Sunshine Coast. Seqwater will continue to invest in improving the performance and quality of the region's water storage and treatment facilities as well as preparing for future demand.

Our investment throughout the year extended beyond infrastructure to include knowledge, through science, technology and research.

Seqwater is driven by the principles of productive catchments and sustainable water quality. The organisation affirmed this commitment by publishing both a sustainability charter and water quality policy throughout the year, as well as undertaking a number of on the ground activities and initiatives in conjunction with leading research partners such as the CSIRO.

A successful program of education and community engagement was launched during the year. Focusing on the link between catchments, storage and treatment as part of the broader water cycle and built around tour activities, informative curriculum and supporting resources and participation at several major shows and events; the program continues to grow and be recognised across the industry and by the community.

As with any new business, there have been operational issues, and the fluoride incident at North Pine provided us with clear insights into the challenges and responsibilities we face.

This incident was caused by a unique set of circumstances relating to equipment and operational issues. We acknowledge that this incident was unacceptable. Appropriate changes to operating procedures, physical assets and control systems and further training have been implemented to ensure such incidents are not repeated. Importantly, the learning from this experience has been incorporated into the roll-out of the second stage of the South East Queensland Fluoridation project.

Looking ahead, as we continue to build a comprehensive understanding of our assets and operations, and extend collaboration with other Water Grid entities, we will demonstrate the value of a regional approach to owning and operating these assets within the Seqwater business.

The integration of bulk water supply and catchment management harnesses skills, expertise and knowledge in whole-of-catchment management, supported by community awareness and the latest science and research in order to achieve our strategic goals of water supply quality and security, and catchment sustainability.

The benefits of this include improved quality and quantity of water supply, improved community confidence, increased operational management and incident response, and the ability to anticipate and respond to regional growth and climate change.

Ultimately, South East Queensland communities and businesses will gain the maximum sustainable value from Seqwater's natural and built catchment, storage and water treatment assets and services.

Peter Borrows
Chief Executive Officer
and on behalf of the Chairman

4 About Seqwater

Seqwater provides bulk water storage and treatment services to the South East Queensland (SEQ) Water Grid.

Seqwater works collaboratively with a number of other water entities as part of the SEQ Water Grid - designed to interconnect new and existing water sources across the region and secure our water supply now and for the future.

The formation of Seqwater as part of the Government's reform of water supply arrangements in South East Queensland created an opportunity to take an integrated approach to catchment-sourced water management across the region.

This approach will help ensure the long-term security and sustainability of our region's catchment-based water supply.

With further transfers and acquisitions throughout 2008-09, Seqwater now owns, manages and operate physical assets with an estimated value of $2.43 billion.

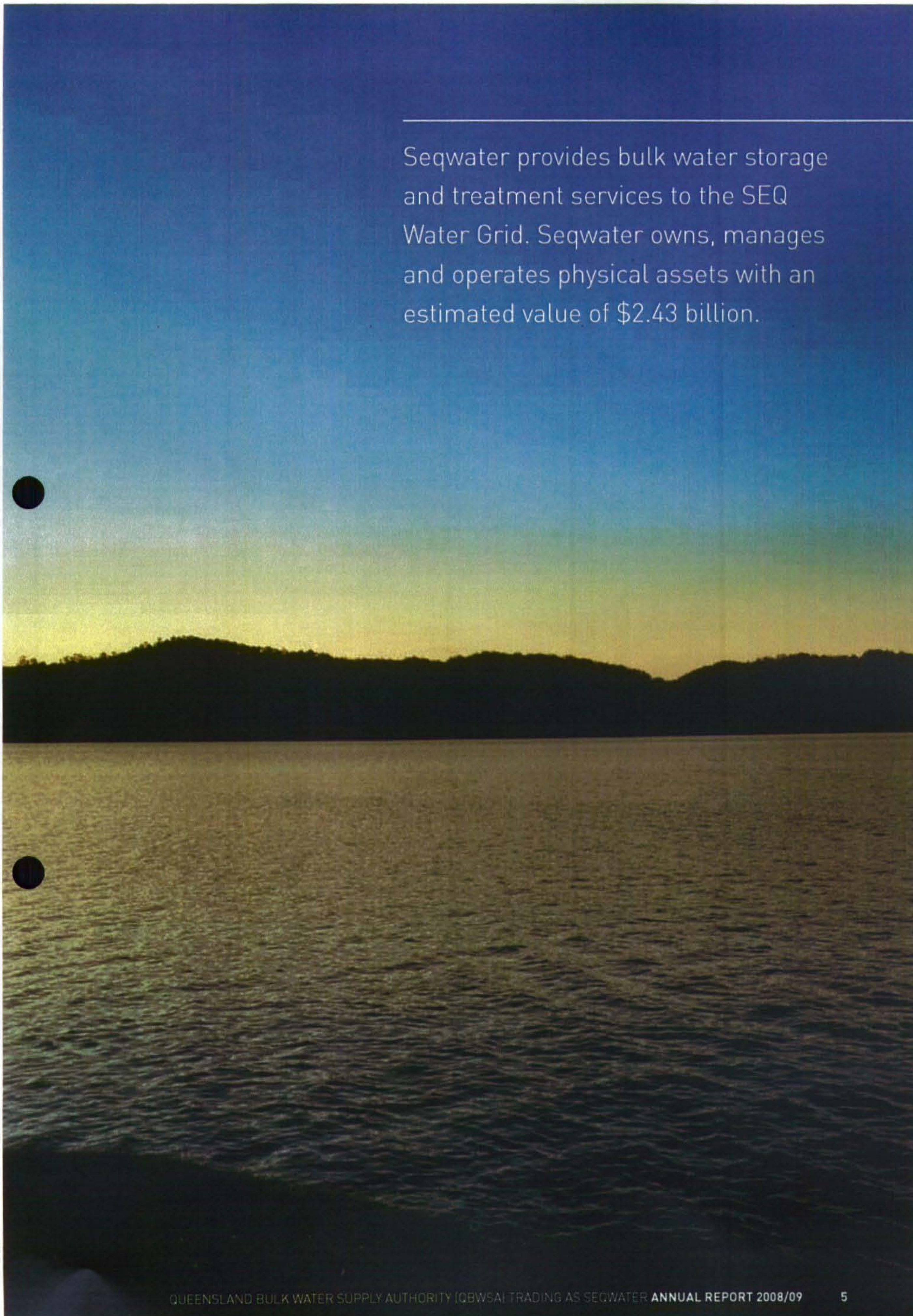
Seqwater has responsibility for managing 25 dams and 47 weirs across South East Queensland, including Wivenhoe, Somerset and North Pine Dams, Hinze Dam on the Gold Coast and Baroon Pocket Dam on the Sunshine Coast.

In addition to this Seqwater currently manages 46 operational Water Treatment Plant (WTP) facilities and 14 groundwater bore fields.

Seqwater also provides essential flood monitoring services, catchment management services for landholders, water quality research and investigation, recreation services, and irrigation services to around 1,000 rural customers in five water supply schemes.

In addition, the organisation is responsible for a range of new water infrastructure projects and initiatives, including an Advanced Water Treatment Plant (AWTP) on Ewen Maddock Dam on the Sunshine Coast, raising the dam wall to increase the capacity of the Hinze Dam on the Gold Coast, and the fluoridation of the region's drinking water supply.

In delivering these services, Seqwater seeks to maintain productive relationships with government agencies, research organisations, landholders and the community.



Seqwater provides bulk water storage and treatment services to the SEQ Water Grid. Seqwater owns, manages and operates physical assets with an estimated value of $2.43 billion.

6 The South East Queensland (SEQ) Water Grid

Seqwater is a partner in the new SEQ Water Grid, which brings together diversified water supplies, distribution methods and water industry entities to diversify and interconnect new and existing water sources across the region.

Seqwater works in close collaboration with other grid members to secure the region's water supply now and for the future.

In addition to Seqwater, the other members of the SEQ Water Grid are:

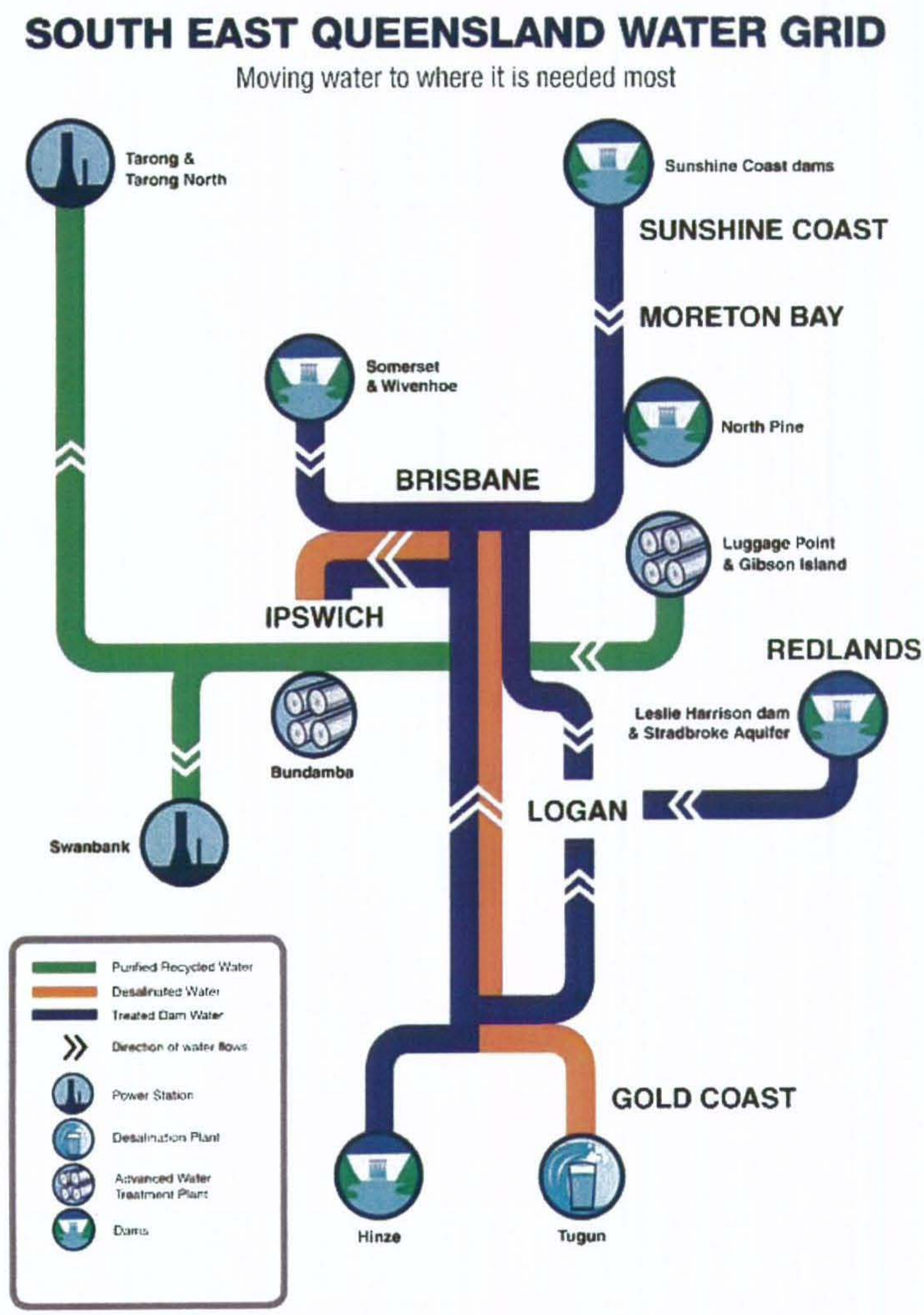
→ WaterSecure (Queensland Manufactured Water Authority) who supply water from the Tugun Desalination Plant and the Western Corridor Water Recycled Water Project to the SEQ Water Grid Manager, power stations and potentially into Wivenhoe Dam.

→ LinkWater (Queensland Bulk Water Transport Authority) who move treated water supplies from both Seqwater and WaterSecure through the bulk pipeline networks that make up the SEQ Water Grid.

→ The SEQ Water Grid Manager (SEQWGM) who oversee the flow of water around the Grid on a contractual basis and by issuing instructions to the other Grid partners. The SEQWGM purchases bulk water and water transport services and sells treated water to existing Local Government owned water businesses and Councils.

It is intended that from July 2010 three water distribution and retail businesses will commence operations, completing the second phase of the Grid.

These new Grid entities will be formed around three geographical areas comprising the Sunshine Coast and Moreton Bay; Brisbane, Scenic Rim, Ipswich, Somerset and Lockyer Valley; and Redlands, Logan and the Gold Coast.



Courtesy of the Queensland Water Commission (QWC)

" Increasing our knowledge of assets, land ownership and operations."

8 The year in review

The 2008-09 reporting year represented an establishment year for Seqwater. Activity centred on bringing together the people and developing the necessary processes and systems to form a cohesive organisation focused on working collaboratively with other SEQ Water Grid partners to improve water delivery to the community.

Highlights and achievements include:

→ Supplying treated water to the SEQ Water Grid from day one, 1 July 2008, when water industry reforms came into effect. In total, Seqwater supplied 250,700 megalitres of treated water to the Grid during 2008-09.

→ Increasing our knowledge of assets, land ownership and operations.

→ Delivering immediate improvements and upgrades to a number of infrastructure assets.

→ Developing and implementing a wide range of planning frameworks including a five year Strategic Plan and annual Operational Plan. Other planning activity included developing 20 Hazard Analysis and Critical Control Point (HACCP) plans and range of Strategic Asset Management Plans (SAMP), Standard Operating Procedures (SOP) and Operations & Maintenance (O&M) plans.

→ Establishing an incident management focus and implementing an organisational Emergency Response Plan (ERP) and incident management procedures.

→ Sharpening our focus on safety, supported by the development of 65 Workplace Health and Safety (WHS) procedures.

→ Taking positive steps to managing strategic risk by developing an enterprise risk register and undertaking a program of operational risk review which saw 25 assessments conducted across both catchments and WTP assets.

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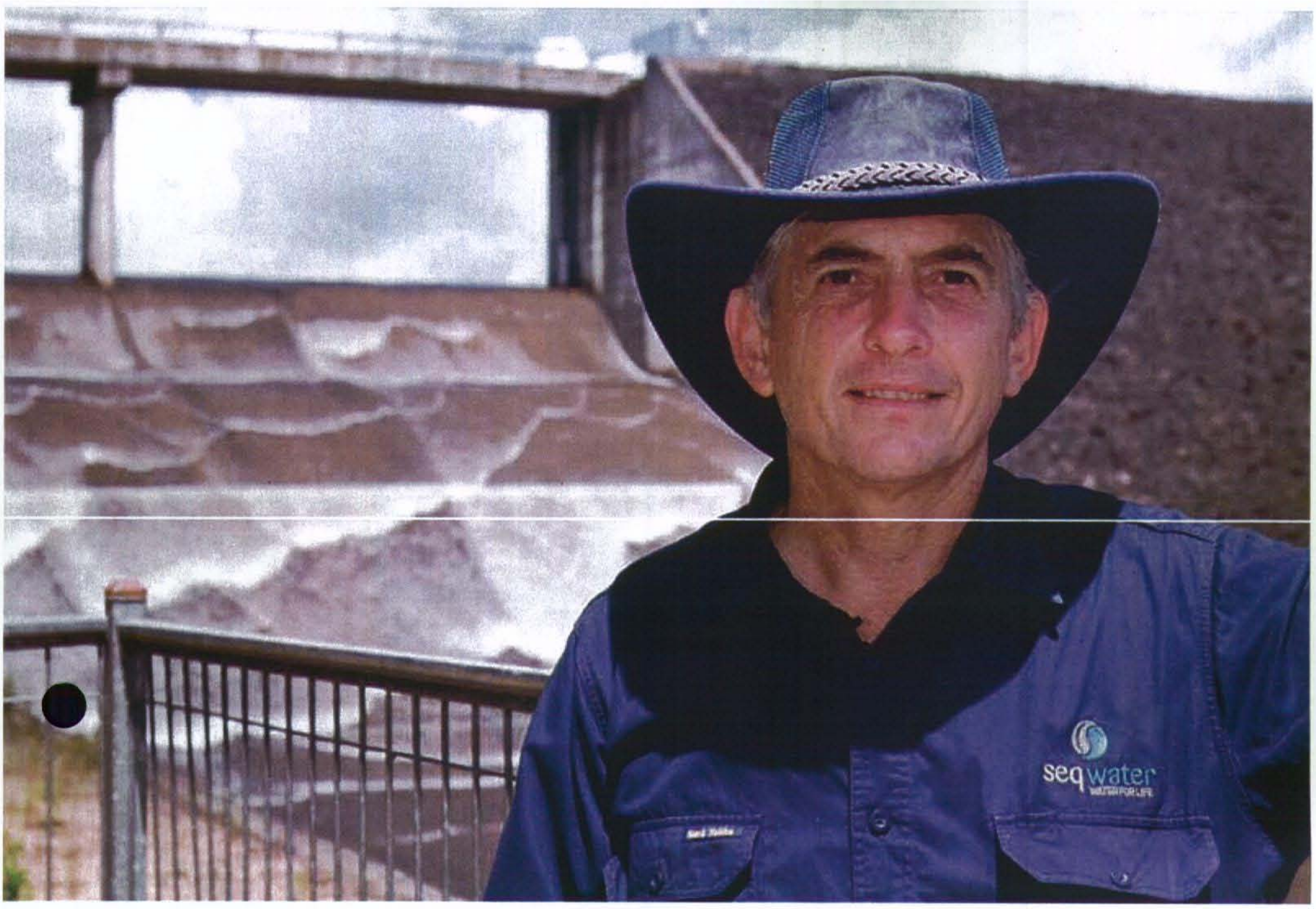


- Managing the ongoing transfer of water related assets from 15 organisations as well as the transfer of 1363 freehold and non-freehold titles, 430 easements and a range of environmental and dangerous goods licenses.
- Recruiting over 100 people and establishing a geographically diverse presence, including opening a new office serving rural irrigator customers at Karalee.
- Significantly improving processes and information flows by launching the first stage of a new Corporate Information System (CIS).
- Delivering key infrastructure projects including the construction of the Ewen Maddock AWTP and Stage 1 of the SEQ fluoridation program.
- Conducting a review of recreational activities in consultation with over 80 clubs, sporting bodies and associations, and local and state government authorities.
- Meeting all stakeholder and regulatory reporting obligations as a newly created entity.
- Developing a new brand and visual identity as the Statutory Authority responsible for the catchment, storage and treatment of the region's natural water supply.
- Developing a successful program of education and community engagement, built around educational tours at a number of established learning centre locations.
- Managing the completion of the South East Queensland Business Water Efficiency Program (BWEP).

Looking ahead to 2009-10

Seqwater will continue to focus on efficiently managing the region's catchments, storages and treatment facilities to ensure the supply of quality water to the SEQ Water Grid and onto the community, while creating a firm foundation for longer-term strategic goals and catchment sustainability.

10 Vision and mission

Vision

Water for life – vibrant, sustainable and optimistic urban and rural communities and businesses.

Mission

Seqwater provides innovative and efficient management of both natural and built catchments, water storages, and treatment services to ensure the quantity and quality of water supplies.

Seqwater will achieve this mission by working with partners and stakeholders across government, the water industry and community, to further develop and apply specialist knowledge and skills in water sourcing, storage, supply and treatment.

Sustainable catchments

Catchments, by strategic definition, are the combined natural and built infrastructure needed to source, store and supply water to meet the quality and reliability needs of our customers.

SOURCING	STORING	SUPPLYING
TREATING		

Catchments are complex systems. Their productivity is subject to changes in weather patterns, environmental impact, community values, regulation and economic demands.

Seqwater's approach to business is to put into practice the know-how and technologies needed to gain the maximum sustainable value from these complex systems.

Vision

Water for life – vibrant, sustainable and optimistic urban and rural communities and businesses.

Mission

Seqwater provides innovative and efficient management of both natural and built catchments, water storages, and treatment services to ensure the quantity and quality of water supplies.

CATCH

We catch the rain falling
across more than 1.2 million hectares of
catchments and rivers flowing into our dams,
aquifers and off-stream storages.

Strategic goals and performance

Seqwater is committed to ensuring the reliability and quality of the region's catchment based water supply.

Seqwater's five strategic goals for 2008-09 are described below.

GOAL 1

Water storage, treatment and supply

In partnership with other grid entities, Seqwater will provide urban consumers with water treated to meet or exceed the Australian Drinking Water Guidelines (ADWG) as required by regulation, contracts and best practice. Seqwater will provide efficient water and support services to rural consumers to help support sustainable practices, viable enterprises and vibrant rural communities.

GOAL 2

Sustainable catchments

In order to ensure the current and future viability of the primary drinking water sources of South East Queensland, Seqwater will effectively research and manage the water catchments to deliver safe and reliable water supplies while:

→ fostering productive practices

→ providing places of recreation

→ improving amenity for the people of South East Queensland.

GOAL 3

Water solutions

Seqwater will provide sustainable solutions for the water business as well as investigate growth opportunities in the broader industry in both the natural environment and the built urban catchment. Seqwater will face the carbon challenge by reducing the environmental impact of our operations and investigate the scientific and commercial use of catchments as carbon sinks, and the entity's potential for hydro electricity generation and other renewable energy opportunities.

GOAL 4

Stakeholder engagement and support

Seqwater will adopt an integrated approach to stakeholder engagement to develop a successful brand and reputation that is widely recognised and respected by government, industry and the community.

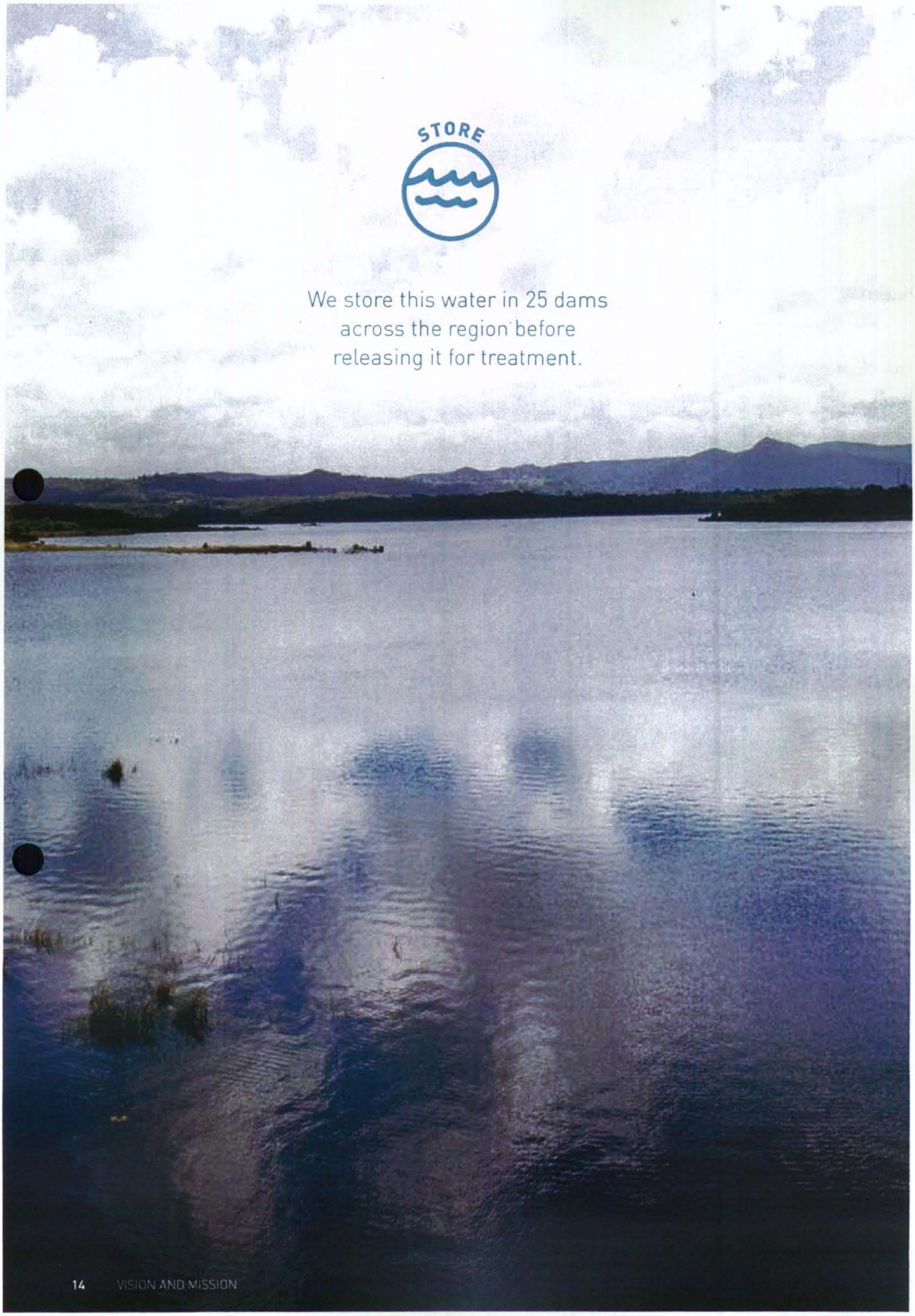
GOAL 5

Performance excellence

Seqwater will apply standards of governance, risk management and financial practices to assure our sustainability. We will attract, develop, equip and retain people with the right skills, energy and motivation.

STORE

We store this water in 25 dams
across the region before
releasing it for treatment.



Key Performance Indicator summary

As part of the 2008-09 Operational Plan, Seqwater monitored progress and measured performance against these strategic goals on a quarterly basis through 12 Key Performance Indicators (KPIs).

In summary, of these 12 goal indicators, 10 were either met or substantially met. The remaining two were reported as not met due to the impact of external factors or internal decisions.

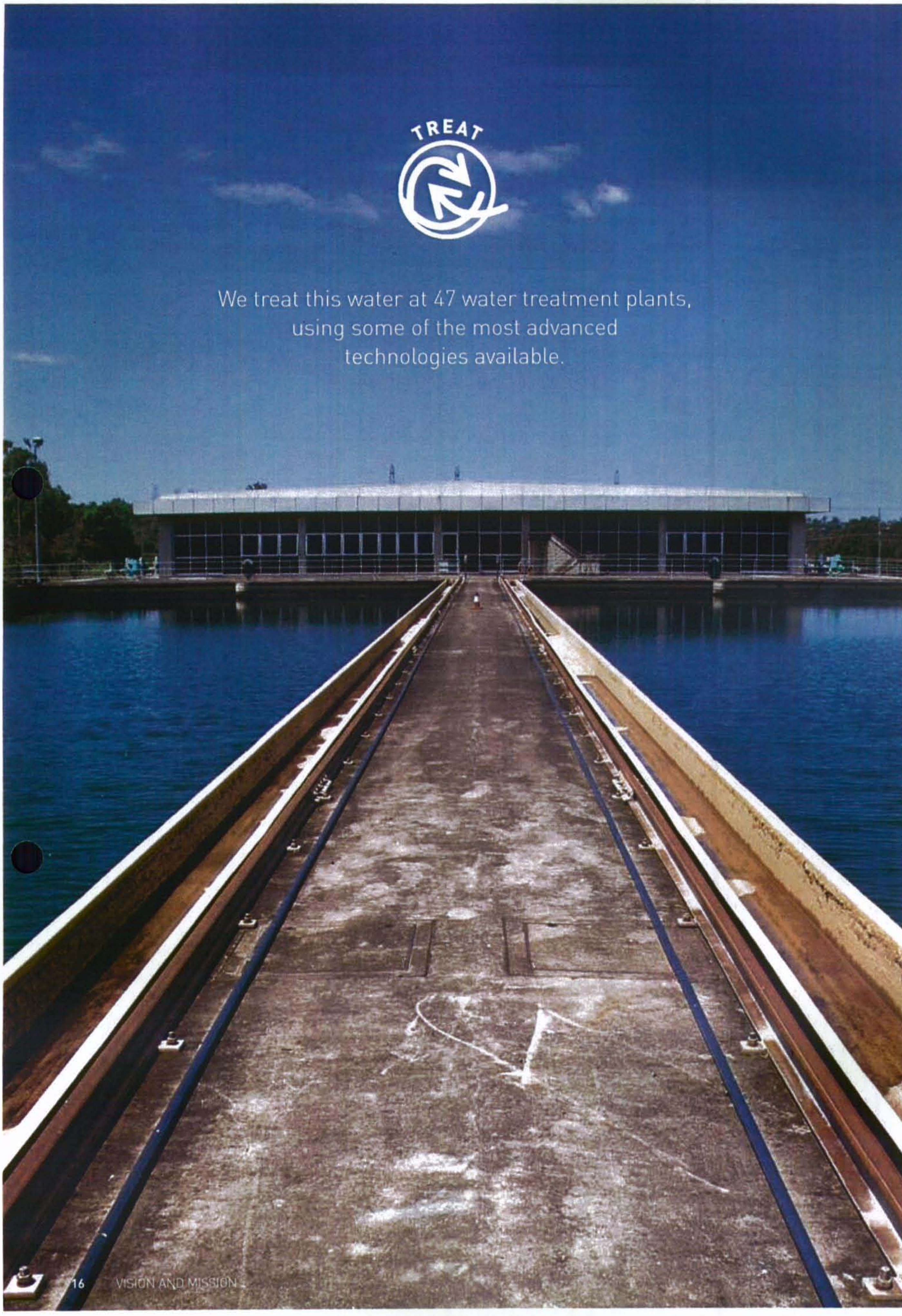
Specifically, changes to the stakeholder landscape in early 2009 and a subsequent decision not to undertake a survey as measure of stakeholder relationships and reputation was made.

	Key Performance Indicator	Measure	Result
GOAL 1	Quantity and quality of supply	No material breach of the Market Rules (as advised by the QWC). 100% compliance with national performance indicators*. 95% compliance with Grid contract.	✓
GOAL 1	Infrastructure condition and capacity	Internal planning assessment plus gap between 5-year performance targets and infrastructure capacity.	✓
GOAL 2	Water quality in storages and delivery channels	Audit of risk management plans and their application in response to water quality events.	✓
GOAL 2	Natural catchment condition	Audit of catchments incorporating a Seqwater scorecard (similar to the Healthy Waterways report card).	✓
GOAL 3	Extent and diversity of business growth.	Financial value plus qualitative assessment of environmental and social value.	✓
GOAL 3	Future business readiness.	Number, type, cost and potential value of R&D initiatives	✓
GOAL 4	Stakeholder engagement and satisfaction	Survey of key stakeholders.	-
GOAL 4	Seqwater's reputation	Survey of key stakeholders.	-
GOAL 5	Financial Performance	Governance and financial compliance	✓
GOAL 5	Governance and financial standing	As per the Operational Plan	✓
GOAL 5	Staff performance and satisfaction	% of identified targets achieved Staff satisfaction survey Injury management process	✓
GOAL 5	Staff capabilities	Extent of achievement of HR plan initiatives Qualification / certification - WH&S audit level	✓

✓ Goal targets reported as met or substantially met

- Goal targets reported as not met

* Water quality tests performed by Seqwater, as per the KPI measurement, achieved the stated result. Seqwater does recognise that an elevated fluoride test was undertaken by fellow water entity Linkwater in relation to North Pine, and as a result this KPI was reported as substantially met.



We treat this water at 47 water treatment plants, using some of the most advanced technologies available.

Summary of financial information 2008-09

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Total sales revenue	$309.3 million
Net profit (before tax)	$2.2 million
Net loss (after tax)	$0.1 million ($100K)

Key financial ratios

Return on assets (before tax)	0.08%
Return on assets (after tax)	0
Interest coverage	2 times (1.998)
Debt / total assets	78.8%

18 Summary of major assets

Dams

Water storage is a major and critical part of Seqwater's business. While the primary purpose of these dams is to provide a safe and sustainable water supply, many also play an equally important role to manage and mitigate major flood events.

The region's main dams are Somerset Dam, Wivenhoe Dam and North Pine Dam, supplying the majority of the Brisbane area's drinking water; Hinze Dam in the Gold Coast hinterland, and Baroon Pocket Dam near Maleny on the Sunshine Coast.

Seqwater also owns and manages Atkinson Dam, Bill Gunn Dam, Borumba Dam, Cedar Pocket Dam, Clarendon Dam, Cooloolabin Dam, Enoggera Dam, Ewen Maddock Dam, Gold Creek Dam, Lake Manchester Dam, Little Nerang Dam, Sideling Creek Dam (Lake Kurwongbah), Six Mile Creek Dam (Lake MacDonald), Leslie Harrison Dam, Maroon Dam, Moogerah Dam, Poona Dam and Wappa Dam.

Water Treatment Plants

Seqwater's main WTP facilities across the South East Queensland region include Molendinar and Mudgeeraba located on the Gold Coast; Mt Crosby Eastbank and Westbank, and North Pine in Greater Brisbane; and Landers Shute, located near Palmwoods on the Sunshine Coast.

Water treatment also takes place at a number of smaller facilities listed as follows.

→ Amity Point WTP, North Stradbroke Island

→ Algester WTP

→ Banksia Beach WTP, Bribie Island

→ Beaudesert WTP

→ Boonah-Kalbah WTP, Kalbar

→ Bribie Island WTP, Woorim

→ Caboolture WTP

→ Canungra WTP

→ Capalaba WTP

→ Chandler WTP

→ Dayboro WTP, Samsonvale

→ Dunwich WTP, Stradbroke Island

- Enoggera WTP, The Gap
- Esk Water WTP
- Forest Lake WTP
- Helen Street WTP, Beaudesert
- Image Flat WTP, Nambour
- Jimna WTP
- Kenilworth WTP
- Kilcoy WTP
- Kooralbyn WTP
- Linville WTP
- Logan Maroon Dam WTP, Maroon Dam
- Lower Lockyer Atkinson Dam WTP
- Lowood WTP
- Maleny WTP
- Mary Valley - Borumba Downs WTP
- Noosa WTP, Cooroy
- North Stradbroke Island WTP, Minjerriba, North Stradbroke Island
- Petrie WTP
- Point Lookout WTP, North Stradbroke Island
- Rathdowney WTP
- Runcorn WTP
- Somerset Dam Recreation WTP, Lake Somerset
- Somerset Dam Township WTP, Lake Somerset
- South Maclean WTP
- Sunnybank WTP
- Warrill Valley Moogerah Dam WTP, Boonah
- Woodford WTP

In addition to these WTPs, Seqwater will construct and operate the Wyaralong Dam WTP when the Wyaralong Dam is completed.

Effective treatment ensures the water the community receives meets standards set by the Australian Drinking Water Guidelines (ADWG).

20 Governance

The Queensland Bulk Water Supply Authority (QBWSA), trading as Seqwater is a Statutory Authority and was created under the *South East Queensland Water (Restructuring) Act 2007*.

Organisational structure

Seqwater's leadership structure for 2008-09 comprised a Chief Executive Officer (CEO) and five Executive General Manager (EGM) positions. *See opposite page*.

Each EGM led a distinct business group, the functions of which are described as follows.

Operations

The Operations group is responsible for the management and operation of all dams and water treatment plant assets.

Sustainable Water & Asset Delivery

The Sustainable Water and Asset Delivery group is responsible for land and water quality, planning and engineering services, major investment delivery, special projects and strategic planning and innovation.

Business and Asset Management

The Business and Asset Management group is responsible for finance, information technology and corporate management services as well as strategic maintenance and planning, and renewal and replacement programming.

Corporate and Stakeholder Relations

The Corporate and Stakeholder Relations group is responsible for the external relations and communications, legal, commercial and economic functions as well as programs such as the BWEP.

Organisational Development

The Organisational Development group is responsible for organisational and culture change, employee relations, enterprise bargaining, organisational design, leadership development and team building functions.

Board

Chief Executive Officer

Executive General Manager
Operations

Executive General Manager
Sustainable Water & Asset Delivery

Executive General Manager
Business & Asset Management

Executive General Manager
Coporate & Stakeholder Relations

Executive General Manager
Organisational Development

Organisation review

In April 2009 a review of executive roles and group functions commenced, recognising that Seqwater was formed by merging the water related assets and staff of multiple entities under a transitional framework the previous year.

The review sought to build on the experience of working together for several months as well as align and clarify leadership, responsibility and reporting in line with the organisation's longer term strategies and objectives.

A proposed structure has been approved by the Board and Seqwater's responsible Ministers and will be progressively implemented in 2009-10.

Executive leadership team

The following executives led Seqwater through its first year of operation.

Peter Borrows

Chief Executive Officer

Peter is Seqwater's first CEO and prior to this was CEO of the South East Queensland Water Corporation Limited. Peter has held other senior roles including head of engineering departments at Brisbane and Ipswich city councils.

Phil Aldridge

EGM Operations Group

Phil joined Seqwater from Aquagen on the Sunshine Coast where he was the General Manager responsible for bulk water supply, treatment and renewable energy generation.

Jim Pruss

EGM Sustainable Water and Asset Delivery

Jim joined Seqwater from the Redlands Shire Council where he was General Manager Water and Waste.

Fiona Roehrs

EGM Corporate and Stakeholder Relations

Fiona joined Seqwater from the South East Queensland Water Corporation Limited. She has extensive national and international experience in the mining sector prior to working in the water industry.

Bill Andrew

EGM Organisational Development (from April 2009)

Bill brings considerable experience in organisational and cultural change to his role as EGM Organisational Development.

Peter Scott

EGM Business and Asset Management
(July 2008 – Jan 2009)

Peter joined Seqwater from Caboolture Water where he was the General Manager.

John Orange

acting EGM Business and Asset Management Group
(from March 2009)

John joined Seqwater on a short term contract. John is a consultant and Non Executive Director with considerable experience in general management roles and in the water sector.

Related entities

The South East Queensland Water Corporation Limited (SEQWater) became a wholly owned subsidiary of the Queensland Bulk Water Supply Authority (QBWSA) on 1 February 2008. The assets, liabilities and staff of SEQWater were subsequently transferred to QBWSA on 1 July 2008 and the subsidiary entity therefore did not trade during the 2008-09 year.

The Seqwater Board

The Seqwater Board comprises a Chairman and four Board Members, appointed by our responsible Ministers.

The Board is committed to providing effective governance and strategic direction to ensure Seqwater's long term success.

Above: From left: Thomas Fenwick, Annabelle Chaplain, Ian Fraser and Leeanne Bond.

In line with the provisions of the *South East Queensland Water (Restructuring) Act 2007*, Board Members are appointed for a period of three years.

They also represent the Board of the South East Queensland Water Corporation Limited as Directors.

Board Members for the 2008/09 reporting year are outlined as follows.

During the year, Mary Boydell resigned as a Board Member to become Commissioner, Queensland Water Commission (QWC). At the time of preparing this Annual Report, Annabelle Chaplain had resigned as Chairman.

The State Government has announced the appointment of Phil Hennessy as Chairman and Leith Boully as a Board Member to fill these vacancies, effective from 1 October 2009.

(Sally) Annabelle Chaplain

BA, MBA, FAICD - Chairman

Appointed as the Chairman of the Board on 4 February 2008, Annabelle has had extensive experience as a company director and currently holds a number of directorships including Downer-Edi Ltd, Canstar Cannex (Aust) Pty Limited, George Street Finance Pty Limited, and the Australian Youth Orchestra. She is Chairman of South East Queensland Water Corporation Limited and also Chairman of Honeycombes Property Group Pty Ltd. Previously, Annabelle has held management positions as Head of Public Sector Client Management at ABN AMRO, Director Corporate and Project Finance at AIDC Limited and Vice President for Citibank Limited.

Leeanne Kay Bond

BE (Chem), MBA, FIEAust, RPEQ, GAICD - Board Member

Appointed as a Member of the Board on 4 February 2008, Leeanne is a chemical engineer with experience across the hydrocarbons, minerals processing, infrastructure, water and power industry sectors. Leeanne is currently a Director of South East Queensland Water Corporation Limited, Tarong Energy Corporation (a government owned power generator) and consults to industry through her company Breakthrough Energy Pty Ltd. She is a former Chairman of the Brisbane Water Advisory Board for the Brisbane City Council, Deputy Chairperson of the Board of Professional Engineers in Queensland, President of Engineers Australia (Queensland Division) and a member of the Queensland Government Smart Women Smart State Taskforce.

Mary Stuart Boydell

B.Comm., FCA, MAICD - Board Member (resigned 18 June 2009)

Appointed as a Member of the Board on 4 February 2008, Ms Boydell is a Chartered Accountant with over thirty years experience in professional services firms and business.

CASE STUDY

From Drought to Flooding Rains

Above: The massive concrete gates of North Pine Dam were opened in May 2009 as storage levels reached over 100 per cent for the first time since 2001.

A series of weather events during 2008-09 delivered a remarkable turnaround for the region's dams.

Little more than a year prior, in August 2007, combined dam levels for the region's three main dams - Wivenhoe, Somerset and North Pine - had fallen to their lowest point of 16.7% during one of the worst droughts on record.

Rainfall in July 2008 saw the combined capacity of Wivenhoe, Somerset and North Pine dams pass 40% for the first time in three years and was greeted with cautious optimism.

Rainfall in late March 2009 saw combined dam levels pass the 50% milestone for the first time since November 2004. With catchments wet and primed for further inflows, follow up rain - a rare event in recent years - saw combined dam levels accelerate to just below 60% over the Easter long weekend.

Hinze Dam on the Gold Coast and Baroon Pocket Dam on the Sunshine Coast, as well as many of the regions' smaller storages, reached 100% capacity during this time.

With the heaviest autumnal rainfall in over 15 years, the South East Queensland drought was declared officially over in June 2009 when the combined capacity of Wivenhoe, Somerset and North Pine passed the 75% mark for the first time since April 2002.

The drought may be over, but these events highlight the extreme unpredictability of weather and need to secure the region's water supply now and into the future.

Currently, she is Chairperson of Gladstone Area Water Board, Chairperson of Rural Industries Research and Development Corporation, a Director of South East Queensland Water Corporation Limited, a Director of Energex Limited, a Director of BSES Limited and an external member of the audit committee of the Australian Government Department of Agriculture, Fisheries and Forestry. She is a former Director of Burnett Water Pty Ltd and the Australian Trade Commission.

Thomas David Fenwick

BE (HONS), FIE, Aust - Board Member

Appointed as a Member of the Board on 4 February 2008, Thomas is also a Director of Queensland Water Infrastructure Pty Ltd, and South East Queensland Water Corporation Limited, and a Member of the Dispute Resolution Board for the Gateway Motorway Upgrade. He is also Managing Director of a private company. He is a former Director-General of the Queensland Department of Natural Resources, and the Department of Primary Industries. Among his past appointments has been as a Commissioner for Queensland on the Murray Darling Basin Commission.

Ian Harley Fraser

BComm, FCA, FAICD - Board Member

Appointed as a Member of the Board on 4 February 2008, Ian has over 40 years' business experience, particularly as a senior audit and corporate advisory partner of KPMG. He retired on 30 June 2004 after 27 years as a partner. Ian is a Director of South East Queensland Water Corporation Limited, Chairman of RP Data Ltd and a non-executive director of Wilson HTM Investment Group Ltd, Diversified Mining Services Limited and Property IQ NZ Limited.

Responsible Ministers

The State Government has appointed two Ministers to act as responsible Ministers for Seqwater.

Prior to the March 2009 state election they were:

→ The Hon. Andrew Fraser MP – Treasurer

→ The Hon. Craig Wallace MP - Minister for Natural Resources and Water and Minister Assisting the Premier in North Queensland

Following the state election they were:

→ The Hon. Andrew Fraser MP – Treasurer and Minister for Employment and Economic Development

- The Hon. Stephen Robertson MP - Minister for Natural Resources, Mines and Energy and Minister for Trade

In line with this, Seqwater has corresponding relationships with the Treasury Department and the Department of Environment and Resource Management (DERM). These relationships cover reporting, oversight and the regulation of Seqwater's catchment, storage and water treatment business activities.

Seqwater also has regulatory relationships with Queensland Health, under the *Water Fluoridation Act 2008*, and the Department of Infrastructure and Planning for the delivery of major water projects.

Board role

The Board is responsible for the way Seqwater performs its functions and exercises its powers under the *South East Queensland Water (Restructuring) Act 2007*.

The Board's role includes:

- Setting the stratgy and direction for Seqwater, as well providing the governance framework for the organisation through the endorsement of financial, administrative and operational policies;
- Ensuring Seqwater performs its functions and exercises its powers in a proper, effective and efficient way;
- Ensuring strategic and operational planning objectives are, as far as practicable, achieved;
- Oversee the identification of Seqwater's risks and the processes by which those risks are managed;
- Being accountable to the responsible Ministers for Seqwater's performance; and
- Reviewing the annual performance of the CEO.

Board committees

During 2008-09, the Board continued to be supported by the Audit Committee and a special purpose working group called the Fluoride Taskforce.

Towards the end of the reporting year, the Board formed a second, special purpose working group, called the Major Projects Taskforce, to oversee the implementation of Seqwater's major works projects.

Audit Committee

The Audit Committee is responsible for providing reasonable assurance to the Board that Seqwater's core business goals and objectives are being achieved in an efficient and economical manner, within an appropriate framework of internal control and risk management.

The discharge of this responsibility principally involves the consideration and reporting of audit and audit-related findings, including in respect of performance management.

The Audit Committee assists the Seqwater Board to:

- Assess and contribute to the audit planning processes relating to the risks and threats to Seqwater, taking into account the financial and operational environment in which it operates and its performance management framework;
- Assess, oversee and enhance Seqwater's corporate governance, including its systems of internal control;
- Review Seqwater's financial statements and the external audit of these statements;
- Evaluate the quality and facilitate the practical discharge of the internal audit function particularly in the areas of planning, monitoring and reporting; and
- Oversee and appraise Seqwater's financial and operational reporting processes.

The Audit Committee comprised Ian Fraser as Chairman, Annabelle Chaplain and Mary Boydell.

Fluoride Taskforce

The Fluoride Taskforce provides strategic advice to the Board in relation to Seqwater's obligations under the *Water Fluoridation Act 2008*.

The Taskforce's role is to identify risks to the successful implementation of the SEQ Fluoridation Project and to recommend mitigation strategies to the Board.

The Taskforce reports to the Board on the measures and activities being undertaken to comply with obligations under the *Water Fluoridation Act 2008*.

Following the resignation of Mary Boydell (who was Chairman of the Fluoride Taskforce), the Fluoride Taskforce functions were merged with the Major Projects Taskforce and the Fluoride Taskforce ceased as a working group of the Board.

Major Projects Taskforce

The Major Projects Taskforce provides strategic advice to the Board on the implementation of Seqwater's Major Works Projects.

The Taskforce's role is to review and recommend to the Board the rationale and principles for the prioritisation of the Capital Works Program as well as identify risks to the successful implementation of Seqwater's major works projects and recommend mitigation strategies to the Board.

The Taskforce reports to the Board on the measures and activities being undertaken to comply with the Authority's obligations under the *Water Regulation 2002*.

As previously noted, the functions of the Major Projects Taskforce were expanded to include the implementation of the SEQ Fluoridation Project and to report to the Board on the measures and activities being undertaken to comply with the Authority's obligations under the *Water Fluoridation Act 2008*.

Board attendance

The Seqwater Board met 15 times during the year. The number of meetings attended by each Board Member, along with meeting and attendance details of the Audit Committee and the Fluoride Taskforce, is outlined in the following table.

The Major Projects Taskforce was formed late in the year and no meetings were held during 2008-09.

	Committees and Working Groups		
	Board of Seqwater	Audit Committee	Fluoride Taskforce
Total Meetings	**15**	**6**	**7**
A Chaplain	14	6	-
L Bond	14	-	-
M Boydell	14	6	7
I Fraser	14	6	-
T Fenwick	14	-	-

Board remuneration

Board Members are paid for their participation on Seqwater's Board, Committees and Taskforces and as Directors of SEQWater Corporation. Remuneration is as nominated by Seqwater's responsible Ministers and outlined in the following table.

Role	per annum
Chairman of the Board	$100,000
Board Members	$45,000
Chairman of the Audit Committee	$7,623
Audit Committee Members	$4,356
Taskforce Chairman	$5,445
Taskforce Members	$4,356
Chairman of SEQWater Corporation	$8,000
Directors of SEQWater Corporation	$5,500

Seqwater also makes employer contributions to Board Member's nominated superannuation funds.

Further details about the remuneration for each Board Member can found within the notes to the financial accounts.

Strategic and operational planning

Seqwater's strategic and operational planning framework integrates the long-term direction-setting for the organisation (the Strategic Plan) with the annual determining of priorities (the Operational Plan).

The Strategic Plan outlines Seqwater's vision and goals for the region, its water supply and its catchments. Developed for a five year window, the Strategic Plan explains the organisation's strategy and future outcomes in more detail.

Seqwater's strategy - excellence in putting into practice sustainable catchment know how for our assets - sets a clear direction for our business development and integrates the planning and service delivery across the organisation.

Developed on an annual basis, the Operational Plan outlines specific key initiatives and service delivery through programs of work that maintain long term direction while responding to changes in the business environment. The Operational Plan also aligns the delivery of these key initiatives and programs with budgets and performance targets.

Seqwater reports on Operational Plan performance to its responsible Ministers on a quarterly basis through the Treasury Department and the Department of Environment and Resource Management (and prior to March 2009, the Department of Natural Resources and Water).

CASE STUDY

Education and community engagement

The thirst for knowledge from schools and community groups saw Seqwater develop an education and community engagement program that is becoming well known within the education sector and across the water industry.

The program recognised the many historical arrangements and ongoing demand for tours to number of dam and water treatment facilities now part of Seqwater.

Following consultation with several entities and groups previously engaged in educational activities across the region, several 'Learning Centre' locations were identified, each offering an integrated tour experience explaining the link between catchments, storage and treatment as part of the broader water cycle.

Seqwater's tour program kicked off with a direct mail campaign to schools in early 2009 and by the end of June around 150 tours had been conducted with more than 5000 students from all levels.

Informative curriculum and supporting resources, such as the 'Up a Dry Gully' competition were adapted and implemented across the region to challenge students to investigate how water is supplied to the community against changing climate conditions and growing populations.

The development of Seqwater 'Catchment Creatures', each with their own story, have proven an effective and popular way to engage with younger students.

Participation at several shows and events, such as the EKKA and Science Centre during National Science Week has also provided a valuable platform to further educate and engage with the community.

Risk management

The review and management of strategic risk within Seqwater is undertaken at a Board level.

During the 2008-09 reporting year, significant work was undertaken to develop reporting and monitoring tools, including standardised risk registers, risk reports and risk reporting protocols for use across the organisation.

This will be further strengthened in 2009-10 with an enhanced enterprise risk register and alignment of existing risk management functions throughout the organisation with an enterprise-wide risk management framework.

Internal audit

The 2008-09 year was in many ways a transitional period of integrating acquired assets and businesses.

With the support of internal auditors KPMG and in line with Seqwater's Internal Audit Charter, an Internal Audit Plan was developed and a total of twelve internal audit reviews were conducted, focusing on areas of risk primarily associated with transition and integration.

The implementation of recommendations from these reviews is ongoing.

Information systems and record keeping

The 2008-09 year saw the introduction of an Information and Communications Technology (ICT) governance framework.

The first major project developed under the framework was the introduction of a new Corporate Information System (CIS) which is making a positive impact on transforming Seqwater's processes, and information flows.

The project, being implemented over two financial years and with a budget of $5.4 million, is delivering one integrated system for finance, procurement, payroll, human resources, asset management, records and document management, business intelligence and reporting.

Following Board approval in December 2008 the implementation of Stage 1 commenced in January 2009. Completed by the end of the reporting year, Stage1 focused on establishing a financial assets register and capturing costs and work against these assets. This significantly increased Seqwater's ability to meet regulatory reporting requirements.

A number of interim and legacy stand-alone systems were also replaced as a result of Stage 1.

Stage 2 of the project will be rolled out during the 2009-10 financial year will include further works and assets functionality as well as document and record management, enterprise budgeting, strategic and operational planning capability, and the ability to track risk and compliance activities.

Seqwater currently operates a predominantly manual record management system.

Stage 2 of the Corporate Information (CIS) project will include electronic document and records management solution. To be implemented during 2009-10, it will significantly improve Seqwater's ability to meet legislated records management compliance requirements.

Workforce planning and retention

2008-09 represented a period of establishment and consolidation with workforce planning activity focused on the management of transitional arrangements, in particular applying the principles and processes of the *Workforce Framework 2007*.

The implementation of a workforce plan, supported by a Human Resource Management Information System (HRMIS), is also a major goal for 2009-10.

Ongoing recruitment activity saw Seqwater finished the year with 366 FTE (Full Time Equivalent) staff. This was within workforce planning objectives and budget which allowed for a maximum of 452 FTE staff. Seqwater will continue to recruit to provide the necessary resourcing and competence to meet operational requirements.

Seqwater is committed to establishing and maintaining a safe working environment. During the year, a network of Workplace Health and Safety (WHS) Committees was formed across the organisation. A corporate WHS risk assessment was conducted identifying and prioritising areas of risk. Trend analysis of incident data resulted in the implementation of focused preventative programs such as slips trips and falls.

Seqwater made strong progress throughout the year towards developing and negotiating an Enterprise Bargaining Agreement (EBA) for all staff. To be implemented in 2009-10 the Agreement will represent an important achievement the organisation's cultural development.

Conduct and ethics

Reflecting the principles of the *Public Sector Ethics Act 1994*, Seqwater has adopted a Code of Conduct that affirms the organisations commitment to high standards of integrity, professionalism and accountability. The Code of Conduct guides the business conduct of the Board and all staff as well as contractors and consultants engaged by Seqwater.

Seqwater's obligations under the *Public Sector Ethics Act 1994* are further demonstrated by the Board who declare any potential conflicts of interest prior to each Board meeting, or as and when they arise.

Whistleblower protection

No disclosures under the *Whistleblowers Protection Act 1994* were received during 2008-09.

CASE STUDY

Improving water quality through monitoring and research

Innovative monitoring and research was a core component of Seqwater's responsible approach to catchment and storage management throughout the year.

Technology is helping Seqwater to monitor water quality in greater detail. In May 2009, Seqwater installed a Vertical Profiling System (VPS), a real time water quality data collection and early warning system, in Baroon Pocket Dam.

Secured to a floating pontoon, the $150,000 system contains a robust set of sensors which are submerged to track water quality at various depths. Data is collected in real time, allowing for faster analysis and a better understanding of the impact of inflows on water quality.

This information is then used to improve decision making on water abstraction and potentially reduce water treatment costs. It also acts as an early warning detection system for public health issues such as levels of blue-green algae in the dam.

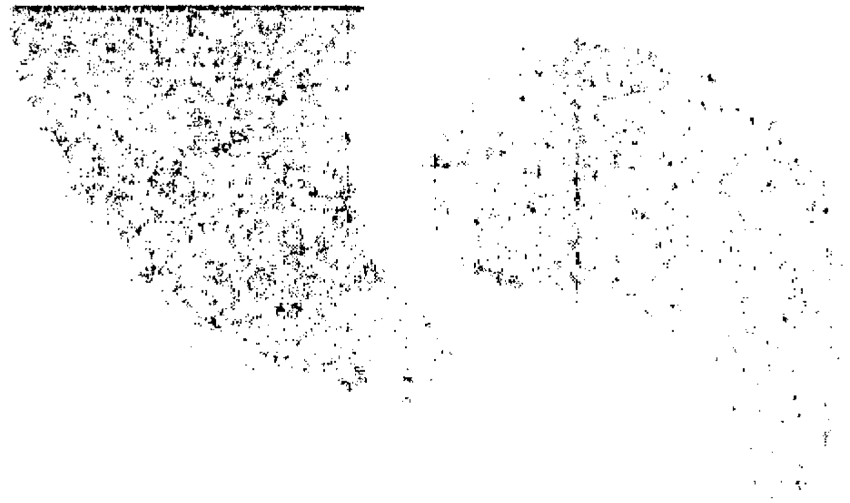
It was the first such system to be deployed on the Sunshine Coast and one of seven VPS systems now installed in dam storages across South-East Queensland.

Earlier in the year, Seqwater worked in collaboration with CSIRO to conduct a three month program to monitor the presence of frogs in the upper catchment of the Somerset Dam. Widely used as indicators of ecosystem health, frogs are also good indicators of water quality.

Using nocturnal surveys and acoustic sensors developed by the CSIRO to record frog vocalisations, the program will allow Seqwater to track water quality changes over time, as well as collect valuable data on several rare and endangered frog species.

Aquatic weed outbreaks in some of south east Queensland's dams were also successfully managed through a biological control program.

A weevil breeding facility established at the Capalaba WTP has proven effective in eliminating the environmental and economic impact of salvinia weed in several of the region's dams as part of integrated control program.



Consultancy

Expenditure on consultancy services for the 2008-09 reporting year is outlined in the following table.

Management	$
Engineering	1,786,129
Legal	273,236
General	952,383
Finance/Accounting/Economics	**$**
Taxation	128,210
Accounting	483,909
Information Technology	6,411
Total Expenditure	**3,630,277**

Overseas travel

Expenditure on overseas travel for the 2008-09 reporting year is outlined in the following table.

Name and position	Destination	Reason for travel	Cost $	Contribution from other sources $
Dr James Udy, Principal Scientist	Las Vegas, USA	Study tour and field work with the Southern Nevada Water Authority (SNWA) on the impacts of introducing recycled water to a water storage.	2,000	2,600

Greenhouse gas emissions

Seqwater is committed to supporting the Queensland Governments target to cut greenhouse gas emissions in Queensland by one third by 2020. Since its formation on 1 July 2008, Seqwater has been capturing and recording data associated with energy consumption and greenhouse gas emissions for the purpose of calculating its carbon footprint.

As the owner and operator of significant bulk water storage and treatment assets in South East Queensland, Seqwater is a significant consumer of energy. As such, it is focused and committed on reducing its footprint as part of its commitment to sustainable water management.

Seqwater has undertaken considerable work to understand its carbon footprint, and identify opportunities for reduction. To some extent this process is being refined, with some data still to be provided in respect of some sites and activities. As such, Seqwater considers its footprint to be an estimate, with some adjustments expected. As Seqwater was formed on 1 July 2008, the 2008-09 period will likely represent Seqwater's baseline year against which future targets for GHG emissions reduction will be measured.

Emissions have been calculated using the factors from the 2008 National Greenhouse Accounts from the Department of Climate Change in conjunction with National Greenhouse and Energy Reporting (Measurement) Determination which sets out the methods and criteria for measuring greenhouse gas emissions.

Seqwater has focused on capturing scope 1 and 2 emissions data for the 2008-09 reporting year and anticipates incorporating scope 3 emissions into its footprint for the 2009-10 reporting year. Its current estimate is based largely on energy and fuel consumption for most of its water treatment plants, pumping stations and other plant and equipment (including fleet). Seqwater estimates its scope 3 emissions to be immaterial as a percentage of its total greenhouse gas emissions.

The following table outlines the estimated emissions relating to Seqwater's operational activities during the 2008-09 reporting period.

Seqwater Greenhouse Gas Emissions	
Activity	Estimated tonnes of CO_2-e per year
Vehicle Usage	
Plant & Equipment (including fleet)[i]	971
Electricity Consumption	
Corporate Office	831
Water Treatment and pumping[ii]	71,013
Total	**72,815**

[i] Accurate records for diesel consumption for heavy vehicles was not available. We have used factors representative of fuel combustion for transport for post-2004 vehicles as the emissions factors for fuels do not differ substantially between vehicles and heavy trucks.

[ii] Some metering data is not available for a number of small sites (<3000t of CO_2-e). Therefore, electricity consumption has been estimated using monthly averages for those sites.

Legislative and policy requirements

Seqwater has complied with all legislative and policy requirements in the preparation and publication of this Annual Report. These include the:

- *Financial Administration and Audit Act 1977*
- *Financial Management Standard 1997*
- *Public Sector Ethics Act 1994*
- *South East Queensland Water (Restructuring) Act 2007*
- *State Water Authorities - Governance Framework*
- *Whistleblowers Protection Act 1994*

CASE STUDY

Building for the future

Left: Around 5 million tonnes of rock and 430,000 tonnes of clay will be used to raise the Hinze Dam wall, making it the highest central clay core and rock dam in Queensland.

Investment in infrastructure is helping Seqwater prepare for the future as well as improve the performance and quality of the region's existing water storage and treatment facilities.

A number of key projects, some inherited as part of the reform process and some new, were undertaken throughout the year to increase storage capacity, improve water treatment and deliver water fluoridation services across the region.

These include:

- → The ongoing management of the $395 million Hinze Dam Stage 3 project to raise the dam wall and almost double storage capacity and significantly improve flood mitigation in the lower Nerang River catchment. The end of 2008-09 marked the half way point for the project and completion of the dam's cut off wall as a major project milestone.
- → The completion of an $80 million project to raise the Lake Manchester Dam wall and widen its spillway to provide adequate flood security.
- → The completion of a $35 million project to build an AWTP at Ewan Maddock Dam on the Sunshine Cast to supply Caloundra and enabling water from Baroon Pocket Dam to be transferred to other parts of the SEQ Water Grid.
- → The completion of a $12.7 million project to install fluoride dosing facilities at the region's five main WTP facilities – Landers Shute, North Pine, Mt Crosby, Molendinar and Mudgeeraba – as the first stage of a program to fluoridate South East Queensland's water supplies.
- → The completion of a $10 million upgrade of the Enoggera Dam WTP to increase capacity and supply to The Gap and surrounding suburbs.
- → The completion of a $5.1 million upgrade of the Borumba Dam spillway to provide adequate flood security.

Looking ahead, 2009-10 will see completion of the Hinze Dam project as well as the second stage of a program to install fluoride dosing facilities at a further 20 WTPs across the region. Initial work to construct a WTP at the Wyaralong Dam will commence, and a capital program for the ongoing upgrade of Seqwater dams, weirs and WTPs will continue.

34 Glossary

ADWG	Australian Drinking Water Guidelines
AWTP	Advanced Water Treatment Plant
BWEP	Business Water Efficiency Program
CEO	Chief Executive Officer
CIS	Corporate Information System
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DERM	Department of Environment and Resource Management
EBA	Enterprise Bargaining Agreement
EGM	Executive General Manager
ERP	Emergency Response Plan
FTE	Full Time Equivalent
HACCP	Hazard Analysis and Critical Control Point
ICT	Information and Communications Technology
KPI	Key Performance Indicator

CASE STUDY

A Framework for Managing Recreation

Consultation with the community has led to the development of a management framework that will help balance the ongoing health of the catchments and quality of the region's drinking water supply while providing access for a range of public and permit based recreational activities.

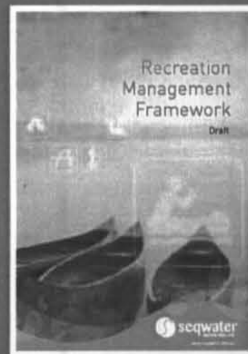
With more than one million visitors each year, Seqwater dams and adjacent recreation areas are an important destination for many South East Queensland residents and tourists.

As part of the reform of water supply arrangements in South East Queensland, the ongoing management and maintenance of large number of associated recreation sites transferred to Seqwater on July 1 2008.

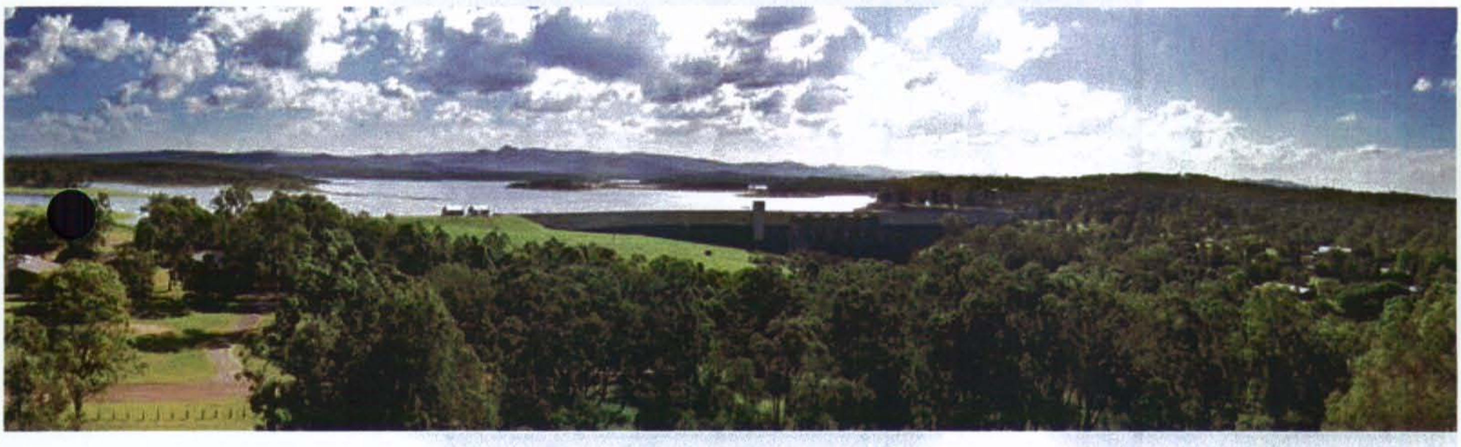
While continuing to permit all existing recreational activities and honouring the many existing leases and agreements that were in place prior to the transfer, the need for a comprehensive review of recreation across the region was soon recognised.

Conducted in consultation with over 80 clubs, sporting bodies and associations, and acknowledging that recreation pursuits need to be managed in a sustainable and environmentally responsible manner, this review has resulted in the development of a Draft Recreation Management Framework.

To be finalised in 2009-10 following a further period of public comment, this will provide Seqwater with a decision making framework to assess any proposed changes to future recreation activities across the region.



NRW	Department of Natural Resources and Water
O&M	Operations & Maintenance
QBWSA	Queensland Bulk Water Supply Authority
QBWTA	Queensland Bulk Water Transport Authority (trading as LinkWater)
QMWA	Queensland Manufactured Water Authority (trading as WaterSecure)
QWC	Queensland Water Commission
SAMP	Strategic Asset Management Plan
SEQWater	South East Queensland Water Corporation Limited
SEQWGM	South East Queensland Water Grid Manager
SNWA	Southern Nevada Water Authority
SOP	Standard Operating Procedures
VPS	Vertical Profiling System
WTP	Water Treatment Plant
WHS	Workplace Health and Safety



Financial Report
for the year ended 30 June 2009

37

Queensland Bulk Water Supply Authority

General Information

This financial report covers the Queensland Bulk Water Supply Authority and its controlled entities.

The Queensland Bulk Water Supply Authority is a Statutory Body under the *Financial Administration and Audit Act 1977* and under the *Statutory Bodies Financial Arrangement Act 1982* and has been established under the *South East Queensland Water (Restructuring) Act 2007*. Queensland Bulk Water Supply Authority expires at the end of 99 years from when it was established on 16 November 2007. The State is the successor in law at the expiry date of the Queensland Bulk Water Supply Authority.

The Queensland Bulk Water Supply Authority is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the Queensland Bulk Water Supply Authority is:

Level 3, 240 Margaret Street, Brisbane QLD, 4000

A description of the nature of the Queensland Bulk Water Supply Authority's operations and its principal activities is included in the notes to the financial statements.

Queensland Bulk Water Supply Authority

Abbreviations

AASB	Australian Accounting Standards Board
AASBs	Australian Accounting Standards
ABF	Accumulation Benefit Fund
APG	Accounting Policy Guidelines
ATO	Australian Taxation Office
CAPM	Capital Asset Pricing Model
CGU	Cash Generating Unit
CSO	Community Service Obligation
DBF	Defined Benefit Fund
DERM	Department of Environment and Resource Management
DOGIT	Deed of Grant in Trust
DTA	Deferred Tax Asset
DTL	Deferred Tax Liability
GST	Goods and Services Tax
NTER	National Tax Equivalent Regime
QTC	Queensland Treasury Corporation
QWC	Queensland Water Commission
QWI	Queensland Water Infrastructure Pty Ltd
SEQWater	South East Queensland Water Corporation Limited
SIS	Superannuation Industry Supervision
SVS	State Valuation Services
WACC	Weighted Average Cost of Capital
WGM	South East Queensland Water Grid Manager

Queensland Bulk Water Supply Authority

Income statement

for the year ended 30 June 2009

	Notes	Consolidated 1 July 2008 to 30 June 2009 $000	Consolidated 16 November 2007 to 30 June 2008 $000	Parent 16 November 2007 to 30 June 2008 $000
Income				
Water sales	7	266,042	19,248	1,072
Grants and contributions	8	2,677	80	80
Project income	9	18,514	8,845	-
Other revenue	10	22,038	9,446	3,595
Total income		309,271	37,619	4,747
Expenses				
Employee expenses	11	33,965	6,289	1,839
Supplies and services	12	81,128	18,836	3,747
Depreciation and amortisation	13	31,381	3,988	786
Finance/Borrowing costs	14	154,773	19,112	13,673
Other expenses	15	5,803	1,829	464
Total expense		307,050	50,054	20,509
Profit /(Loss) before income tax		2,221	(12,435)	(15,762)
Income tax (expense) /credit	16	(2,328)	4,183	5,182
Loss for the year		(107)	(8,252)	(10,580)

The accompanying notes form part of these statements.

Queensland Bulk Water Supply Authority
Balance sheet
as at 30 June 2009

	Notes	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
Current assets				
Cash and cash equivalents	24	109,608	148,444	6,135
Trade and other receivables	20	25,197	12,109	6,263
Inventories	21	1,782	151	151
Other	22	12,077	694	-
Total current assets		148,664	161,398	12,549
Non-current assets				
Trade and other receivables	20	-	3	-
Property, plant and equipment	17	2,432,312	654,793	125,579
Intangible assets	18	45,709	44,080	10,433
Investment in subsidiary (SEQWater)		-	-	392,588
Deferred tax assets	23	4,594	7,984	7,529
Total non current assets		2,482,615	706,860	536,129
Total assets		2,631,279	868,258	548,678
Current liabilities				
Trade and other payables	27/39	26,118	10,517	6,713
Employee benefits	26	3,765	1,960	614
Interest bearing liabilities	25	32,501	6,535	6,535
Other	28	19,092	37,575	-
Total current liabilities		81,476	56,587	13,862
Non-current liabilities				
Trade and other payables	27	1,007	1,099	1,891
Employee benefits	26	5,554	1,671	1,205
Interest bearing liabilities	25	2,073,179	731,917	542,300
Deferred tax liabilities	23/39	135,374	80,887	-
Total non current liabilities		2,215,114	815,574	545,396
Total liabilities		2,296,590	872,161	559,258
Net assets/(liabilities)		334,689	(3,903)	(10,580)
Equity				
Contributed equity		209,084	-	-
Asset revaluation reserve	29	129,615	-	-
Accumulated losses	39	(4,010)	(3,903)	(10,580)
Total equity/(deficiency)		334,689	(3,903)	(10,580)

The accompanying notes form part of these statements.

Queensland Bulk Water Supply Authority

Statement of changes in equity

for the year ended 30 June 2009

		Retained Earning			Asset Revaluation Reserve			Contributed Equity		
	Notes	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
Balance at 16 November 2007		-	-	-	-	-	-	-	-	-
Balance at 1 July 2008		(3,903)	-	-	-	-	-	-	-	-
Loss for the year		(107)	(8,252)	(10,580)	-	-	-	-	-	-
Prior year adjustments	39	-	4349	-		-	-	-	-	-
Contributed equity		-	-	-	-	-	-	209,084	-	-
Increment on revaluation of assets	29	-	-	-	129,615	-	-	-	-	-
Balance at 30 June 2009		(4,010)	(3,903)	(10,580)	129,615	-	-	209,084	-	-

The accompanying notes form part of these statements.

Queensland Bulk Water Supply Authority
Cash flow statement
for the year ended 30 June 2009

	Notes	Consolidated 1 July 2008 to 30 June 2009 $000	Consolidated 16 November 2007 to 30 June 2008 $000	Parent 16 November 2007 to 30 June 2008 $000
			Inflow/(Outflow)	
Cash flows from operating activities				
Inflows:				
Receipts from water sales		249,188	16,532	786
CSO received		2,045	-	-
Receipts from other revenue		21,443	12,791	123
Interest received		10,838	3,519	250
GST collected		19,963	1,875	396
Outflows:				
Payments to suppliers and employees		(111,657)	(29,582)	(4,138)
Finance and borrowing costs		(85,046)	(6,217)	(60)
GST paid		(20,432)	(2,633)	(1,073)
Other		(450)	(55)	(3)
Net operating cash flows	24(b)	85,892	(3,770)	(3,719)
Cash flows from investing activities				
Inflows:				
Proceeds from sale of plant and equipment		147	59	-
Receipts from mortgage redemption		24	10	-
Cash acquired from acquisition of subsidiary		-	144,466	-
Cash acquired from acquisition of AquaGen's specified net assets		-	11,556	11,556
Outflows:				
Payments for property, plant and equipment		(188,415)	(10,951)	(8,776)
Payments for intangibles		(1,724)	-	-
Payments for acquisition of subsidiary		-	(392,588)	(392,588)
Payments for acquisition of AquaGen's specified net assets		-	(115,083)	(115,083)
Payments for acquisition of assets from Councils		(1,285,459)	-	-
Payments for assets transferred from SunWater, DERM and QWI		(150,092)	-	-
Payment for security deposit	22/33	(11,166)	-	-
Net investing cash flows		(1,636,685)	(362,531)	(504,891)
Cash flows from financing activities				
Inflows:				
Borrowings		160,135	508,210	508,210
Contributed equity		209,084	-	-
Loan drawdown for payment of Councils, DERM and SunWater assets		1,363,404	-	-
Loan transferred from QWI		72,147	-	-
Working capital facility		-	6,535	6,535
Outflows:				
Borrowing redemptions		(292,813)	-	-
Net financing cash flows		1,511,957	514,745	514,745
Net increase (decrease) in cash held		(38,836)	148,444	6,135
Cash at the beginning of the financial year		148,444	-	-
Cash at the end of the financial year	24(a)	109,608	148,444	6,135

The accompanying notes form part of these statements.

Queensland Bulk Water Supply Authority

Index to notes to the financial statements

Queensland Bulk Water Supply Authority
Notes to the financial statements

1. Reporting entity

The Queensland Bulk Water Supply Authority (the "Entity") is a Queensland Statutory Authority under the *South East Queensland Water Restructuring Act 2007* with a limited life of 99 years from establishment. The address of the Entity's registered office is Level 3, 240 Margaret Street, Brisbane QLD.

The financial statements of the Entity as at and for the year ended 30 June 2009 comprise the Entity and its subsidiary South East Queensland Water Corporation Limited (SEQWater). As SEQWater ceased operations on 1 July 2008, and the transactions recorded in its financial statements are immaterial, the Entity has not presented financial statements for the Parent Entity for this financial year. Refer to Note 2(d)(ii).

The Entity is primarily involved in the supply of water services and carrying out water activities.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with:

- applicable Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB);
- the *Financial Administration and Audit Act 1977*;
- Queensland Treasury's Financial Reporting Requirements for Queensland Government agencies; and
- other authoritative pronouncements.

The financial statements were authorised for issue by the Board on 28 August 2009.

(b) Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs except for the following:

- financial instruments at fair value through profit or loss are measured at fair value; and
- land, buildings and infrastructure are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Presentation currency and comparatives

The financial statements are presented in Australian dollars, which is the Entity's functional currency. Amounts included in the financial statements have been rounded to the nearest $1,000, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. Refer to Note 39.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Queensland Bulk Water Supply Authority
Notes to the financial statements

2. Basis of preparation (continued)

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following:

(i) Determination of for profit or not for profit

As set out in the *South East Queensland Water (Restructuring) Act 2007* the Entity must carry out its functions as a commercial enterprise. The Entity meets the definition of a for profit entity for the purposes of the accounting standards. This is supported by the contract with the South East Queensland Water Grid Manager (WGM).

(ii) Acquisitions as a result of the *South East Queensland Water (Restructuring) Act 2007*

On 16 November 2007, the *South East Queensland Water (Restructuring) Act 2007* was enacted by the Parliament of Queensland.

Under the Act the Queensland Bulk Water Supply Authority was established to own and operate bulk water supply infrastructure in the South East Queensland region and to provide water services.

On 1 February 2008 the Entity acquired all of the shares in SEQWater from 12 different Councils and Queensland Treasury Holdings Pty Ltd for a consideration of $392,588,495.

At 1 July 2008 all of SEQWater's assets, liabilities, instruments and personnel transferred to the Entity at their carrying values recorded in the financial report as at 30 June 2008. Excluded from transfer were rights and liabilities under each of the contracts between the Company and directors or the secretary (other than an employment contract) and related records as well as records required to be kept by SEQWater and assets, liabilities or instruments which are not capable of being transferred under the Transfer Notice.

Assets & Liabilities Transferred from SEQWater on 1 July	$000
Total assets	688,172
Total liabilities	345,810
Net assets	342,362

The Entity also acquired through Transfer Notices the following bulk water supply assets in the financial year ended 30 June 2009:

- the transfer of specified assets, liabilities, instruments and personnel from various Councils deemed to have occurred on 1 July 2008;
- the transfer of specified assets and liabilities from the Department of Environment and Resource Management (DERM) deemed to have occurred on 1 July 2008. Refer to Note 36(f);
- the transfer of specified assets, liabilities, instruments and personnel from SunWater on 1 July 2008. Refer to Note 36(f);
- the transfer of the Brisbane and Caboolture Aquifer projects from Brisbane City Council and Caboolture Shire Council (now Moreton Bay Regional Council) on 1 September 2008 and 1 October 2008 respectively;

Queensland Bulk Water Supply Authority
Notes to the financial statements

2. Basis of preparation (continued)

- the transfer of various assets and liabilities on 1 December 2008 including:
  - the transfer of additional debt in relation to the Caboolture Aquifer project from Moreton Bay Regional Council on 1 December 2008;
  - the transfer of additional land from Redland Shire Council on 1 December 2008;
  - the transfer of the water treatment agreement with Veolia Water Australia Pty Ltd in relation to the Noosa Water Treatment Plant from Sunshine Coast Regional Council on 1 December 2008 for no consideration; and
  - the transfer of the Aratula Package Water Treatment Plant from Scenic Rim Regional Council on 1 December 2008 for no consideration.
- the transfer of the Lake Manchester Dam upgrade on 16 February 2009; and
- the transfer of assets and a Queensland Treasury Corporation (QTC) debt facility from Queensland Water Infrastructure Pty Ltd (QWI) on 30 June 2009. Refer to Note 36(f).

Additional details in relation to the acquisitions are set out in Note 6.

(iii) Impairment

The Entity assesses impairment at each reporting date by evaluating conditions specific to the Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key assumptions (refer to Note 3(i) and Note 19).

(iv) Income tax and utilisation of tax losses

The Entity is subject to the National Tax Equivalent Regime and has formed a tax consolidated group from the date of establishment. During the year ended 30 June 2009, $13,736,072 of tax losses were utilised (2008: $0) with tax losses carried forward at 30 June 2009 of $8,768,319 (2008: $22,504,391). A Deferred Tax Asset (DTA) of $2,630,496 has been recognised in relation to these carry forward tax losses as it is considered probable that future taxable profits will be generated against which the tax losses could be utilised.

(v) Provision for Impairment of Receivables

A provision for impairment of receivables has been made at year end.

(vi) Interest bearing liabilities

Loans have been provided to the Entity through Transfer Notices under the *South East Queensland Water (Restructuring) Act* 2007. QTC has advised that the term on these loans expires in January 2071. The interest payable is recognised as current liabilities and the principal amounts are recognised as non current liabilities.

Queensland Bulk Water Supply Authority
Notes to the financial statements

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Asset acquisition

The acquisitions of specified net assets from the Councils and DERM have been determined by the Entity to be acquisitions of assets and liabilities to be dealt with in accordance with AASB 116 *Property, Plant and Equipment (*AASB116*)*. This standard requires that for assets acquired, the Entity must recognise items of property, plant and equipment at cost. In circumstances where a group of assets are acquired, the cost of individual assets is determined by allocating the cost of the group of acquired assets between the identified assets in the group based on their relative fair values at the acquisition date. The transfer of liabilities including debt and employee liabilities are being accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement (*AASB139*)* and AASB 119 *Employee Benefits (*AASB 119*)* respectively.

The transfer of assets to the Entity by SunWater was an arm's length transfer and accordingly the acquisition of specified net assets from SunWater has been determined by the Entity to be an acquisition of assets to be dealt with in accordance with AASB 116.

The transfer of net assets from SEQWater to the Entity on 1 July 2008 is considered to be a distribution of profits to the Entity. The assets and liabilities are transferred at fair value and the investment in SEQWater will be reduced to the extent it represents a return of capital.

The transfers of various additional assets and liabilities post 1 July 2008 have been determined by the Entity to be asset/liability acquisitions and are being accounted for in accordance with AASB 116, AASB 139 and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as applicable. The treatment specified on the transfer notice for assets transferred from QWI on 30 June 2009, is "a contribution by owners" as per AASB Interpretation 1038 and Accounting Policy Guidelines (APG) 13.

(b) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Entity becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Entity's contractual rights to the cash flows from the financial assets expire or if the Entity transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Entity's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are reported as part of short-term borrowings in current liabilities on the balance sheet.

Funds held by the Entity in the QTC Redraw Facility are treated in accordance with AASB 139 *Financial Instruments: Recognition and Measurement, Application Guidance AG 62* (Debt restructure). Refer to Note 25.

3. Significant accounting policies (continued)

Financial instruments are classified and measured as follows:

- Cash and cash equivalents - held at fair value through profit or loss.
- Receivables - held at amortised cost.
- Payables – held at amortised cost.
- Borrowings - held at amortised cost.

The Entity does not enter transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the Entity holds no financial assets classified at fair value through profit or loss.

(c) Receivables

Receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the Entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(e) Property, plant and equipment

(i) Recognition and measurement

Each class of property, plant and equipment is initially recognised at cost. Assets acquired in exchange for other non-monetary assets or assets acquired at a nominal consideration are initially recognised at cost. On initial recognition, all costs incurred in purchasing or constructing the asset and getting it ready for use are capitalised to the value of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Land, buildings and infrastructure are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector* (as amended).

Plant and equipment is measured at cost. Separately identified components of assets are measured on the same basis as the assets to which they relate.

Queensland Bulk Water Supply Authority
Notes to the financial statements

3. Significant accounting policies (continued)

The Entity operates on a commercial basis, with the primary objective being the generation of cash inflows. Where there is no market price for the asset, fair value is either the depreciated replacement cost or the net present value of the cash flows from the asset.

If the asset does not generate cash inflows independent from the assets or group of assets then the fair value will be either the sum of the depreciated replacement cost of the group of assets or the net present value of the cash flows from the group of assets. The Entity uses the depreciated replacement cost methodology.

Where an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which the asset belongs is revalued.

Net revaluation increments in respect of each non-current asset are credited to the asset revaluation reserve, except to the extent that it reverses a previous decrement recognised as an expense for that asset in the profit or loss. In this instance the reversal portion of the increment is recognised as revenue in the profit or loss. Net revaluation decrements in respect of each asset are recognised as an expense in the profit or loss, except to the extent that they reverse a previous increment for that asset and a positive balance exists in the asset revaluation reserve for that asset. In this instance, the reversal portion of the decrement is charged directly to the reserve, but so as not to exceed the balance of the reserve for that asset.

(ii) Subsequent costs

Costs incurred subsequent to the initial asset purchase are capitalised when the expenditure improves the condition of the asset beyond its originally assessed standard of performance or capacity. Outlays that do not meet the criteria for recognition as an asset are expensed in the financial year.

(iii) Depreciation

Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

Queensland Bulk Water Supply Authority
Notes to the financial statements

3. Significant accounting policies (continued)

The estimated useful lives applied for the current and comparative periods are as follows:

Class of Fixed Asset	Depreciation Rate	Useful Life
Buildings and Land improvements	1.25% - 2.5%	40 – 80 years
Infrastructure assets		
Infrastructure Dam assets	0.667% - 33.33%	3– 150 years
Water Treatment assets	0.667% - 33.33%	3– 150 years
Other water infrastructure assets	0.667% - 33.33%	3– 150 years
Plant and equipment		
Motor vehicle and Boat	10% - 33.33%	3 – 10 years
Office equipment	10% - 33.33%	3 – 10 years
Other equipment	10% - 33.33%	3 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(f) Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost including transaction costs. Where investment property is acquired at no or nominal cost it is recognised at fair value. Investment property is subsequently carried at fair value as at 30 June 2009.. Gain or losses arising from changes in the fair value of investment property are included in the profit or loss for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

Rental revenue from investment property is recognised as income on a periodic straight line basis over the lease term.

The Entity does not hold any investment properties.

(g) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. Refer to Note 19.

Queensland Bulk Water Supply Authority
Notes to the financial statements

3. Significant accounting policies (continued)

(ii) Other intangible assets

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements, items with a lesser value being expensed. Intangible assets that are acquired by the Entity are initially measured at cost.

Where there is an active and liquid market, intangible assets are carried at a revalued amount; otherwise they are carried at cost after initial recognition. If revalued, the same rules apply as to those for property, plant and equipment. Intangible assets are not revalued.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss.

Intangible assets, both at cost and revalued amounts, are subject to amortisation and impairment testing.

Intangible assets with indefinite useful lives are not amortised.

Purchased Software

Expenditure associated with externally purchased computer software and licences have been capitalised and are amortised on a straight-line basis over its estimated useful life.

Internally Generated Software

Expenditure on research activities relating to internally-generated intangible asset is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over its estimated useful life.

(iii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives applied for the current and comparative periods are as follows:

Class of Intangible Asset	Amortisation Rate	Useful Life
Software Purchased	20%	5 years
Software Internally Generated	20%	5 years
Other intangible	2.5%	40 years

(h) Leased assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding liability is established at the same amount. Lease payments are allocated between the principal component and the interest expense. The fair value of the asset is depreciated over the term of the lease.

Operating lease payments are charged to the profit or loss in the period in which they are incurred.

Restoration obligations under lease obligations are provided over the life of the lease.

Plant and equipment subject to finance lease is amortised on a straight line basis over the shorter of the lease term and their useful lives unless it is reasonably certain that the Entity will obtain ownership by the end of the lease term.

Queensland Bulk Water Supply Authority
Notes to the financial statements

3. Significant accounting policies (continued)

(i) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss.An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the profit or loss.

(ii) Non-financial assets

The carrying amounts of the Entity's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant asset to the extent available.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Queensland Bulk Water Supply Authority
Notes to the financial statements

3. Significant accounting policies (continued)

(j) Assets under construction

Assets under construction (work in progress) are carried at cost and not depreciated until they reach service delivery.

Interest costs on borrowings specifically financing assets under construction are capitalised. Refer to Note 3(r).

(k) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase /contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

(l) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for short-term employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Entity expects to pay as at reporting date including applicable related on-costs.

For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using yields on fixed rate Commonwealth Government Bonds of similar maturity.

Non-vesting sick leave is recognised as an expense as it is taken. Employees transferred from Caboolture Shire Council with seven or more years of service are entitled to a payment for a percentage of their accumulated unused sick leave on termination, resignation or retirement. A liability for a percentage of this accumulated sick leave is measured at the present value of the estimated future cash outflows and includes related employee on-costs.

(ii) Long Service Leave

The long service leave provision represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to balance date. The current provision is calculated using the simplified approach whereby a net factor of 0.95 is applied to the long service leave amount of the employees with 3 or more years of service in order to estimate the present value. This approach is an approximation process to recognise the probable liability that will eventuate for staff that have achieved the 7 years of service.

(iii) Superannuation schemes

QSuper

The Entity currently contributes to the QSuper defined benefit and accumulation superannuation funds. Where there is a surplus or deficit in financial position of a defined benefit superannuation fund, the employer sponsors, to the extent permissible under the trust deed of the superannuation fund, can recognise an asset for the surplus or must recognise a liability for the deficit. However, as responsibility for the funding of the QSuper defined benefit superannuation fund is assumed at a whole-of-Government level, no asset or liability is required to be recognised by the Entity.

Local Government Superannuation Scheme (LG Super)

The Entity contributes to LG Super for employees under both defined benefit scheme and accumulation superannuation scheme. The Entity has no liability to or interest in LG Super other than the payment of the statutory contribution. Any amount by which either scheme is over or under funded would only affect future benefits and is not an asset or liability of the Entity. Accordingly, there is no recognition in the financial statements of any over-or-under funding of LG Super.

3. Significant accounting policies (continued)

Brisbane City Council Superannuation Plan (City Super)

The Entity also contributes to City Super for employees under both defined benefit and accumulation superannuation funds. According to the Statement of Advice: Funding and Solvency Certificate by the Trustee of the fund effective on 21 November 2008, City Super is declared as "technically insolvent" as described in the Superannuation Industry (Supervision) Regulations. Refer to Note 26.

(iv) Executive remuneration

The executive remuneration disclosure in the employee expenses note (Note 11) in the financial statements includes:

- the aggregate remuneration of all senior executive officers whose remuneration for the financial year is $100,000 or more, and
- the number of senior executives, whose total remuneration for the financial year falls within each successive $20,000 band, commencing at $100,000.

The remuneration disclosed is all remuneration paid and payable, directly or indirectly, by the entity in connection with the management of the affairs of the entity. For this purpose, remuneration includes;

- wages, salaries, allowance and bonuses;
- accrued leave;
- superannuation; and
- benefits such as car parking, motor vehicles.

(m) Revenue

Revenue is measured at fair value of the consideration or contribution received or receivable. All revenue is stated net of the amount of goods and services tax (GST).

(i) Government grants and subsidies

Government grants and subsidies are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Entity will comply with the conditions associated with the grant. Grants and subsidies that compensate the Entity for expenses incurred are recognised in the profit or loss on a systematic basis in the same periods in which the expenses are recognised.

The Entity receives community service obligation (CSO) payments from the Queensland Government. The Rural Water payment is for the provision of rural irrigation water to rural irrigators. The Water Planning Development payment is for the activities to ensure compliance with regulatory and policy areas of resource management. The CSO payments are recognised on a monthly accrual basis.

(ii) Water charges

There is an agreement with the Water Grid Manager up to 30 June 2010 to provide revenue for a return on and of assets and pass through costs. A new agreement will be negotiated with Queensland Water Commission.

Revenue from the South East Queensland Water Grid Manager (WGM) is accrued at end of month based on the Market Rules and the Entity's Water Grid Services contract. It includes a monthly capital charge, fixed and variable operating costs incurred for the month and other specific allowable costs identified in the contract.

Queensland Bulk Water Supply Authority
Notes to the financial statements

3. Significant accounting policies (continued)

The charges for rural irrigation water are calculated based on two part tariff charges. Part A relates to fixed costs based on water allocation volume and applied quarterly in advance and Part B represents the charge for water used based on meter readings for the previous quarter. These charges are accrued on a monthly basis.

(iii) Services

Revenue from rendering of a service is recognised upon the delivery of the service to the customers.

(iv) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the profit or loss, using the effective interest method.

(n) Finance/Borrowing costs

Finance/Borrowing costs comprise:

- interest expense on bank overdrafts, short-term and long-term borrowings;
- unwinding of the discount on provisions;
- amortisation of discounts or premiums relating to borrowings; and
- ancillary administration charges.

Finance/Borrowing costs are recognised in the profit or loss using the effective interest method and are expensed in the period in which they arise. Finance/Borrowing costs that are not settled in the period in which they arise are added to the carrying amount of the borrowing.

Finance/Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

(o) Income tax

The Entity is a participant in the National Tax Equivalent Regime from the date of establishment. As a result an "equivalent" or "notional income tax" liability is payable to Queensland Treasury for payment into the consolidated fund. Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Queensland Bulk Water Supply Authority
Notes to the financial statements

3. Significant accounting policies (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

The Entity and its subsidiary formed a GST group for GST purposes effective on 1 July 2008.

(q) Contributed equity

The Entity has applied the accounting treatment of Interpretation 1038 *Contribution by Owners Made to Wholly-Owned Public Sector Entities* to the equity proceeds received during the year. Refer to Note 36 (g).

(r) Early adoption of AASB 123 *Borrowing Costs*

The Entity in preparing its financial statements for 2008/09 chose to early adopt the requirements of AASB 123 *Borrowing Costs*, which is to capitalise borrowing costs directly attributable to acquisition or construction of qualifying assets. Queensland Treasury has approved the early adoption of the Standard.

(s) New standards and interpretations not yet adopted

The Entity has not applied any Australian Accounting Standards and interpretations that have been issued but are not yet effective. The Entity will apply these standards and interpretations in accordance with their respective commencement dates.

- Revised AASB 101 *Presentation of Financial Statements* introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Entity's 30 June 2010 financial statements. The Entity has not yet determined the potential effect of the revised standard on the Entity's disclosures.
- AASB 8 *Operating Segments* introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Entity's 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Entity's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Entity presents no segment information in respect of its business. The Entity has not yet determined the potential effect of the revised standard on the Entity's disclosures.

4. Determination of fair values

A number of the Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of land, buildings and infrastructure is measured as follows:

- Where there is an active and liquid market for assets similar in type and condition, the fair value of an asset is its price in that market.
- Where there is no market price for the assets, fair value is either the depreciated replacement cost or the net present value of the cash flows from the asset.

(b) Trade and other receivables and payables

The fair value of trade and other receivables and payables approximates their nominal value less estimated credit adjustments.

(c) Prepayments

The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation.

(d) Borrowings

The fair value of borrowings, which is determined for disclosure purposes, is determined by reference to published price quotations in an active market and reflects the value of the debt if the Entity repaid it in full at balance date. As it is the intention of the Entity to hold its borrowings for their full term, no adjustment provision is made in these accounts.

5. Financial risk management

Overview

The Entity's activities expose it to a variety of financial risks including credit risk, liquidity risk, and interest rate risk. Exposure to financial risks is managed in accordance with the Entity's approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Entity. The Entity measures risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method
Credit Risk	Ageing analysis
Liquidity risk	Maturity analysis
Interest rate risk	Sensitivity analysis

Queensland Bulk Water Supply Authority
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5. Financial Risk Management (continued)

Credit risk

Credit risk exposure refers to the situation where the Entity may incur a financial loss as a result of another party to a financial instrument failing to discharge their obligations. The Entity has concentration of credit risk to a single debtor, being the WGM.

The Entity is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparts. Deposits are capital guaranteed. Other investments are held with highly rated and regulated financial institutions, and whilst not capital guaranteed the likelihood of a credit failure is remote.

Liquidity risk

Liquidity risk refers to the situation where the Entity may encounter difficulty in meeting obligations associated with financial liabilities. The Entity is exposed to liquidity risk through its trading in the normal course of business and borrowings from the QTC for asset acquisitions and capital works. The Entity manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

Market risk

The Entity does not trade in foreign currency and is not materially exposed to commodity price ranges. The Entity is exposed to interest rate risk through its borrowings from QTC and cash deposited in interest bearing accounts. The Entity manages that part of its portfolio relating to Seqwater by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract with QTC.

Interest rate risk

The Entity is exposed to interest rate risk through its borrowings and investment with QTC and cash deposited in interest bearing accounts. The risk in borrowing is effectively managed by borrowing from financial institutions which provide access to floating funding sources such that the desired interest rate risk exposure can be constructed.

Interest rate risk in other areas is mitigated. The Entity relies on QTC's management of its debt portfolios and its Weighted Average Cost of Capital (WACC) calculations with the Queensland Water Commission (QWC) that sets the Entity's earning rate and is currently based on interest rate immunisation.

Capital management

The Entity must give the responsible Ministers an estimate of its net profit for the year, and a recommendation on the amount of annual return to be paid. The recommendation is to be provided to Ministers between 1 and 15 May prior to the end of the financial year. Before the end of the financial year, the responsible Ministers must either approve the recommendation or direct the Entity to pay another amount (though not more than the estimated net profit previously advised) as decided under section 53 of the *South East Queensland Water (Restructuring) Act 2007*. The return must be paid within 6 months after the end of the financial year.

Annual return payable in 2009 is $0 (2008: $0)

	Consolidated	Consolidated	Parent
	2009 $000	2008 $000	2008 $000
Total borrowings	2,108,315	590,008	542,700
Total assets (excluding cash and cash equivalents)	2,521,671	719,814	542,543
Gearing ratio	84%	82%	100%

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6. Asset acquisitions

The Entity acquired specified net assets from various Councils, SunWater, DERM and QWI at dates varying between 1 July 2008 and 30 June 2009 as specified on gazetted Transfer Notices issued by the Queensland Government.

Set out below is a summary of the consideration paid for the assets and liabilities assumed for each of the various entities:

Transferors	Consideration paid by the Entity*
1 July 2008 acquisitions	$000
Brisbane City Council	339,229
Esk Gatton Laidley Water Board	8,440
Gold Coast City Council	467,608
Logan City Council	8,080
Moreton Bay Regional Council	61,372
Redland City Council	43,274
Scenic Rim Regional Council	8,072
Somerset Regional Council	10,246
Sunshine Coast Regional Council	86,445
SunWater	77,693
Department of Environment and Resource Management	252
Total acquisition value	1,110,711

* Amounts set out on the respective transfer notices and/or other correspondence.

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Transferors	Transfer Date	Net Consideration paid by the Entity#
Post 1 July 2008 acquisitions		**$000**
Brisbane City Council – Brisbane Aquifer project	1 September 2008	53,504
Caboolture Shire Council – Caboolture Aquifer project	1 October 2008	43,220
Moreton Bay Regional Council*	1 September 2008	78
Redland Shire Council	1 December 2008	523
Scenic Rim Regional Council	1 December 2008	-
Sunshine Coast Regional Council **	1 July 2008	-
Brisbane City Council - Lake Manchester Dam upgrade	16 February 2009	81,533
Queensland Water Infrastructure Pty Ltd***	30 June 2009	72,147
Total acquisition value		**251,005**

Consideration includes the assumption of debt facilities where applicable.

*Additional Debt of $78,014.22 in relation to the Caboolture Aquifer project from Moreton Bay Regional Council (formerly Caboolture Shire Council) was transferred to the Entity on 1 December 2008.

** The acquisition date of the water treatment agreement with Veolia Water Australia Pty Ltd has been deemed by management to be 1 July 2008 as this is the date the Entity effectively took control over the Noosa Water Treatment Plant and hence the water treatment agreement.

*** Queensland Treasury Corporation debt facility of $72,147,000 transferred with the assets.

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		Consolidated 1 July 2008 to 30 June 2009 $000	Consolidated 16 November 2007 to 30 June 2008 $000	Parent 16 November 2007 to 30 June 2008 $000
7.	Water sales			
	Water sales – WGM	264,085	-	-
	Water sales - Irrigators	1,957	-	-
	Water sales - other	-	19,248	1,072
		266,042	19,248	1,072
8.	Grants and other contributions			
	Community Services Obligation (CSO)	2,045	-	-
	Other grants	632	80	80
		2,677	80	80
9.	Project income			
	Business Water Efficiency Program	18,514	8,178	-
	Purified Recycled Water Program	-	667	-
		18,514	8,845	-
10.	Other revenue			
	Investment revenue	10,837	4,908	250
	Consulting revenue	458	87	-
	Lease revenue	1,276	799	-
	Other	9,467	3,652	3,345
		22,038	9,446	3,595
11.	Employee expenses			
	Wages and salaries	26,559	5,602	1,452
	Employer superannuation contribution	4,091	304	173
	Workers' compensation premium	88	24	-
	Payroll tax	1,415	129	73
	Other personnel expenses	1,812	230	141
		33,965	6,289	1,839

The number of employees including both full time employees and part time employees measured on a full time equivalent basis are:

Number of employees	319	169	72

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11. Employee expenses (continued)

	Consolidated	Consolidated	Parent
	1 July 2008 to 30 June 2009	16 November 2007 to 30 June 2008	16 November 2007 to 30 June 2008
	$000	$000	$000

Executive remuneration

The number of senior executives who received or were due to receive total remuneration of $100,000 and more:

$120,000 to $139,999	-	1	-
$140,000 to $159,999	1	1	-
$240,000 to $259,999	1	-	-
$280,000 to $299,999	2	-	-
$300,000 to $319,999	1	-	-
$440,000 to $459,999	1	-	-
	6	2	-

The amount calculated as executive remuneration in this financial report includes the direct remuneration received, as well as items not directly received by executives, such as the movement in leave accruals and where applicable, fringe benefits tax paid. This amount will therefore differ from advertised executive remuneration packages which do not include the latter items.

Total remuneration of executives shown above	1,733	282	-
Total separation and redundancy payments during the year to executives	74	-	-

12. Supplies and services

Labour hire expenses	5,219	545	381
Consultancies and Contractors	3,630	4,493	2,893
Energy	7,565	67	-
Information technology & communications	1,849	367	31
Repairs and maintenance	10,194	1,772	7
Supplies and consumables	32,341	1,522	385
Business Water Efficiency Program	19,621	8,728	-
Purified recycled water program	-	1,038	-
Biodiversity corridor	360	174	-
Other expenses	349	130	50
	81,128	18,836	3,747

		Consolidated	Consolidated	Parent
		1 July 2008 to 30 June 2009 $000	16 November 2007 to 30 June 2008 $000	16 November 2007 to 30 June 2008 $000
13.	Depreciation and amortisation			
	Buildings	3,202	478	2
	Infrastructure	26,108	2,843	751
	Plant and equipment	1,561	407	33
	Intangibles	510	260	-
		31,381		786
14.	Finance/Borrowing costs			
	Interest paid or payable to QTC	132,247	19,112	13,673
	Competitive neutrality fee	21,606	-	-
	Other financial costs	920	-	-
		154,773	19,112	13,673
15.	Other expenses			
	Insurance	2,487	334	3
	Internal audit fees	164	-	-
	External audit fees	154	144	50
	Rates and taxes	2,729	917	-
	Other	269	434	411
		5,803	1,829	464
16.	Income tax			

The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:

	Consolidated 1 July 2008 to 30 June 2009 $000	Consolidated 16 November 2007 to 30 June 2008 $000	Parent 16 November 2007 to 30 June 2008 $000
Profit/(Loss before) income tax	2,222	(12,435)	(15,762)
Prima facie thereon at 30%	666	(3,730)	(4,729)
Less:			
Tax impact of provision transfer	-	(453)	(453)
Income tax under/(over) provided in prior year	(185)	-	-
Add:			
Depreciation of assets (net)	1,734	-	-
Amortisation of intangibles	113	-	-
Total income tax expense/(credit)	2,328	(4,183)	(5,182)
Deferred tax credit	(2,328)	4,183	5,182
Income tax (expense)/credit from continuing operations	(2,328)	4,183	5,182

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17. Property, plant and equipment

2009	Consolidated					
	Land	Buildings	Infrastructure	Plant and equipment	Work in progress	Total
	$000	$000	$000	$000	$000	$000
Balance at 1 July 2008	77,638	26,478	502,419	3,582	48,287	658,404
Acquisitions as per transfer notices	319,564	44,474	744,849	7,675	242,896	1,359,458
Other additions	1,249	-	153,293	4,409	105,257	264,208
Revaluation increments	87,334	18,153	79,677	-	-	185,164
Disposals	-	-	(64)	(565)	-	(629)
Transfers between classes	(9)	8,594	8,747	3	(17,335)	-
Balance at 30 June 2009	485,776	97,699	1,488,921	15,104	379,105	2,466,605
Depreciation and impairment losses						
Balance at 1 July 2008	-	(479)	(2,842)	(290)	-	(3,611)
Depreciation for the year	-	(3,202)	(26,108)	(1,561)	-	(30,871)
Transfers between classes	-	(81)	81	-	-	-
Disposals	-	-	1	188	-	189
Balance at 30 June 2009	-	(3,762)	(28,868)	(1,663)	-	(34,293)
Carrying amounts at 30 June 2009	485,776	93,937	1,460,053	13,441	379,105	2,432,312
Carrying amount under cost model						
Cost	398,442	79,546	1,409,244	15,104	379,105	2,281,441
Accumulated depreciation	-	(3,063)	(27,244)	(1,663)	-	(31,970)
Carrying amount at cost at 30 June 2009	398,442	76,483	1,382,000	13,441	379,105	2,249,471

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17. Property, plant and equipment (continued)

2008	Consolidated					
	Land	Buildings	Infrastructure	Plant and equipment	Work in progress	Total
	$000	$000	$000	$000	$000	$000
Balance at 16 November 2007	-	-	-	-	-	-
Acquisitions through business combinations	77,539	26,021	501,167	3,004	36,629	644,360
Other additions	99	457	1,256	742	11,658	14,212
Disposals	-	-	(4)	(164)	-	(168)
Transfers between classes	-	-	-	-	-	-
Balance at 30 June 2008	77,638	26,478	502,419	3,582	48,287	658,404
Depreciation and impairment losses						
Balance at 16 November 2007	-	-	-	-	-	-
Depreciation for the period	-	(479)	(2,843)	(407)	-	(3,729)
Disposals	-	-	1	117	-	118
Balance at 30 June 2008	-	(479)	(2,842)	(290)	-	(3,611)
Carrying amounts at 30 June 2008	77,638	25,999	499,577	3,292	48,287	654,793
Carrying amount under cost model						
Cost	77,638	26,478	502,419	3,582	48,287	658,404
Accumulated depreciation	-	(479)	(2,842)	(290)	-	(3,611)
Carrying amount at cost at 30 June 2008	77,638	25,999	499,577	3,292	48,287	654,793

Queensland Bulk Water Supply Authority
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17. Property, plant and equipment (continued)

2008	Parent					
	Land	Buildings	Infrastructure	Plant and equipment	Work in progress	Total
	$000	$000	$000	$000	$000	$000
Balance at 16 November 2007	-	-	-	-	-	-
Acquisitions through business combinations	8,615	253	68,663	546	36,071	114,148
Other additions	-	-	11	130	12,076	12,217
Disposals	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-
Balance at 30 June 2008	8,615	253	68,674	676	48,147	126,365
Depreciation and impairment losses						
Balance at 16 November 2007	-	-	-	-	-	-
Depreciation for the period	-	(2)	(751)	(33)	-	(786)
Disposals	-	-	-	-	-	-
Balance at 30 June 2008	-	(2)	(751)	(33)	-	(786)
Carrying amounts at 30 June 2008	8,615	251	67,923	643	48,147	125,579
Carrying amount under cost model						
Cost	8615	253	68,674	676	48,147	126,365
Accumulated depreciation	-	(2)	(751)	(33)	-	(786)
Carrying amount at cost at 30 June 2008	8615	251	67,923	643	48,147	125,579

Queensland Bulk Water Supply Authority
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17. Property, plant and equipment (continued)

Property Plant and Equipment valuations were determined by reference to valuation assessments undertaken by State Valuation Services (SVS), Cardno Pty Ltd and Herron Todd White as detailed below. The Board resolved to adopt the valuations.

Valuation Summary 2008/09

Valuer	Asset Class	Date of Valuation	Valuation Increase	Total of Revalued Assets
State Valuation Services (SVS)	Land	1 July 2008 and 16 February 2009	$87,333,836	$407,421,483
Cardno Pty Ltd	Infrastructure	1 July 2008	$79,676,957	$823,253,212
Fair value on transfer	Buildings	1 July 2008	$18,152,968	$62,626,780
Total			$185,163,761	$1,293,301,475

Land

Independent valuations of Land transferred between 1 July 2008 and 16 February 2009, were performed by the State Valuation Services (SVS) using the fair value principle. Current year additions are recorded at cost.

Land with a total value of $225,867,108 representing reserve land or subject to a Deed of Grant in Trust (DOGIT), is not included in the total of $485,776,682. The land is retained by the Crown, however, the economic benefit of this land accrues to the Entity and the land is administered by the Department of Environment and Resource Management (DERM).

Infrastructure

The Entity engaged Cardno Pty Ltd, an independent valuer, to assess the fair value of infrastructure assets transferred as at 1 July 2008.

The revaluation has been conducted using a depreciated replacement cost approach consistent with AASB 116. The 1 July 2008 transfer values were determined to support the Transfer Notices.

Current year additions post 1 July 2008 are recorded at cost.

Buildings

The head office building at 240 Margaret Street, Brisbane has been recognised at fair value at 01 February 2008. Independent valuation was performed by Herron Todd White.

Current year additions are recorded at cost.

Fair value for buildings transferred is based on the higher of transfer values and the allocated values ascribed to buildings as at 1 July 2008.

Plant and Equipment

All plant and equipment is measured at cost less accumulated depreciation in accordance with Queensland Treasury's *Non-Current Asset Policies for the Queensland Public Sector* (as amended).

Work in progress

Work in progress is measured at cost. Borrowing costs of $10,473,713 have been capitalised during the year. (2008: $509,162).

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18. Intangible assets

2009	Consolidated				
	Goodwill	Software Purchased	Other Intangibles	Software Work in Process	Total
	$000	$000	$000	$000	$000
Balance at 1 July 2008	39,440	-	4,900	-	44,340
Additions	-	415	-	1,724	2,139
Transfers between classes	-	1,689	-	(1,689)	-
Balance at 30 June 2009	39,440	2,104	4,900	35	46,479
Amortisation and impairment losses					
Balance at 1 July 2008	-	-	(260)	-	(260)
Amortisation for the year	-	(134)	(376)	-	(510)
Balance at 30 June 2009	-	(134)	(636)	-	(770)
Carrying amount at 30 June 2009	39,440	1970	4,264	35	45,709

18. Intangible (continued)

2008 (Consolidated)	Goodwill	Software Purchased	Other Intangibles	Software Work in Process	Total
	$000	$000	$000	$000	$000
Balance at 16 November 2007	-	-	-	-	-
Acquisitions through business combinations	39,440	-	4,900	-	44,340
Balance at 30 June 2008	39,440	-	4,900	-	44,340
Amortisation and Impairment losses					
Balance at 16 November 2007	-	-	-	-	-
Amortisation for the period	-	-	(260)	-	(260)
Balance at 30 June 2008	-	-	(260)	-	(260)
Carrying amounts at 30 June 2008	39,440	-	4,640	-	44,080

2008 (Parent)	Goodwill	Software Purchased	Other Intangibles	Software Work in Process	Total
	$000	$000	$000	$000	$000
Balance at 16 November 2007	-	-	-	-	-
Acquisitions through business combinations	10,433	-	-	-	10,433
Balance at 30 June 2008	10,433	-	-	-	10,433
Amortisation and Impairment losses					
Balance at 16 November 2007	-	-	-	-	-
Amortisation for the period	-	-	-	-	-
Balance at 30 June 2008	-	-	-	-	-
Carrying amounts at 30 June 2008	10,433	-	-	-	10,433

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19. Impairment testing for cash generating units

The carrying amount of assets, including the goodwill (refer notes 17 and 18), allocated to the cash-generating unit (CGU) are set out below:

Entity	Carrying amount of assets	Recoverable amount	Surplus / (Deficiency)
	$000	$000	$000
CGU	2,478,021	2,584,987	106,966
	2,478,021	2,584,987	106,966

The recoverable amount has been determined utilising the following key assumptions:

- Previous external advice provided by Synergies, an Economic Consulting firm, to the Board regarding a target gearing level for the Entity has been adopted in the long term financial modelling and for impairment testing purposes. The Board has adopted a target gearing level of 70% with the assumption for modelling purposes that surplus cash will be applied to debt repayment in the first instance, until such time as the target gearing level is reached and thereafter, applied as dividends.
- For impairment modelling purposes, the rate of return and the impairment rate applied to drought assets are assumed to move over time, incrementally adopting the methodology applied to non-drought assets on a pro rata basis. This assumption is consistent with moving toward a normal regulatory environment and assumes a ten year adjustment period. This assumption will be reviewed each year to take account of new information as it becomes available.
- The Entity treats its business activities as a single CGU for the purposes of impairment testing.
- The Weighted Average Cost of Capital (WACC) provided by the Queensland Water Commission (QWC) on non-drought assets for 2009/10 assumes interest rate immunisation. This impacts both the earning rate and the impairment rate on non-drought assets because of reduced risk. As the Entity enters into a more normal regulatory environment in the future, it is expected that the interest rate immunisation would cease (and possibly be replaced by hedging strategies). This movement from an immunised to a non-immunised position is assumed to occur from year two of the model with the earnings rate and impairment rate adjusted accordingly.
- The model makes provision each year for receipt of a return on working capital in line with normal regulatory practice as part of the revenues received by the Entity. This is confirmed by the QWC decision on behalf of the pricing regulator to allow for a return to the Entity in 2008/09 for the lag in receipt of payments (average 60 days) with an offsetting provision for the lag between the Entity being invoiced and paying for the goods or services (set at 25 days).
- Cash flows were projected utilising the methodology currently set by the QWC, on behalf of the price regulator, for both drought related and non-drought related assets and applied to the regulatory asset base. The prices used to determine revenues are based on a rate of return that is set at 9.95% for the first two years and 10.46% subsequently (2008:10.16%) for non-drought related assets and rates specific to the assets for drought assets ranging from 6.10%-6.87% (2008:6.88%) and adjusted for inflation of 2.5% per annum. Cash inflows incorporate net revenues generated from regulated revenue as discussed above as well as other revenue sources including hydro electric power generating revenue. These other revenue sources relate directly to the respective CGU based on management's best estimate of future cash flows having regard to historical performance, contractual cash flows as well as expectations about possible variations in the amount and timing of those future cash flows.

- Cash flow forecasts were estimated for a period of 30 years using the building blocks approach, and then extrapolated in perpetuity utilising the Gordons Growth Model. The pricing mechanism is based on the regulatory asset base which assumes a remaining useful life for depreciation purposes of 62 years for the initial transche of assets and specific depreciation periods relating to drought assets.
- The discount rate was calculated using the WACC and Capital Asset Pricing Model (CAPM) framework. The 10.46% return on capital was tested to ensure that it incorporated current market conditions and the riskiness of the cash flows. The rate was adjusted to reflect the borrowing capacity of the entity, the removal of interest rate risk, low refinancing risk and short term contracts in place. The resultant discount rate applicable for non-drought assets was 9.61%. This rate was further adjusted for the removal of the competitive neutrality fee in the case of drought assets. For drought assets, the appropriate discount rate was 6.90%.
- Expenditure necessary to maintain or sustain the performance of the assets has been taken into account when estimating the net future cash flows as it is deemed maintenance in nature.
- The valuation model was analysed by independent third parties. The model and the validity of the assumptions adopted were found to be rigorous. A sensitivity analysis was conducted to identify the valuation effect of changes in key value drivers being:
  - Internal drivers – asset lives, capital expenditure, non-regulated income; and
  - External drivers – regulated asset base, discount rate and inflation.
- The assumptions concerning the internal drivers were in line with management's current business strategy. For the external drivers, the valuation was most sensitive to the discount rate and the regulated asset base.

The values assigned to the key assumptions represent the Entity's assessment of future trends in the water industry and are based on both external sources and internal sources (historical data).

Inherent uncertainty

The above estimates are particularly sensitive to changes in the prices set by the QWC on the water assets. The methodology has been initially set by the QWC, in relation to the Entity's two year contract with the Water Grid Manager, and assumptions regarding the impact of a reasonably possible change in the regulatory environment after this period have been adopted as detailed above. At this point in time, the Queensland Government has not yet determined the pricing mechanism post 30 June 2010. Therefore, there is significant uncertainty with what form the pricing mechanism may take post 30 June 2010. Should the pricing provided by the Regulator be reduced or if the pricing on assets acquired or constructed in the future is insufficient to generate a commercial return, an impairment may arise and could have a significant effect on the carrying value of the assets in future periods. While a number of modelling scenarios have been run and considered by the Board, the assumptions listed above have been adopted as reasonable, given the absence of future certainty. Without additional information in relation to any actual changes to the methodology and with the uncertainty of what form the pricing mechanism may take post 30 June 2010, the Entity has relied on the reasonableness of its assumptions in completing its impairment testing.

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	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
20. Trade and other receivables			
Current			
Trade debtors	1,071	3,165	287
Less: Provision for impairment	(44)	-	-
	1,027	3,165	287
GST receivable	3,987	974	685
GST payable	(2,609)	(66)	(9)
	1,378	908	676
Receivable from subsidiary (SEQWater)	-	-	49
Other receivables	22,792	8,036	5,251
	22,792	8,036	5,300
Total	25,197	12,109	6,263
Non-current			
Other debtors	-	3	-
Total	-	3	-
21. Inventories			
Chemicals	1,248	-	-
Other	534	151	151
	1,782	151	151
22. Other current assets			
Deposit paid	11,166	-	-
Prepayments	911	694	-
Total	12,077	694	-

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23. Tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

2009	Consolidated		
	Assets $000	Liabilities $000	Net $000
Property, plant and equipment	-	(134,583)	(134,583)
Intangibles	-	-	-
Borrowings	-	(791)	(791)
Provision for employee benefits	1,161	-	1,161
Superannuation	10	-	10
Tax losses	2,630	-	2,630
Lake Baroon funding	350	-	350
Accrued expenses	266	-	266
Other items	177	-	177
Tax assets (liabilities)	4,594	(135,374)	(130,780)

2008	Consolidated		
	Assets $000	Liabilities $000	Net $000
Property, plant and equipment	-	(78,480)	(78,480)
Intangibles	-	(1,392)	(1,392)
Borrowings	-	(1,015)	(1,015)
Capitalised expenses	16	-	16
PRW unearned revenue	71	-	71
Provision for employee benefits	882	-	882
Superannuation contribution	1	-	1
Tax losses	6,933	-	6,933
Other items	81	-	81
Tax assets (liabilities)	7,984	(80,887)	(72,903)

The components of this balance have been restated due to prior period adjustments. Refer to Note 39.

2008	Parent		
	Assets $000	Liabilities $000	Net $000
Property, plant and equipment	25	-	25
Provision for employee benefits	499	-	499
Superannuation contribution	1	-	1
Tax losses	6,933	-	6,933
Other items	71	-	71
Tax assets	7,529	-	7,529

Queensland Bulk Water Supply Authority
Notes to the financial statements

23. Tax assets and liabilities (continued)

(b) Movement in temporary differences during the year

	Consolidated			
	2008	Recognised in profit or loss	Acquired in equity	2009
	$000	$000	$000	$000
Property, plant and equipment	(79,894)	860	(55,549)	(134,583)
Intangibles	-	-	-	-
Borrowings	(1,015)	224	-	(791)
PRW unearned revenue	71	(71)	-	-
Provision for employee benefits	882	279	-	1,161
Superannuation	1	9	-	10
Tax losses	6,955	(4,325)	-	2,630
Lake Baroon funding	-	350	-	350
Accrued expenses	-	266	-	266
Other items	97	80	-	177
	(72,903)	(2,328)	(55,549)	(130,780)

	Consolidated	Consolidated	Parent
	2009	2008	2008
	$000	$000	$000

24. Cash and cash equivalents

(a) Cash and cash equivalents

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
Cash on hand	5	1	-
Bank balances	20,841	8,205	6,135
Short term deposits with QTC	88,762	140,238	-
Cash and cash equivalents in the Cash Flow Statement	109,608	148,444	6,135

(b) Reconciliation of cash flows from operating activities

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
Cash flows from operating activities			
Loss for the year	(107)	(8,252)	(10,580)
Adjustments for:			
Depreciation	30,871	3,728	786
Amortisation of intangible assets	510	260	-
Loss on sale of property, plant and equipment	180	19	-
Income tax expense/(credit)	2,328	(4,183)	(5,182)
Doubtful debts expenses	44	-	-
Change in assets and liabilities			
Change in trade and other receivables	(12,636)	(4,866)	(3,587)
Change in inventories	(1,630)	(151)	(151)
Change in GST input tax credits receivable	(3,012)	(653)	(685)
Change in repayment	(218)	-	-
Change in trade and other payables	10,267	(2,948)	1,791
Change in provisions and employee benefits	5,687	485	267
Change in unearned revenue	(18,661)	-	-
Change in interest payable	69,726	12,895	13,613
Change in GST payable	2,543	(104)	9
Net cash from operating activities	85,892	(3,770)	(3,719)

Queensland Bulk Water Supply Authority
Notes to the financial statements

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
24. Cash and cash equivalents (continued)			
(c) Funding facilities			
Drawn	1,595,000	738,452	548,835
Unused	97,000	7,000	-
Total Facility	1,692,000	745,452	548,835
(d) Credit standby arrangement			
Drawn	-	6,535	6,535
Unused	10,000	3,465	3,465
Total Facility	10,000	10,000	10,000
25. Interest bearing Liabilities			
Current			
QTC - Working capital facility	-	6,535	6,535
QTC - Loans	32,875	-	-
QTC – Market valuation at acquisition	(374)	-	-
Total	32,501	6,535	6,535
Non-current			
QTC - Loans	2,075,440	735,300	542,300
QTC – Market valuation at acquisition	(2,261)	(3,383)	-
Total	2,073,179	731,917	542,300

No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollar denominated amounts and carried at amortised cost, interest being expensed as it accrues. The amount of $41,905,004 has been capitalised during current year (2008: $14,154,922). There have been no defaults or breaches of the loan agreement during the year.

The Weighted Average of QTC borrowings as at 30 June 2009 is 7.81%. Interest payments are made quarterly in arrears at rates ranging from 6.10% to 8.23%.

The fair value of the borrowings as at 30 June 2009 was determined by QTC to be $2,168,000,676 (2008:$724,738,860). The fair value is calculated using discounted cash flow analysis and the effective interest rate.

No fair value adjustment was made to the carrying amount of the borrowings during the year (2008: $0).

Queensland Bulk Water Supply Authority
Notes to the financial statements

25. Interest bearing liabilities (continued)

Terms and conditions of outstanding loans were as follows:

	Carrying amount $000	Fair Value $000
QTC – Water Infrastructure Debt Pool	7,475	6,763
QTC – CSP Post 1 July 08 Debt Pool	1,151,227	1,194,940
QTC – CSP Pre 1 July 08 Debt Pool	538,852	553,906
QTC – BCC Aquifier Debt Pool	54,695	55,070
QTC – Caboolture Aquifier Debt Pool	44,036	43,620
QTC – Cedar Grove / Bromelton Debt Pool	72;160	74,242
QTC – Hinze Dam Debt Pool	200,952	200,359
QTC – EMA Debt Pool	38,918	39,101
Total	2,108,315	2,168,001

On advice from QTC, repayments have been assumed to include interest plus a fixed return of principal. On this basis, all debt will be repaid by January 2071.

As at 30 June 2009, $191,253,581 was held by the Entity in the QTC Redraw Facility, offsetting the Entity's debt balance and available for use by the Entity in the future, consistent with AASB 139 AG 62. Refer to Note 3 (b). The funds held in the Redraw Facility by the Entity are deemed not to trigger a debt restructure. As a consequence, no market value adjustment has been recognised in the Entity's Financial Statements.

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
26. Employee benefits			
Current			
Salaries and wages accrued	1,570	873	155
Liability for long service leave	296	151	100
Liability for annual leave	1,899	925	348
Liability for sick leave	-	11	11
Total	3,765	1,960	614
Non-Current			
Liability for long-service leave	4,581	1,363	897
Liability for annual leave	967	221	221
Liability for sick leave	6	87	87
Total	5,554	1,671	1,205

Refer to Note 11 for details of the amount of superannuation contribution paid by the Entity to the superannuation funds in respect of this year for the benefit of the employees.

Queensland Bulk Water Supply Authority
Notes to the financial statements

26. Employee benefits (continued)

Local government superannuation scheme – LG Super

The Entity contributes to LG Super for its employees. LG Super is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*. LG Super has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB 119. The Entity has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Commonwealth Superannuation Industry (Supervision) Legislation* (SIS Regulations).

The DBF is a defined benefit plan as defined in AASB 119. The Entity is not able to account for the DBF as a defined benefit plan in accordance with AASB 119 because LG Super is unable to account to the Entity for its proportionate share of the defined benefits obligation plan assets and costs.

Under amendments to the Local Government Act passed in June 2009, the trustee of LG Super has the power to levy additional contributions to the member entities that have employees in the DBF when the actuary advises such additional contributions are payable – normally when the assets of the DBF are insufficient to meet members' benefits. Clause 56(e) of LG Super Trust Deed indicates that any increase in the contribution is limited to 6% of the relevant employee's salary.

In its letter to the Entity dated 25 November 2008, the trustee advised that there is no provision within LG Super's Trust Deed or the Local Government Act which requires the Entity to make any contribution on behalf of the members of the DBF other than the 18% contribution required under section 1182 of the Local Government Act. Under the current provisions, the Entity has no liability in the event of a shortfall in funding of the DBF.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the DBF, and would not be an asset or liability of the Entity.

Accordingly there is no recognition in the financial statements of any over or under-funding of the scheme.

The audited general purpose financial report of LG Super as at 30 June 2008 (the most recent available) which was not subject to any audit qualification, indicates that the assets of LG Super are sufficient to meet the accrued benefits.

The general purpose financial statements disclose that the most recent actuarial assessment of LG Super was undertaken as at 1 July 2006. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefit as they accrue.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that LG Super was a complying superannuation scheme for the purpose of the SIS Regulations.

Queensland Bulk Water Supply Authority
Notes to the financial statements

26. Employee benefits (continued)

Brisbane City Council Superannuation Plan - City Super

The Entity has six defined benefit (Part A) members in the Brisbane City Council Superannuation Plan (City Super) with total vested benefits of $1,813,510 as at 30 June 2009. Part B members participate in the accumulation superannuation fund.

City Super has been declared "Technically Insolvent" which means that assets were lower than Minimum Requisite Benefits as described in the SIS Regulations as at 21 November 2008. A Special Funding and Solvency Certificate has been issued by the Trustee of the fund.

The Special Funding and Solvency Certificate required the Entity to make additional employer contributions of $10,000 per month for 3 years from 1 March 2009 to 28 February 2012 and 1% extra of members' salary from 1 January 2009.

The current employer contribution requirements are as follows:

1. In respect of Part A members:
   - 14% of members' salaries from 1 January 2009; plus
   - $10,000 per month for the three years from 1 March 2009 – 28 February 2012.
   - 5.88% of salaries for those part A members in respect of whom the employers pay the member's 5% contribution by way of salary sacrifice.
2. In respect of Part B members:
   - 14% of members' salaries for permanent employees; and
   - 9% of salaries for casual employees.

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
27. Trade and other payables			
Current			
Trade creditors	658	829	724
Other	25,460	9,688	5,989
Total	26,118	10,517	6,713
Non-current			
Intercompany payable	-	-	1,891
Other payables	1,007	1,099	-
Total	1,007	1,099	1,891
28. Other current liabilities			
Current			
Unearned revenue	-	148	-
Business Water Efficiency Program	18,880	37,394	-
Security deposits	32	33	-
Other payables	180	-	-
Total	19,092	37,575	-

Queensland Bulk Water Supply Authority
Notes to the financial statements

29. Asset revaluation reserve

	Land $000	Building $000	Infrastructure $000	Total $000
Balance at 1 July 2008	-	-	-	-
Revaluation Increments	87,334	18,153	79,677	185,164
Deferred tax liabilities	(26,200)	(5,446)	(23,903)	(55,549)
Balance at 30 June 2009	**61,134**	**12,707**	**55,774**	**129,615**

30. Financial instruments

(a) Categorisation of financial instruments

The Entity has the following categories of financial assets and financial liabilities:

Category	Note	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
Financial Assets				
Cash and cash equivalents	24	109,608	148,444	6,135
Receivables	20	25,197	12,112	6,263
Total		**134,805**	**160,556**	**12,398**
Financial Liabilities				
Payables	26/27	36,444	15,247	10,423
Other financial liabilities – QTC borrowing	25	2,108,315	738,452	548,835
Total		**2,144,759**	**753,699**	**559,258**

(b) Credit risk exposure

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment. No collateral is held as security relating to the financial assets held by the Entity.

The following table represents the Entity's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk

Category	Note			
Cash and cash equivalents	24	109,608	148,444	6,135
Receivables	20	25,197	12,112	6,263
Total		**134,805**	**160,556**	**12,398**

No collateral is held as security and no credit enhancements relate to financial assets held by the Entity.

No financial assets and financial liabilities have been offset and presented net in the Balance Sheet.

The method of calculating any provisional impairment for risk is based on past experience.

The recognised impairment provision for receivables is $44,471 for the current year (2008:$0).

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amount as indicated.

Queensland Bulk Water Supply Authority
Notes to the financial statements

30. Financial instruments (continued)

Aging past due, but not impaired, as well as impaired financial assets are disclosed in the following tables:

	Consolidated 2009		Consolidated 2008		Parent 2008	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Receivables	$000	$000	$000	$000	$000	$000
Not past due	25,079	-	12,093	-	6,263	-
Past due 0-30 days	-	-	3	-	-	-
Past due 31-60 days	63	-	16	-	-	-
Past due 61-90 days	13	-	-	-	-	-
More than 91 days	86	44	-	-	-	-
	25,241	44	12,112	-	6,263	-

(c) Liquidity risk

The Entity is exposed to liquidity risk in respect of its payables and borrowings from QTC.

The following tables set out the liquidity risk of financial liabilities held by the Entity. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

2009	Consolidated			
	Payable in			Total
Financial liabilities	<1 year	1-5 years	>5 years	
	$000	$000	$000	$000
QTC Borrowings – Loans	150,159	597,783	2,169,205	2,917,147
Trade and other payables	29,883	704	6,229	36,816
	180,042	598,487	2,175,434	2,953,963

2008	Consolidated			
	Payable in			Total
Financial liabilities	<1 year	1-5 years	>5 years	
	$000	$000	$000	$000
QTC Borrowings – Loans	339,965	602,353	5,555,241	6,497,559
QTC Borrowings – Working Capital Facility	6,616	-	-	6,616
Trade and other payables	13,576	-	1,671	15,247
	360,157	602,353	5,556,912	6,519,422

30. Financial instruments (continued)

2008	Parent			
	Payable in			Total
Financial liabilities	<1 year	1-5 years	>5 years	
	$000	$000	$000	$000
QTC Borrowings – Loans	154,715	602,353	5,555,241	6,312,309
QTC Borrowings – Working Capital Facility	6,616	-	-	6,616
Trade and other payables	7,327	1,891	1,205	10,423
	168,658	604,244	5,556,446	6,329,348

(d) Market risk

The Entity does not trade in foreign currency and is not materially exposed to commodity price ranges. The Entity is exposed to interest rate risk through borrowings and investment with QTC and cash deposited in interest bearing accounts.

Sensitivity analysis

The following sensitivity analysis depicts the outcome to profit and loss if interest rates would change by +/- 1% from the year-end rates applicable to the Entity's financial assets and liabilities. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. This is mainly attributable to the Entity's exposure to variable interest rates on its borrowings from QTC.

2009		Consolidated			
		- 1%		+ 1%	
	Net carrying amounts	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000
Cash and cash equivalents	109,608	(1,096)	(1,096)	1,096	1,096
QTC Borrowings – Loans	2,108,315	1,761	1,761	(1,761)	(1,761)
Overall effect on profit and equity		665	665	(665)	(665)

The Entity's sensitivity to interest rate movements has increased in the current year due to increased borrowings for new capital projects.

2008		Consolidated			
		- 1%		+ 1%	
	Net carrying amounts	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000
Cash and cash equivalents	148,444	(1,484)	(1,484)	1,484	1,484
QTC Borrowings – Loans	(731,917)	634	634	(634)	(634)
QTC Borrowings – Working Capital Facility	(6,535)	65	65	(65)	(65)
Overall effect on profit and equity		(785)	(785)	785	785

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30. Financial instruments (continued)

2008		Parent			
		- 1%		+ 1%	
	Net carrying amounts	Profit	Equity	Profit	Equity
	$000	$000	$000	$000	$000
Cash and cash equivalents	6,135	(61)	(61)	61	61
QTC Borrowings – Loans	(542,300)	460	460	(460)	(460)
QTC Borrowings – Working Capital Facility	(6,535)	65	65	(65)	(65)
Overall effect on profit and equity		464	464	(464)	(464)

Fair value

The carrying amounts of all financial assets and financial liabilities, except the borrowings from the QTC are representative of their fair value. The fair value of the borrowings is calculated using discounted cash flow analysis and the effective interest is disclosed below:

2009	Consolidated	
	$000	$000
	Carrying amount	Fair value
QTC Borrowings – Loans	2,108,315	2,168,000
QTC Borrowings – Working Capital Facility	-	-
	2,108,315	2,168,000

2008	Consolidated	
	$000	$000
	Carrying amount	Fair value
QTC Borrowings – Loans	731,917	721,230
QTC Borrowings – Working Capital Facility	6,535	6,535
	738,452	727,765

2008	Parent	
	$000	$000
	Carrying amount	Fair value
QTC Borrowings – Loans	542,300	535,980
QTC Borrowings – Working Capital Facility	6,535	6,535
	548,835	542,515

Queensland Bulk Water Supply Authority
Notes to the financial statements

	Consolidated	Consolidated	Parent
	2009 $000	2008 $000	2008 $000
31. Operating leases			
(i) Leases as lessee			
Non-cancellable operating lease rentals are payable as follows:			
Less than one year	37	105	-
Between one and five years	74	250	-
More than five years	-	-	-
	111	355	-
(ii) Leases as lessor			
Non-cancellable operating lease rentals are receivable as follows:			
Less than one year	847	261	-
Between one and five years	1,886	58	-
More than five years	1,621	-	-
	4,354	319	-

The Entity rents out office space in its head office building.

	Consolidated 2009 $000	Consolidated 2008 $000	Parent 2008 $000
32. Capital and other commitments			
Contracted but not yet provided for and payable:			
Within one year	132,619	29,212	29,212
One year and no later than five years	68,685	-	-
More than five years	-	-	-
	201,304	29,212	29,212

33. Contingencies

Under the State Government Transfer Notice dated 27 February 2008, the specified net assets of AquaGen (including the Stage 2 Trunk Main Project Construction Contract) were transferred to the Entity. A claim has been made by a Contractor (now in liquidation), in relation to the Stage 2 Trunk Main Project Construction Contract. In an adjudication process an adjudication order was made against the Entity for a sum in excess of $11M.

On 18 March 2009, the Entity made payment to the Court (as advised by its legal representative) of the amount $11,165,820.61 as a security payment required under section 31(4)(b) of the *Building and Construction Industry Payment Act*. As the matter is still subject to legal process and is not resolved at 30 June 2009, the Entity cannot reliably measure the quantum of liabilities in respect of the dispute and no liability has been recognised in the Financial Statements. Refer to Note 22.

Queensland Bulk Water Supply Authority
Notes to the financial statements

34. Segment reporting

The Entity operates in the Water Supply Industry in the South East area of Queensland.

35. Controlled entities

Parent and ultimate controlling party	Country of establishment /incorporation	Ownership interest
Entity		
Queensland Bulk Water Supply Authority	Australia	-
Subsidiary		
South East Queensland Water Corporation Limited	Australia	100%

The Queensland Bulk Water Supply Authority is controlled by the State of Queensland which is the ultimate parent.

During the year, the Entity made a contribution of $41,518 to SEQWater to fund the Directors' fees and other expenses.

At 1 July 2008 all of SEQWater's assets, liabilities, instruments and personnel transferred to the Entity at their carrying values recorded in the financial report as at 30 June 2008. Refer to Note 2(d)(ii).

Queensland Bulk Water Supply Authority
Notes to the financial statements

36. Related parties

Key management personnel compensation

(a) Board Members

Board members' fees include fees paid for membership of the Audit Committee and a Task Force. The Board members who were paid, or were due to be paid directly or indirectly from the Entity were:

	Consolidated		Consolidated		Parent	
	1 July 2008 to 30 June 2009		16 November 2007 to 30 June 2008		16 November 2007 to 30 June 2008	
	Salary and Fees	Superannuation Contribution	Salary and Fees	Superannuation Contribution	Salary and Fees	Superannuation Contribution
	$	$	$	$	$	$
S.A. Chaplain	111,993	10,079	36,000	3,240	33,333	3,000
T. Fenwick	12,792	42,435	16,667	1,500	15,000	1,350
L. Bond	50,667	4,560	16,667	1,500	15,000	1,350
M. Boydell	59,651	5,369	16,667	1,500	15,000	1,350
I. Fraser	57,654	5,189	16,667	1,500	15,000	1,350
	292,757	67,632	102,668	9,240	93,333	8,400

Board member M Boydell resigned on 18 June 2009.

Queensland Bulk Water Supply Authority
Notes to the financial statements

36. Related parties (continued)

(b) Loans to key management personnel

None of the key management personnel have personal loans with the Entity outstanding as at 30 June 2009.

(c) Other key management personnel transactions

Key management personnel have not conducted transactions with the Entity during the year.

John Orange is engaged as a consultant through Orange and Associates Pty Ltd to provide services in relation to the Executive General Manager Business Services role. Mr Orange is also a Board Member of Queensland Bulk Water Transport Authority (trading as LinkWater) and a Non-Executive Director of Southern Regional Water Pipeline Company Pty Ltd (trading as LinkWater Projects).

(e) Board Members' transactions

Tom Fenwick is a Director of Queensland Water Infrastructure Pty Ltd (QWI). The Entity has acquired assets from QWI, namely Cedar Grove Weir and Bromelton Weir Offstream storage. Refer to Notes 2(d)(ii) and 6. Tom Fenwick has been a Director of SEQWater since September 1999. The Entity acquired the assets, liabilities instruments and personnel of SEQWater on 1 July 2008 pursuant to a gazetted Transfer Notice.

Leeanne Bond is a Director of Tarong Energy Corporation Limited (Tarong Energy). Tarong Energy was a customer of SEQWater up to 30 June 2008. Leanne Bond was also Chair of the Brisbane Water Advisory Board of Brisbane City Council (BCC). BCC was a customer of SEQWater up to 30 June 2008. The Entity acquired certain assets and employees from BCC on 1 July 2008 pursuant to a gazetted Transfer Notice.

Annabelle Chaplain has been a Director of SEQWater since September 1999. The Entity acquired the assets, liabilities instruments and personnel of SEQWater on 1 July 2008 pursuant to a gazetted Transfer Notice.

Mary Boydell was appointed as the Commissioner of the Queensland Water Commission on 19 June 2009. Mary Boydell resigned as a Member of the Entity's Board and as a Director of SEQWater on 18 June 2009.

Queensland Bulk Water Supply Authority
Notes to the financial statements

36. Related parties (continued)

(f) Transactions with other related parties

Total revenue from WGM is $271,630,985 which includes a receivable of $22,603,790 (2008: $0).

QTC, a Queensland State Government owned corporation, provided loan debt funding to the Entity under normal commercial terms and conditions. Refer to Note 25.

On 1 July 2008, specified assets transferred from DERM for a consideration of $252,000. Refer to Notes 2(d)(ii) and 6.

On 1 July 2008, specified assets, liabilities, instruments and personnel transferred from SunWater for a consideration of $77,692,716. Refer to Notes 2(d)(ii) and 6. The total amount paid and payable to SunWater during the financial year was $4,913,332 (2008: $0).

On 30 June 2009, specified assets and a Queensland Treasury Corporation (QTC) debt facility transferred from Queensland Water Infrastructure Pty Ltd (QWI). Refer to Note 2(d)(ii) and 6.

The Entity received $0 million (2008: $25,000,000) from the State Government for the Business Water Efficiency Program.

The following entities have the same controlling entity as the Queensland Bulk Water Supply Authority, and therefore are considered to be related parties. During the year, there were no business transactions with these entities:

- The Queensland Bulk Water Transport Authority trading as LinkWater.
- The Queensland Manufactured Water Authority trading as WaterSecure.

From time to time, the Queensland Bulk Water Supply Authority procures services from a number of Queensland Government departments on normal commercial terms.

All other amounts are set out in the respective notes to the financial statements.

(g) Transactions with Queensland Government

The Entity received the amount of $209,084,000 as contributed equity from the Queensland Government on 5 February 2009. Refer to Note 3(q).

37. Subsequent events

The transfer of the Wivenhoe to Esk pipeline asset and associated debt from Western Corridor Recycled Water Pty Ltd of approximately $6.53 million occurred in August 2009, as per a Direction from Queensland Treasury.

On 19 August 2009 the Entity received a notification from Queensland Water Commission that the July 2009 invoice needs to adjust for the recovery of $4,699,603 relating to the interest paid on Cedar Grove and Bromelton Offstream storage. This cost was recorded as a pass through cost to the Water Grid Manager in the 2008-09 financial statements.

As the proposed Water Grid Charges for 2009-10 are still subject to Ministerial approval and because the Ministerial decision is subject to a review period during which the Entity may make submissions on matters of differing interpretation, no changes have been made to the 2008-09 financial report.

Queensland Bulk Water Supply Authority
Notes to the financial statements

38. Auditor's remuneration

	Consolidated	Consolidated	Parent
	1 July 2008 to 30 June 2009	16 November 2007 to 30 June 2008	16 November 2007 to 30 June 2008
	$000	$000	$000
Audit services			
Auditors of the Entity: *Queensland Audit Office*			
- Audit and review of financial reports	154	144	50
	154	144	50

There are no non-audit services included in this amount.

39. Prior period adjustments

The $4,031,044 decrease in the Deferred Tax Liability (DTL) arose as a result of the tax consolidation calculations performed on the acquisition of the SEQWater by the Entity. These calculations were performed after the 2008 financial statements had been finalised as part of the preparation of the 2008 consolidated NTER return.

The decrease in the DTL primarily related to the increase in the tax base of the land and intangibles as a result of the calculations. Previously a significant DTL existed for both assets in SEQWater as a result of book revaluations. The tax consolidation process effectively increased the tax base of these assets to their market value eliminating this DTL.

Further, the unearned revenue disclosed in the Balance Sheet at 30 June 2008 was overstated by $318;470.

The adjustments included are as follows:

- Decrease in unearned revenue by $318,470.
- Decrease in DTL by $4,031,044.
- Increase in retained earnings by $4,349,517.

These adjustments have been reflected in the accounts.

40. Economic dependency

There is an agreement with the Water Grid Manager up to 30 June 2010 to provide revenue for a return on and of assets and pass through costs. A new agreement will be negotiated with Queensland Water Commission.

The Queensland Government remains committed to providing ongoing support to the Entity. This commitment was recently reaffirmed in a letter from the Hon. Andrew Fraser MP, Treasurer and Minister for Employment and Economic Development, received by the Entity on the 7th of August 2009, in which the Treasurer reaffirmed that the Government remains strongly committed to ensuring that the Entity remains solvent at all times and thus able to provide essential services to South East Queensland.

Queensland Bulk Water Supply Authority

Certificate of Queensland Bulk Water Supply Authority for the year ended 30 June 2009

These general purpose financial statements have been prepared pursuant to section 46F(1) of the *Financial Administration and Audit Act 1977* (the Act), and other prescribed requirements. In accordance with section 46F(3) of the Act we certify that in our opinion:

a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material aspects; and

b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Queensland Bulk Water Supply Authority and its controlled entities for the financial year ended 30 June 2009 and of the financial position at the end of that year.

Annabelle Chaplain	Peter Borrows	John Orange
Chairman	Chief Executive Officer	Acting Executive General Manager – Business Services
Signature	Signature	Signature
Date 28/08/2009	Date 28/08/2009.	Date 28/08/2009

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Bulk Water Supply Authority

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of Queensland Bulk Water Supply Authority for the financial year ended 30 June 2009 included on Queensland Bulk Water Supply Authority's website. The Board is responsible for the integrity of the Queensland Bulk Water Supply Authority's website. I have not been engaged to report on the integrity of the Queensland Bulk Water Supply Authority's website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Queensland Bulk Water Supply Authority, to confirm the information included in the audited financial report presented on this website.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Report on the Financial Report

I have audited the accompanying financial report of Queensland Bulk Water Supply Authority, which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Chairman, Chief Executive Officer and Acting Executive General Manager – Business Services of the consolidated entity comprising the Board and the entities it controlled at the year's end or from time to time during the financial year.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act 1977* and the *Financial Management Standard 1997* including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility to express an opinion on the financial report based on the audit is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977*.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report and any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

Independence

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

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

Auditor's Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

  (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and

  (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of Queensland Bulk Water Supply Authority and the consolidated entity for the financial year 1 July 2008 to 30 June 2009 and of the financial position as at the end of that year.

Emphasis of Matter- Significant uncertainty regarding the bulk water pricing mechanism post 30 June 2010

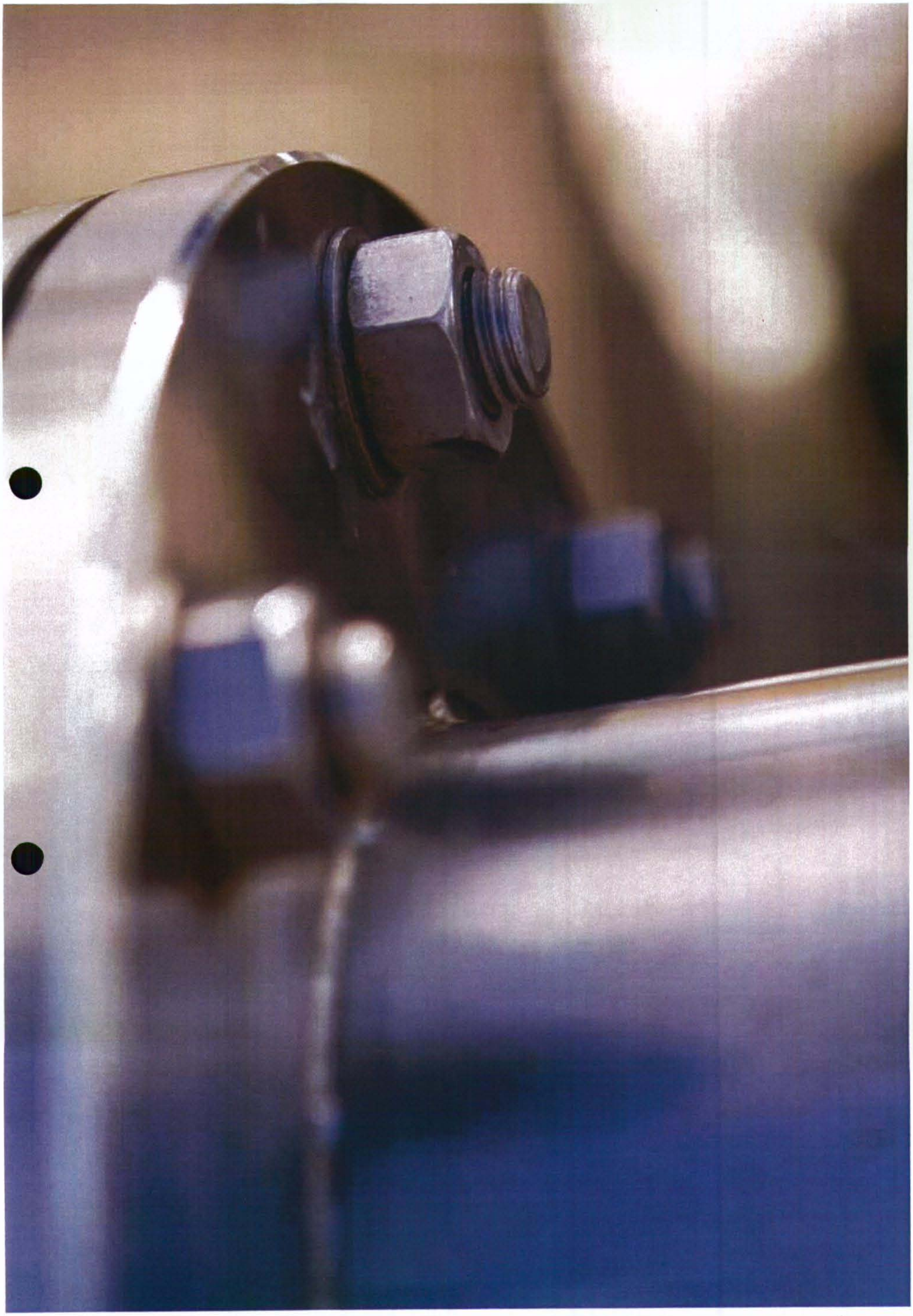
Without qualification to the opinion expressed above, attention is drawn to the following matter.

As indicated in Note 19 Queensland Bulk Water Supply Authority has performed an impairment assessment of its assets based on current pricing arrangements for bulk water under normal pricing principles for regulated assets. That impairment assessment has concluded that there is no impairment at 30 June 2009. At this point in time, the Queensland Government has not yet determined the bulk water pricing mechanism post 30 June 2010 and consequently for the purposes of impairment modelling, there remains significant uncertainty over the impact on current asset values

AUDITOR GENERAL
31 AUG 2009
OF QUEENSLAND

G G POOLE FCPA
Auditor-General of Queensland

Queensland Audit Office
Brisbane



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