



1.3 MILLION

PEOPLE RESIDE WITHIN OUR SERVICE TERRITORY



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ABOUT THIS REPORT

The *Queensland Urban Utilities Annual Report* is a summary of our corporate performance during the 2010-11 financial year. It outlines our operational, environmental, social, and financial performance against key business objectives and targets as set out in the *Corporate Plan*, as well as the challenges ahead. The five key corporate objectives addressed in this report are:

- service valued and trusted by customer and community
- business efficiency and sustainability
- appropriate financial performance
- sustainable growth
- safe, capable, and dedicated people.

READERSHIP

This report aims to provide information to meet the needs of individuals and groups who are affected by, or have an interest in, our activities, including, but not limited to:

- our residential and non-residential customers
- our employees
- Participating Councils
- government departments
- the community
- the media.

We are committed to open and accountable governance, and welcome your feedback on our reporting.

SUSTAINABILITY

As part of Queensland Urban Utilities' commitment to sustainability, limited numbers of the annual report have been printed. Where possible, readers are encouraged to download the report online; where this is not possible, printed copies, or CD versions, are available using one of the contact options provided. Copies of the 2010-11 annual report are available on Queensland Urban Utilities' website below at:



www.urbanutilities.com.au/annualreport.

INTERPRETER SERVICE STATEMENT

Queensland Urban Utilities is committed to providing accessible services to our customers and stakeholders from culturally and linguistically diverse backgrounds.

If you have difficulty in understanding the annual report, please contact us on 13 14 50 and we will arrange an interpreter to communicate the report to you effectively.



当您需要口译员时，请致电 13 14 50。
النسأل على الرقم 13 14 50 عندما نكون بحاجة إلى مترجم فوري.
Khi bạn cần thông ngôn, xin gọi số 13 14 50.
통역사가 필요하시면 13 14 50 으로 연락하십시오.
Quando necessita un interprete llame al 13 14 50.

ENQUIRIES

8:30am – 4:30pm

Level 6, Brisbane Transit Centre
West Tower, 171 Roma Street
Brisbane QLD 4000

T: 13 26 57 (7am – 7pm weekdays)

F: +61 7 3403 3208

E: customerservice@urbanutilities.com.au

For more information on any of the initiatives, projects and services mentioned in this report, visit the Queensland Urban Utilities website at www.urbanutilities.com.au.

The Hon Stephen Robertson MP
Minister for Energy and Water Utilities
PO Box 152 16
City East QLD 4002

19 September 2011

Dear Minister

I am pleased to present the *Annual Report 2010-11* for the Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*; and
- the detailed requirements set out in the *Annual Report Requirements for Queensland Government Agencies*.

A checklist outlining the annual reporting requirement can be found on Queensland Urban Utilities' website at www.urbanutilities.com.au/annualreport.

Yours sincerely



Jude Munro AO
Board Chairperson
Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities



Our Profile

QUEENSLAND URBAN UTILITIES

Queensland Urban Utilities is a statutory body providing integrated distribution and retail water and wastewater services to customers within the Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset local government areas.

Queensland Urban Utilities was formally established as a distributor-retailer under the provisions of the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*, and as a service provider under the provisions of the *Water Supply (Safety and Reliability) Act 2008*, on 1 July 2010. The *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* made important changes to other pieces of legislation relevant to the distributor-retailers, and set out the requirements for the transition of assets, liabilities, employees, and instruments from local government to the distributor-retailers.

We are owned by the Participating Councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset, and governed by an independent board.

Our relationship with the South East Queensland Water Grid

The Queensland Government's water sector reform process, which commenced in 2007, reduced the number of organisations involved in managing and distributing water supplies within South East Queensland.

Figure 1 below shows our relationship with the other participants of the South East Queensland Water Grid.

Water we supply to our customers is first purchased as bulk water from the South East Queensland Water Grid Manager. The Grid Manager, in turn, purchases bulk water from Seqwater or WaterSecure (note that WaterSecure merged with Seqwater on 1 July 2011), and bulk transport services from LinkWater.

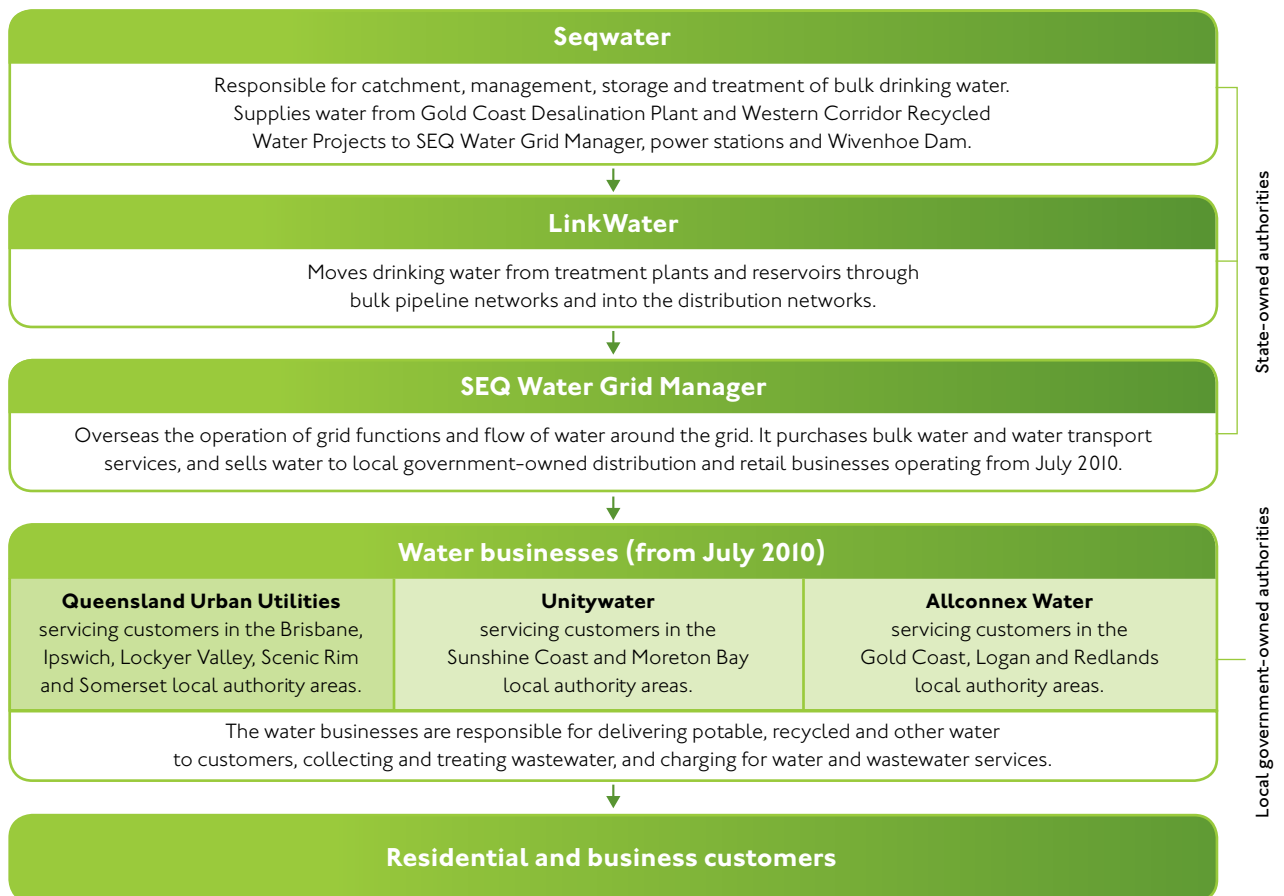


Figure 1 - South East Queensland Water Reform Model (1 July 2011).

Our purpose
 Enrich quality of life.

Our vision
 We are recognised nationally as a leader in the delivery of products and services and valued as a trusted partner by our customers and community.



OUR ROLE

Our primary role is to deliver drinking water, recycled water and wastewater services to the cities and townships within the boundaries of our Participating Councils.

In 2010-11 we supplied 119,889 megalitres (ML) of water to the residents and businesses within our service territory. We also removed and treated 149,198 ML of wastewater generated by 1.3 million residents and 4,700 trade waste customers.

Water Supply

Queensland Urban Utilities receives bulk water from the South East Queensland Water Grid and distributes it to our customers via a network of reservoirs, pipelines, pumps, valves, meters, and disinfection facilities.

Our 113 reservoirs help the water supply network cope with large changes in hourly water demand by temporarily storing water for later distribution to households while, at the same time, helping to manage water pressure so that tap water flows at the speed people expect. To move water into our reservoirs, we maintain a total of 51 water supply pump stations, while an additional 106 water booster pump stations are used to push water to houses that are higher than the reservoirs.

At selected locations across our network, we disinfect using chlorine to ensure that microorganism levels within

the water remain within drinking water limits. This typically occurs at points where the network length means that it is likely to have been some days since the original disinfection at a water treatment plant. Disinfected water is then distributed between reservoirs and to our customers via an 8,700 km network of pipes, comprising a range of materials, diameters, depths, and ages.

Sewerage

Our sewerage network uses 333 wastewater pump stations and more than 8,900 km of pipeline to transfer the sewage and trade waste of nearly half-a-million customers to one of our 28 wastewater treatment plants. These range from advanced wastewater treatment plants to small-scale package plants. Elements typical to most treatment facilities include: pre-treatment to remove large solid items that enter the sewerage network (e.g. nappies and plastic bags); primary and secondary treatment stages; and final clarification or settling and disinfection. Sludge generated as part of the treatment process is treated further before disposal. We also apply controls to minimise odours.

Operating the Network

Our operators maintain and operate these physical assets providing key services such as fire hydrant testing, 24-hour response to incidents and undertaking over 1.7 million meter readings each year.



213 MILLION DOLLARS

CAPITAL WORKS INVESTMENT

Our Profile

OUR CUSTOMERS

We provide our services to 1.3 million people who reside within our 14,364 square kilometre (km²) service territory, which stretches from Cape Moreton in the east to the foot of the Toowoomba Range in the west, and from the Yabba State Forest in the north to the New South Wales border in the south. Our service territory is shown in *Figure 2*.

Within this service territory, we provide water and wastewater services to urban centres such as Brisbane, Ipswich, Rosewood, Forest Hill, Gatton, Helidon, Laidley, Aratula, Beaudesert, Boonah, Canungra, Kalbar, Kooralbyn, Esk, Fernvale, Kilcoy, Lowood, and Toogoolawah. We also supply a further 17 communities with reticulated water supplies.

Our water services are provided via 501,000 residential and 37,000 non-residential connections, while in the order of 481,000 residential and 35,000 non-residential connections allow our customers to take advantage of our wastewater services. We also service 4,700 trade waste and 80 recycled water customers.

Our Customer Charter

Our Customer Charter describes how we will:

- ensure delivery of a safe and reliable water supply to our customers
- ensure effective transport and treatment of wastewater
- issue accounts for our services
- manage customer queries and complaints.

The Charter also describes our customers' rights and obligations, and is available on our website

www.urbanutilities.com.au - or by calling 13 26 57.

14,364 square kilometre service territory



Our Profile

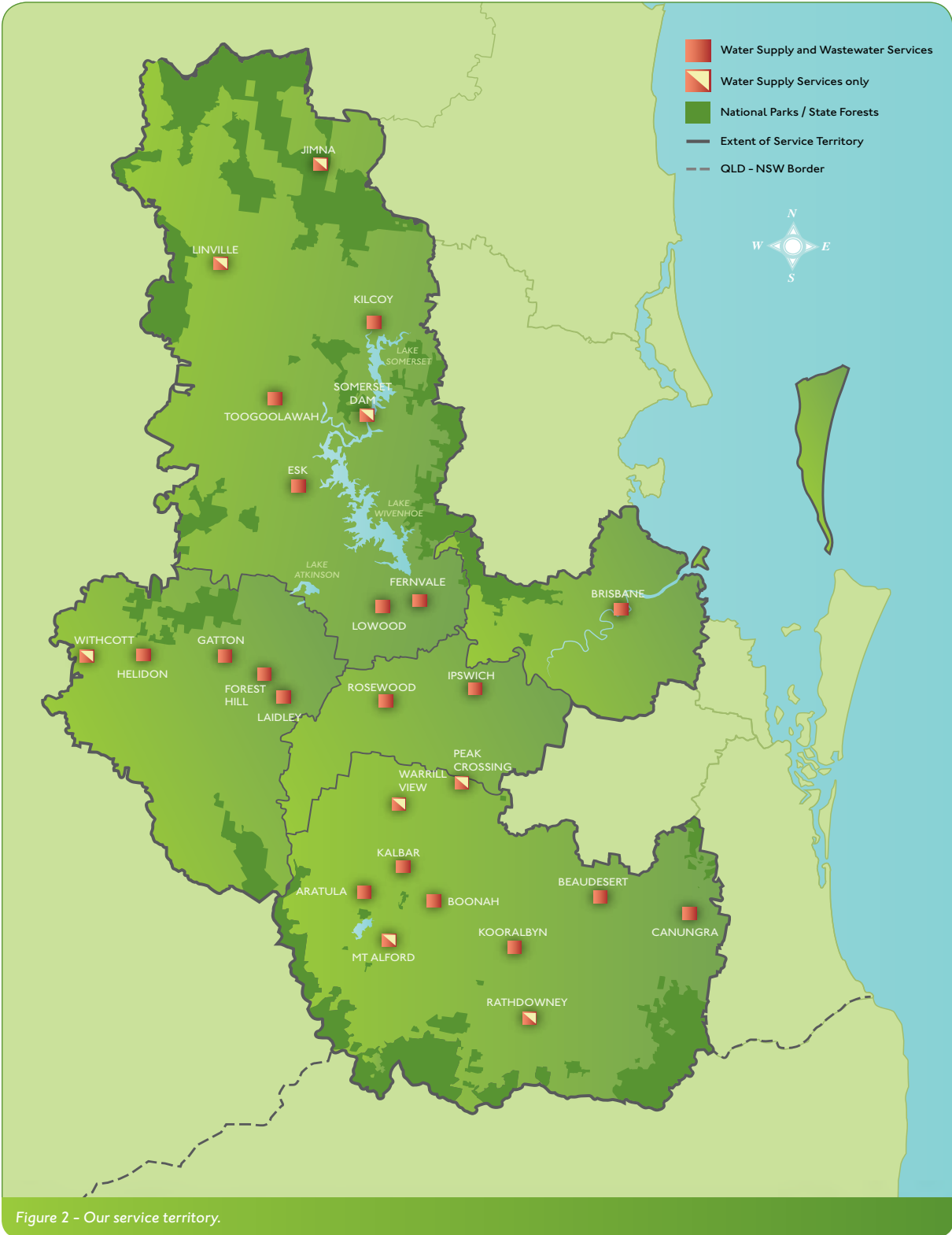


Figure 2 - Our service territory.

OUR STAKEHOLDERS

We place great importance on engaging with our customers and the community.

Engaging directly with the community provides us with immediate feedback on our customers' needs. It is at this level that we are able to create a greater awareness of who we are, how we provide our services, and what to expect in the future in the way of new infrastructure and pricing.

Our relationships with local, state and federal government departments allow us to keep abreast of legislation and regulations and ensure we continually fulfil our responsibility to protect the environment and support sustainable practices.

Within the industry, our relationships with our fellow distributor-retailers, developers, suppliers, environmental, and community reference groups allow us to collaborate at a local level to work towards common goals.

OUR ENVIRONMENT

We place great emphasis on sustainable planning over the long term. The effects of the Millennium Drought and the January 2011 South East Queensland flood event have further highlighted the importance of long-term planning to ensure a sustainable future for both our customers and our business. Our current focus includes climate change, ecological sustainability, and water demand management.

OUR CORPORATE PLAN

This year saw the development and adoption of the *Queensland Urban Utilities Corporate Plan 2010-2015*, which presents our future direction, goals and priorities, and articulates our customer promise and commitment. The *Corporate Plan 2010-2015* has been endorsed by our Participating Councils.

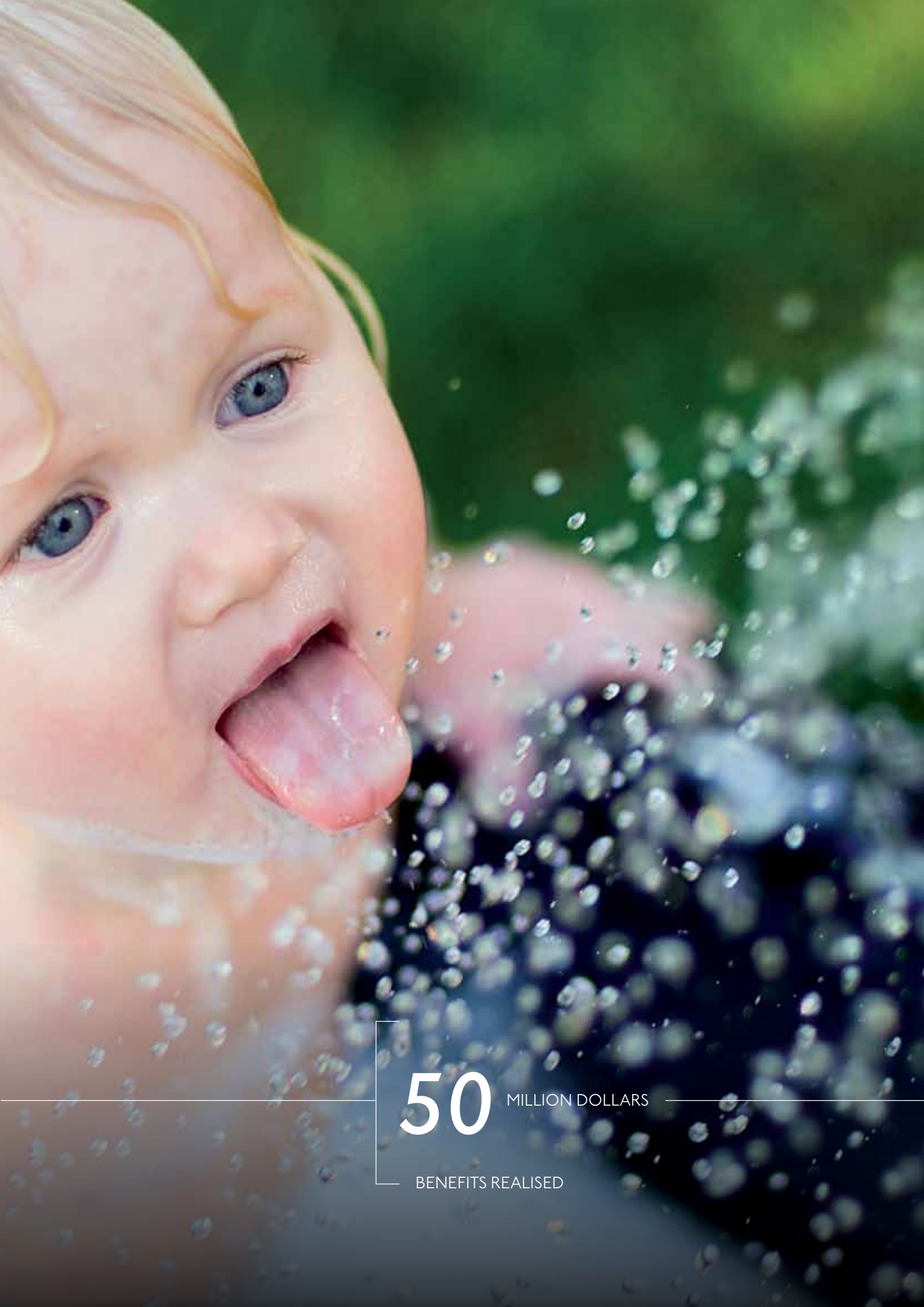
Our *Corporate Plan 2010-2015* is our blueprint for success, guiding us in our endeavours as we build on our achievements to date, including our overriding determination to minimise price impacts on our customers. It establishes our five key corporate objectives for 2010-2015, which are to deliver:

- service valued and trusted by customer and community
- business efficiency and sustainability
- appropriate financial performance
- sustainable growth
- safe, capable, and dedicated people.

Our *Corporate Plan 2010-2015* was formally adopted in the second half of the 2010-11 financial year. Strategies that were implemented in 2010-11, and which form part of the longer-term *Corporate Plan 2010-2015*, are outlined in the relevant sections of this report. In future years, an operational plan will be prepared outlining the strategies to be implemented each year. The *Operational Plan 2011-12* will provide a single-year focus to support the achievement of our vision and objectives as outlined in the *Corporate Plan 2010-2015*.

17,600 KM

OF PIPELINE USED TO PROVIDE OUR
WATER AND WASTEWATER SERVICES



50

MILLION DOLLARS

BENEFITS REALISED

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Highlights and Challenges

1

July 2010

- Commenced operations as a new statutory body servicing the regions of Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset. This included the transfer of 1,150 council employees to Queensland Urban Utilities on 1 July 2010.
- Engaged with external stakeholders prior to release of new customer accounts in the Ipswich, Lockyer Valley, Scenic Rim, and Somerset local government areas.

3

September 2010

- Annual Report 2009-10 presented to the Minister and Queensland Water Commission.

5

November 2010

- Customer and Community Reference Group met for the first time at Queensland Urban Utilities' head office.

2

August 2010

- Water and wastewater accounts mailed to 85,000 customers in the Ipswich, Lockyer Valley, Scenic Rim, and Somerset local government areas for the first time, representing the final major milestone of the transition to Queensland Urban Utilities.
- Submitted inaugural price monitoring information return (for 2010-11) to the Queensland Competition Authority.

6

December 2010

- Committed to \$50 million of budget reductions in 2010-11, and a further \$12.9 million in 2011-12. This equated to approximately \$20 per annum saving to our customers.

4

October 2010

- Consistent service standards covering all Queensland Urban Utilities' customers established.
- Fairfield Wastewater Treatment Plant upgrade commissioned.

7

January 2011

- Floodwaters affected a large proportion of our service territory, and resulted in damage to our infrastructure and assets, including 122 wastewater pump stations and 11 wastewater treatment plants.
- *Customer Water and Wastewater Code* released by the Queensland Water Commission, which covered residential and small-business customers.
- Energy and Water Ombudsman jurisdiction extended to Queensland Urban Utilities.

9

March 2011

- Enterprise-wide operational efficiency review commenced.
- The Queensland Competition Authority released its *Final Price Monitoring Report* finding no evidence of the exercise of monopoly power in 2010-11.

11

May 2011

- Organisational values launched.
- *Corporate Plan 2010-2015* adopted formally by the Board.
- Pricing for 2011-12 announced with reductions in four of our five service areas – Brisbane retains the lowest water and wastewater accounts in South East Queensland.
- *Draft Water Netserv Plan (Part A)* released for customer and community comment.

8

February 2011

- Organisational culture survey conducted.
- Employee flood relief appeal launched.
- Strategic vision for information and communication technology endorsed by the Board.

12

June 2011

- Strategic direction, including purpose, vision and corporate objectives launched.
- Safety Management Program commenced.

10

April 2011

- *Corporate Plan 2010-2015* approved by our Participating Councils.
- Applied 20 kL rebate to flood affected properties.

Chairperson's Review

CHAIRPERSON'S REVIEW

This was a defining year for Queensland Urban Utilities as it commenced operations across the cities and townships of Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset.

I am proud of many achievements and milestones during the past year, including, but not limited to:

- the strong and consultative relationship with our Participating Councils
- the seamless transition for our customers following 1 July 2010
- the customer and community centric focus of the organisation
- the realisation of a significant \$50 million efficiency dividend in 2010-II, and identification of a further \$12.9m saving in 2011-I 2
- the Board's decision to reduce prices in four of our five service areas of Ipswich, Lockyer Valley, Scenic Rim, and parts of Somerset, while Brisbane residential customers will continue to pay the lowest charges in South East Queensland
- record levels of investment in new and existing capital infrastructure to support future growth and prosperity in our territory.

Against these achievements, Queensland Urban Utilities in the 2010-II financial year faced a number of internal and external challenges to our operations from the devastating floods that affected our Brisbane, Ipswich, Lockyer Valley, and Somerset service areas, to the State Government's announcement within 280 days of the distributor-retailer commencing operations of a further potential restructure of the water industry in South East Queensland.

The way in which our people delivered an outstanding performance through these challenging and extraordinary periods exceeded the Board's expectations, and is a testament to our employees' ability to rise to the demands of the environment that we work within.

The decision to invest in a record capital works program in 2010-II demonstrated the Board's commitment to addressing growth and future water security needs across our service territory, as well as ensuring existing assets and infrastructure were maintained and enhanced. The Board diligently considered the preliminary 2010-II capital program to ensure that capital projects were prudent and efficient, and not 'gold-plated'.

As the founding Chairperson for Queensland Urban Utilities, one of my focuses has been to continue strong, productive, and harmonious relationships with our Participating Councils.

Ensuring that our Participating Councils are well briefed on the decisions of the Board and operations of Queensland Urban Utilities is absolutely critical. I have ensured that our Participants are regularly briefed, and I have also embraced consultative engagement - both personally, and at all levels of the organisation - which has resulted in our Participating Councils having direct input into our strategic objectives and future planning requirements.

The Board was also pleased to have had the opportunity to hold a number of Board meetings in our Participating Councils' service territories. This has provided an opportunity for dialogue between the Board and our Participating Councils, as well as providing a first-hand appreciation to our Board of the geographical area that we service.



I was particularly pleased that the Board has engaged directly with our customer base. Two such examples were the conversations the Board held with a farmer in the Lockyer Valley, the 'food bowl' for Australia, as well as a major developer in the Ipswich service territory.

The Board has embraced strong and productive relationships with our key external stakeholders. Over the course of the year, we hosted all of the water grid participants to meet our Board, along with other key stakeholders from the community.

Throughout the year, the Board and I have also been focussed on setting the broad tactical direction, strategies, and financial objectives of Queensland Urban Utilities. Our inaugural *Corporate Plan 2010-2015* was approved by our Participating Councils during April, and adopted by the Board in May. This Plan demonstrates the Board's determination to lead Queensland Urban Utilities into a future that is themed on business sustainability and efficiency, economic growth and improved quality of life for our customers and the broader community. It also highlights the Board's commitment to fostering talent and ensuring a safe workplace for all.

A particular achievement that I am proud of is the appointment and formation of the Customer and Community Reference Group within 90 days of our commencement of operation. This group was established to allow us to engage and involve stakeholders in developing our business. Queensland Urban Utilities was the first of the South East Queensland distributor-retailers to form such a group.

Improving the safety of our employees has also received the highest priority from the Board during the past year. A safety-first focus is embedded in our organisational values, and has been adopted in everything we do. We have endorsed a number of initiatives to support an enhanced safety culture across all part of the business.

Of course, it cannot pass without mention that we had a significant appointment at the executive level during the year. The Board was pleased to appoint Ian Maynard as Chief Executive Officer Designate following the announcement that our inaugural Chief Executive Officer, Noel Faulkner, would be pursuing personal interests at the end of this financial year. The Board owes a huge debt of gratitude to Noel for his vision, leadership, and passion he brought to the role, both in the operations of Queensland Urban Utilities and in the transition to 1 July 2010.

Thank you to our Participating Councils for their support throughout the year. I also wish to thank my fellow Board members for their commitment and enthusiasm. I would also like to take the opportunity to thank the executive leadership team and the employees of Queensland Urban Utilities in being dedicated to providing the highest level of service to our customers and community, as well as continuing to deliver a record capital expenditure program across all service territories.

I believe that Queensland Urban Utilities is well positioned, given its achievements and efforts in 2010-II, to provide improved service delivery to our customers, to invest in our community, and to enhance both the financial and non-financial value of the organisation.

Jude Munro AO
Chairperson

Chief Executive Officer's Review

On 1 July 2011, I commenced as Chief Executive Officer of Queensland Urban Utilities, one year after the organisation commenced operations. I was immediately encouraged by the amount of work that had been undertaken in the 2010-11 financial year and the strong foundations upon which we will continue to build.

The journey to establish Queensland Urban Utilities commenced in August 2009 as a result of the State Government's changes to the water industry. We are now one of Australia's largest water distributor-retailers, providing services to 1.3 million residents across a 14,364 square kilometre service territory. Through the delivery of essential infrastructure and provision of exceptional customer service, Queensland Urban Utilities plays an important role in enriching the quality of life of our customers and the community.

Transitioning from five organisations into a single, unified water distributor-retailer was a significant achievement.

I am pleased to report that, during the transition period, there were no supply or service disruptions, all employees were paid from a centralised payroll system, and from 1 July 2010 we issued separate Queensland Urban Utilities water and wastewater accounts.

Throughout this period, customer service remained a key focus for Queensland Urban Utilities and, in late 2010, we established consistent customer service standards across our service territory.

Safety was at the forefront of our priorities during the past year, and will remain our number-one priority as we continue on our journey to zero harm. In 2010-11 we implemented a number of initiatives to improve our safety performance, including the rollout of a new Safety Management System, which encompasses updated safety policies, standards, risk assessment procedures, reporting requirements, and relevant safe work method statements.

We also commissioned a safety audit across all of Queensland Urban Utilities to identify areas for improvement and to develop actions to address identified risks.

Overall, Queensland Urban Utilities enjoyed a positive first year of operations despite some significant challenges. The January 2011 floods had a major impact on our business and directly affected a significant proportion of our assets and infrastructure, including 122 wastewater pump stations and 11 wastewater treatment plants.

For a six-month-old organisation, this was a significant test of our emergency management and operating protocols. Despite this, none of our customers experienced any wastewater disruptions and water supply remained largely unaffected. The only exception to this was in parts of the Lockyer Valley service territory where supply was affected following damage to a bulk water pump. Not only did our employees work tirelessly to source and transport – via air and road – bottled water to affected communities, but they also worked collaboratively with Seqwater to repair their bulk water pumping station to ensure water supply was restored as quickly as possible.



Queensland Urban Utilities' water reservoirs remained at capacity throughout the flood period to ensure water was available for subsequent clean-up activities. To assist with the clean-up, we also offered a flood rebate of up to 20,000 litres of water to residential and small business customers affected by the flood. Queensland Urban Utilities also provided relief to customers in the Lockyer Valley, whose homes were lost or severely devastated, by waiving their water and wastewater accounts.

To support our employees directly affected by the floods, a Queensland Urban Utilities Employee Flood Relief Appeal was established. This initiative raised \$5,625 from employee donations, and this was matched, dollar for dollar, by Queensland Urban Utilities.

It was also pleasing to note that throughout the response and recovery phases of the January floods, there were no lost-time injuries to any of our employees. Our commitment to safety did not waver despite the exceptional circumstances.

Queensland Urban Utilities faced another challenge this year when the State Government offered councils the opportunity to take back their water businesses. In late June, we welcomed the news that all of our Participating Councils had agreed that Queensland Urban Utilities should continue as the provider of water and wastewater services to customers in their regions. This decision was a proud achievement for our organisation, and can be read as a clear endorsement of the value and service quality provided by Queensland Urban Utilities.

During the past year, we successfully implemented operational efficiencies that resulted in \$50 million of savings. These efficiencies were realised largely through procurement savings as a result of economies of scale, stronger negotiations, organisational capability realignment, rostering changes, and independent capital project reviews.

These savings meant that in May 2011, Queensland Urban Utilities announced a reduction in the average water and wastewater bill for residential customers across four of the local council areas we serve.

We equalised the water access charge across the Ipswich, Scenic Rim, Lockyer Valley, and Somerset regions by introducing a flat fee of \$280 per annum (or \$70 per quarter for residential customers). This lowered water access charges across these regions by between \$102.68 and \$7.40.

In Brisbane, increases were kept below CPI, with our water charges increasing by 2.6% and our wastewater charges going up by 3.2%. Brisbane residential customers continue to pay the lowest charges in South East Queensland.

This favourable pricing announcement was made possible despite our continued record levels of investment in new and existing infrastructure. In 2010-11, we invested \$213 million in capital works, and this will increase to \$341 million in 2011-12. Addressing the forecast population growth and future water needs of our service territory remains a key priority for our organisation, and we will continue to invest in maintaining and enhancing our water and wastewater infrastructure.

An independent cost efficiency review was completed during 2010-11 to ensure Queensland Urban Utilities continues to deliver efficiencies while meeting the needs of our Participating Councils and customers. The initial output of this review will be prioritised business efficiencies, and a proposed longer-term operating model.

Queensland Urban Utilities is committed to working with our stakeholders, and in 2010-11 we established a Customer and Community Reference Group (CCRG) to gain feedback and explore opportunities on a range of water- and wastewater- related issues. The group includes representatives from a cross-section of the community, and represents a range of customers and interest groups, including: community and social welfare; primary production; environment; local government; property; and residential and commercial water users. The CCRG meets quarterly on a range of topics including infrastructure planning, customer service standards, pricing, water efficiency, equity, and environmental sustainability.

In May 2011, Queensland Urban Utilities embarked on an extensive community and stakeholder engagement process for Part A of the *Water Netserv Plan*. This outlines our infrastructure planning and development for the next 20 years, and examines a number of important building blocks for our future, including priorities for investment in new water and wastewater projects, and strategies for managing future demand.

Significant work was completed during 2010-11 to develop Queensland Urban Utilities' strategic direction, including our purpose, vision, objectives, and targets. All of these are included in the *Queensland Urban Utilities Corporate Plan 2010-2015*, which was endorsed earlier this year.

Our new purpose and vision demonstrate our commitment to our customers and will ensure we take our organisation into a future defined by sustainability, economic growth, and an improved quality of life for our employees, customers, and the community.

People are key to achieving our vision and objectives, and Queensland Urban Utilities continues to invest in our employees. In 2010-11, we developed a suite of organisational values and behaviours that support our purpose and vision, and the development of a constructive culture. Together, they provide guidelines for employees on what behaviour is expected and how decisions should be made.

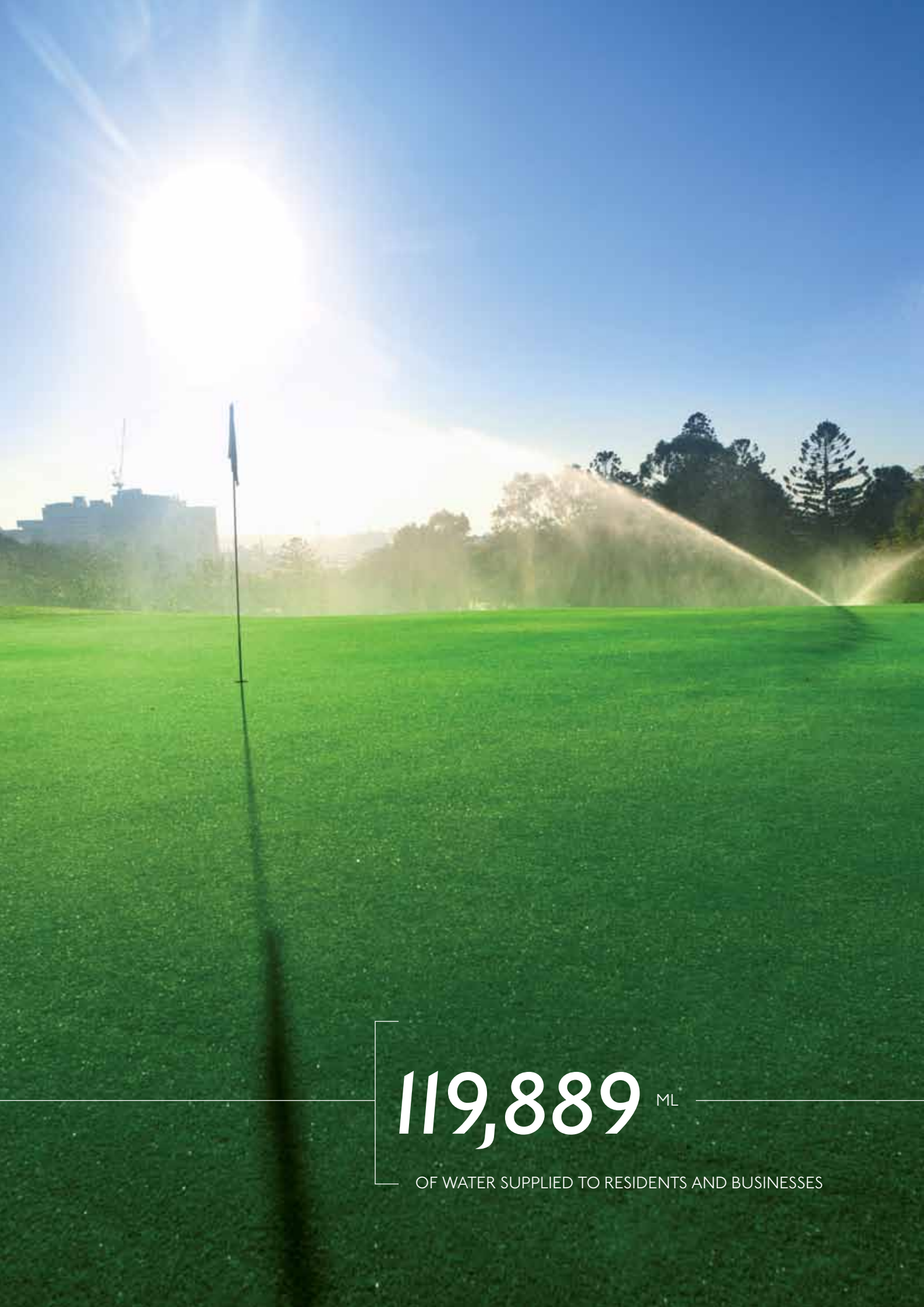
On behalf of everyone at Queensland Urban Utilities, I would like to pay tribute to our former Chief Executive Officer, Noel Faulkner. Thanks to Noel's contribution to the creation and leadership of Queensland Urban Utilities over the last four years, I have inherited an organisation with a strong foundation for an exciting future.

I wish to thank councils and, particularly, the Chief Executive Officers of our five Participating Councils for their ongoing support. I also wish to thank the Board for its stewardship and commitment.

Finally, I would like to express my gratitude to Queensland Urban Utilities' employees for the way they have responded to the challenges presented during the past year and for their efforts in establishing the new business. Their contributions have positioned Queensland Urban Utilities well for the future.



Ian Maynard
Chief Executive Officer



119,889 ^{ML}

OF WATER SUPPLIED TO RESIDENTS AND BUSINESSES

Our Structure

OUR BOARD

Our Board currently comprises eight members, all appointed by the Participating Councils in accordance with the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*. Board members are appointed for an initial term of not more than five years.

As the highest level of governance, the Board carries out its duties in accordance with:

- governing legislation
- the Queensland Urban Utilities Participation Agreement
- the Queensland Urban Utilities Board Member Code of Conduct
- the highest standards of ethics and corporate governance.

The Board governance structure includes three Board Committees who aid the Board in the execution of its duties and allows for detailed consideration of complex issues or areas of special interest. The three Committees established by the Board are:

- i. Audit, Finance and Risk Committee;
- ii. Capital Delivery and Asset Management Committee; and
- iii. Human Resources and Community Committee.

Each of these Committees has a Terms of Reference and membership has been determined by the Board. The Terms of Reference set out the Committees roles and responsibilities, composition, structure, membership requirements and the manner in which the Committee is to operate.

Additional information on these Committees is set out on pages 63 and 64.

Our governance structure is outlined on *Figure 3* and our Board members are introduced on pages 11 and 12.

OUR MANAGEMENT TEAM

The Chief Executive Officer and the other members of the Executive Leadership Team are accountable for effective service delivery and performance of functions within their portfolios and for decisions made jointly within the Executive Leadership Team.

Executive Leadership Team

At its regular meetings – which are held weekly – the Executive Leadership Team receives regular briefings on the current operations, accomplishments, challenges, issues and risks affecting our business. Executive Leadership Team meetings are chaired by the Chief Executive Officer and are used to promote and enhance integration, collaboration, innovation and idea sharing across our divisions and to consider and provide feedback on strategic and operational matters to be considered by the Board.

In accordance with its Charter, which was adopted in May 2011, the Executive Leadership Team also reviews and endorses policies and advises on the implications of amendments to Heads of Power or regulatory requirements that affect the operations of the business.

Advisory bodies – in the form of the Procurement and Projects Advisory Group, Major Projects Executive, and Safety Advisory Group – were established this year and are chaired by the Chief Executive Officer. These bodies support the Executive Leadership Team in the performance of their duties.

Procurement and Projects Advisory Group and Major Projects Executive

The Procurement and Projects Advisory Group, and Major Projects Executive review project feasibilities prior to going to market, and plan for sourcing of products and services. They also provide advice and recommendations relating to the award of contracts.

These groups function to ensure that proper consideration has been given to determining the most advantageous arrangements for Queensland Urban Utilities when awarding contracts and provide a record of appropriate governance in the procurement process.

Contracts for works valued between \$1 and \$5 million are reviewed by the Procurement and Projects Advisory Group, and presented to the Chief Executive Officer for consideration, while contracts over \$5 million are considered by the Major Projects Executive and the Board.

Safety Advisory Group

The Safety Advisory Group was also established in 2010-11 to make recommendations on health and safety issues that have business-wide implications, with a focus on the areas of process management, improvement and innovation, people, and information and knowledge.

Our Safety Advisory Group provides leadership to ensure a proactive focus on safety and safety related matters across the organisation, and drives a safety first culture at work and home. It examines incident/injury trends, reviews safety audits, and develops action plans to assist in the monitoring and/or implementation of control measures. The Safety Advisory Group is also able to make recommendations to the Executive Leadership Team on enterprise safety solutions.

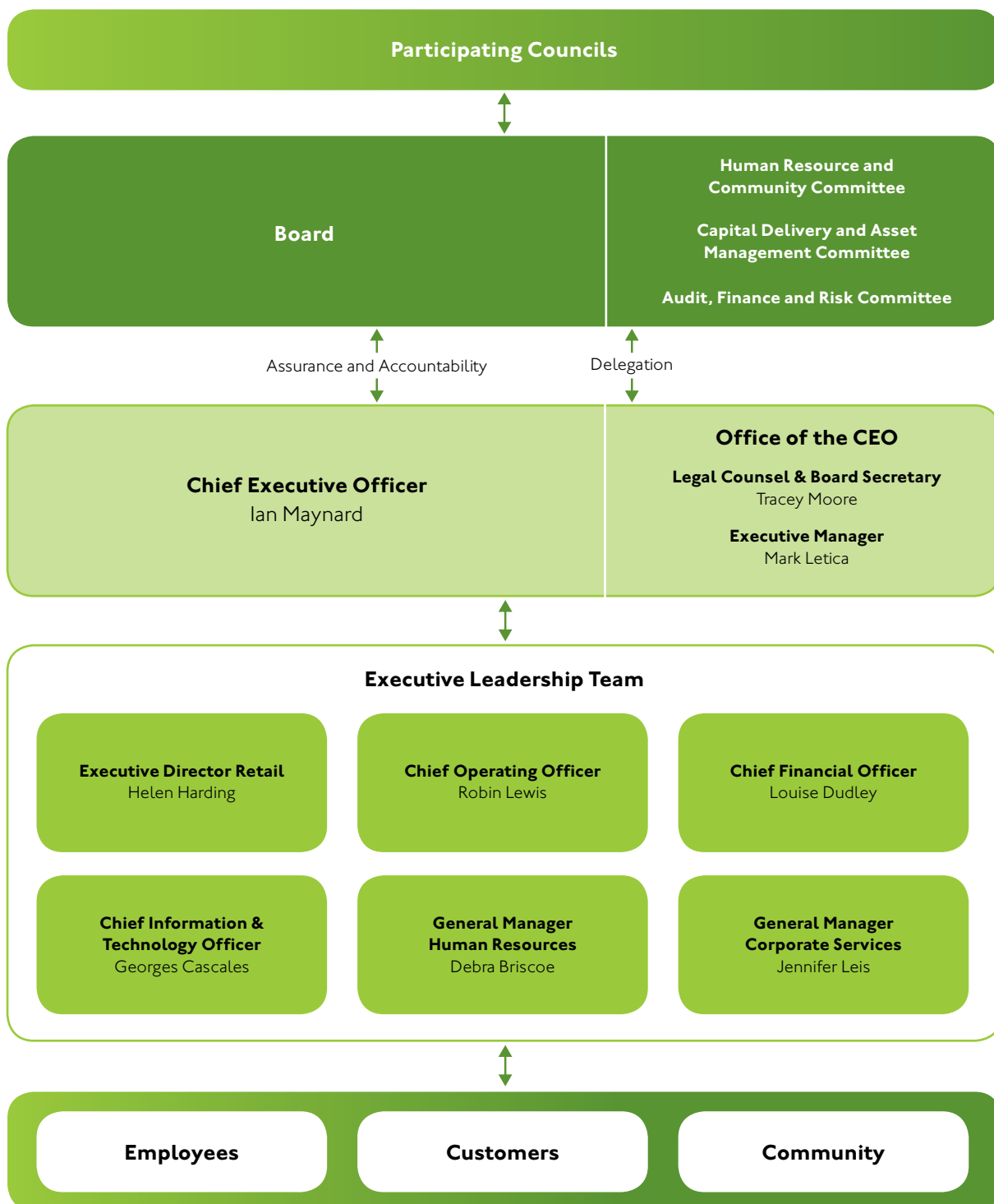


Figure 3 - Queensland Urban Utilities governance structure.

Our Board



1. JUDE MUNRO AO (CHAIRPERSON)

BA (Hons) (PolSc), GDip Public Policy & Bus Admin, FAICD

Jude Munro is a non-executive Director of Airservices Australia and Uniting Care Queensland. She is the Director of her own consultancy company, Jude Munro and Associates.

Jude was the Chief Executive Officer of Brisbane City Council from 2000 to 2010, and was CEO of the City of Adelaide from 1997 to 2000. She has been CEO of City of St Kilda and CEO City of Moreland in early 1990's. She has served on a number of boards in Brisbane and Adelaide. She is a former President Queensland, Institute Public Administration.

Jude was awarded the Order of Australia Medal in 2010 for distinguished service to local government, particularly the Brisbane City Council, and to the community through contributions to business, professional development and philanthropic organisations.

2. LEN SCANLAN

BBus (Acc), BA (Gov't/Asian Studies/Public Admin), MPA, FAICD

Len's public service career spanned 31 years and included service with the Departments of Premier, Transport, Auditor-General, and the Queensland Treasury.

Len was Auditor-General of Queensland from 1997 until 2004.

Upon completing his term as Auditor-General, Len commenced a portfolio career as an independent private consultant, encompassing various activities in the public and private sectors.

Len has been an active member of CPA Australia for 30 years, serving on numerous committees at local, state, and national levels, including time as State President.

Len is an Adjunct Professor at the University of Queensland and Bond University, and is also Chair of Brisbane City Council's Audit Committee.

3. BERNARD PONTING

LLB (Hons), GDip Legal Practice, Solicitor of the Supreme Court of Queensland, GAICD

Bernard became a Solicitor of the Supreme Court of Queensland on 14 December 1978.

After initially practising in Brisbane, he commenced practice at Southport in 1981, where he continues under the firm name of Bernard Ponting & Co.

His practice covers a range of legal areas, with an emphasis on commercial, corporate, and administrative law matters, and litigation in those areas. His clients are drawn from Australia and overseas.

Bernard was a member of the Gold Coast Waterways Authority from 1988 to 1990. It had responsibility for the management and control of the Gold Coast Seaway at Southport, and the waterways and navigable rivers of south Moreton Bay and the Gold Coast area. Bernard was also a member of its successor authority, the Gold Coast Harbours Authority, in 1998.

4. PHIL KESBY

CertConst (Hons), Licensed Builder (NSW & QLD), GAICD

Phil has more than 32 years experience in infrastructure delivery and property-related industries. He has exceptional business and people skills, and is highly regarded for his expertise in relationship management and stakeholder engagement.

Phil was Strategic Relationship Manager, within the Thies Queensland Leadership Team, and was responsible for relationship management, stakeholder engagement, and marketing. Phil was at the forefront of cultural programs that improved the personal and business environments at Thies.

Phil established his own consultancy practice in 2008, and provides high-level mentoring and guidance in the fields of relationship management, stakeholder engagement, and business development.



5. DENNIS CAVAGNA

B Econ, GDip Fin Planning, GAICD, FCA

Dennis has a wealth of experience in leadership roles in finance, economics, and IT roles within the water and essential services industries in Victoria.

His professional experience spans some 25 years in the Victorian water industry, including leadership positions with South East Water, Melbourne Water, Mornington Peninsula and District Water Board, and the Department of Water Resources.

Since 2007, as a Commissioner of the Essential Services Commission (the independent economic regulator in Victoria), Dennis has been involved with the approval of prices and the quality and reliability of essential utility infrastructure services, including water services.

Dennis is also an independent member of the Risk and Audit Committee of the Victorian Department of Sustainability and Environment.

6. BARRY BALL

B Eng (Civil), GDip Mgt, MAICD

Barry is Deputy Director of the Global Challenge Institute, at the University of Queensland, and Water Policy Manager, at the International Water Centre. He provides leadership in the area of water policy and governance, institutional strengthening, and social change.

Barry held senior management positions with the Brisbane City Council for more than 18 years, and has held many positions in organisations devoted to issues of water, planning, and natural disaster responses.

Barry's roles within the water sector include being Chair of the International WaterForum Management Committee, and a board member of the International River Foundation.

Barry is a registered professional engineer, and winner of the Australian Public Service Medal for Water Policy.

7. PAUL EMMERSON

B Com, LLB, Solicitor of the Supreme Court of QLD, MAICD

Paul is a Solicitor, Certified Practising Accountant and Registered Tax Agent. His long-standing involvement in numerous community groups and major projects of regional significance contributed to his winning the 2009 inaugural *Lockyer Valley Council Citizen of the Year Award*.

Paul's many years of legal and accounting experience has made him sought after in the fields of commercial and financial law.

As Principal of PJ Emmerson Accountancy Practice, and manager of the family dairy farm, Paul has a wealth of business experience and regional knowledge.

Paul has been heavily involved in water user groups for more than a decade, including the Upper Lockyer Water Users Association, Lockyer Water Users Forum, and South East Queensland Western Catchment Group.

8. DIANA EILERT

B Sc (Maths), MCom (Fin & Marketing), GAICD

Diana is a highly experienced senior executive and board member, having spent more than 25 years managing and driving change through service-based businesses. These range from start-ups to large listed companies, including News Ltd, Suncorp, and Citibank, as well as small on-line businesses. Diana's experience includes such roles as Group Executive responsible for Suncorp's entire general insurance business, and Group Executive responsible for Suncorp's Marketing, IT, HR and Joint Ventures, as well as CEO of listed small cap Clarius Group. Diana is currently the Head of Strategy and Corporate Development for News Ltd.

In addition to her executive experience, Diana also has substantial board and governance experience. She is currently a Director of REA Group (ASX200). Previously, Diana has also held board roles as Managing Director of Clarius Group (ASX listed), Chair of GIO Australia, and various other Suncorp subsidiaries.

Our Leadership Team



1. NOEL FAULKNER

Chief Executive Officer from 1 July 2010 to 30 June 2011

B Eng (Elec), Grad Dip Mgt, GAICD

Noel has been involved in South East Queensland's regional water reform since July 2007. He was initially engaged in the transfer of Brisbane City Council's bulk water assets to the State Government and associated compensation negotiations. On completion of that transaction he led the establishment of Queensland Urban Utilities, the fourth largest water utility in Australia, from the water businesses of five South East Queensland Councils.

Noel has a long and distinguished history in utility businesses spanning a period of almost thirty years during which he has held positions of Chief Executive Officer Powercor Australia Ltd, Chief Executive Officer United Energy Ltd and Chief Executive Officer Capricornia Electricity.

Prior to his Chief Executive roles, Noel held various senior executive management positions in a number of utilities having gained broad and diverse experience encompassing planning, infrastructure provision and strategic asset management as well as marketing and business development. Noel is also a former non executive director of a number of entities including Seqwater.

In early 2011, Noel signalled his intention to relinquish his role as Chief Executive Officer from 30 June 2011 to focus on other interesting challenges.

2. IAN MAYNARD

Chief Executive Officer

BSc (Hons), INSEAD Adv Mgt Prog (France), GAICD

Ian commenced as Chief Executive Officer Designate on 28 March 2011, and assumed full responsibility as Chief Executive Officer on 1 July 2011.

Ian has significant experience in both Australia and New Zealand as a senior executive in diverse industries across both the private and public sectors.

In his previous role as Chief Operating Officer for Brisbane City Council, he delivered \$69 million in procurement savings, led the enterprise bargaining agreement negotiations, negotiated a major contract with Translink transit authority, and played a significant coordination role in managing Brisbane Water's drought capital works projects.

Before this, Ian was in charge of global procurement for Fonterra Group, the world's leading exporter of dairy products and responsible for more than a third of the international dairy trade. He also worked for Fletcher Challenge, formerly the largest company in New Zealand, as a senior executive. Ian also holds directorships on the Boards of City Care Services Pty Ltd and Scripture Union Queensland Pty Ltd.

3. ROBIN LEWIS

Chief Operating Officer

BA, CIWEM (UK), GAICD

Robin is responsible for all operational aspects of Queensland Urban Utilities, including water and wastewater services, water quality, maintenance, asset planning, and capital works program delivery.

He has 37 years of experience in operation roles within the water industry, gained with Severn-Trent Water (United Kingdom), Water Care Service Ltd (New Zealand), and Brisbane Water, where he was the Executive Manager prior to joining Queensland Urban Utilities.

Since moving to Australia in 2002, he has held Board positions with the Advanced Waste Water Treatment Centre (University of Qld) and Water Services Association Australia.

4. JENNIFER LEIS

General Manager Corporate Services

Jenny is responsible for leading the provision of a range of corporate services functions, including procurement, records management, governance and policy, business resilience, fleet and property management, performance reporting, and business support.



Jenny commenced her career in local government in 1989, gaining invaluable exposure to the water and wastewater industry. During this time, Jenny was instrumental in implementing National Competition Policy recommendations.

Jenny is an experienced and successful business management professional, having worked in the water industry for 22 years. Jenny has held several senior executive positions in the divisions of retail, city policy and strategy, corporate services major projects and commercial services.

Throughout her career, Jenny has led the development, coordination, and implementation of successful business improvement strategies, integration and change management efforts, and increased operational capability. Jenny has utilised strong financial management skills to continuously deliver customer – focussed outcomes.

Most recently, Jenny has led and managed the transition and the establishment of Queensland Urban Utilities Corporate Services Division.

5. GEORGES CASCALES

Chief Information and Technology Officer

BSc (Comp Sc)

Georges is responsible for leading all aspects of the development and deployment of information and technology functions, resources, and systems, with a focus on the development of quality processes.

Georges has a strong customer relations and stakeholder management ethos. His approach is to work with people, and he brings to the business a congruent approach to achieving joint business and ICT outcomes.

An experienced Chief Information Officer with 25 years industry experience, Georges has held senior positions for the last 17 years covering all aspects of the computer industry, including the management of private companies, public departments, and business units in both private and government organisations.

Experience highlights include six-year terms at both Integral Energy and South East Sydney Area Health Services, and before these as Manager, Information Management at Sydney Water Corporation.

Throughout his career, Georges's roles have encompassed the provision of software and technical services, direct management of multiple and large projects, systems implementation, and change management. George is a visionary, and by using a strategic approach to ICT investment, he focuses on enabling the organisation to achieve its goals.

6. LOUISE DUDLEY

Chief Financial Officer

BCom, CA, GAICD

Louise is principal financial adviser to the CEO, Executive and Board with responsibility for management of finance, economic regulatory, treasury, and financial compliance at all levels.

Louise has played a key role in the creation of Queensland Urban Utilities over the past 12 months, with highlights including the establishment of the capital structure, funding facilities, and the successful lodgement of a first Queensland Competition Authority regulatory submission.

Previously, Louise served on the executive team of Brisbane City Council, and held several senior executive positions within Brisbane City Council, including roles as Executive Manager of Water Retail, Director of Finance and Legal Water Transition Program, Chief Procurement Officer, and Commercial Manager Information, Communication and Technology Division.

Prior to 1 July 2011, Louise was a Director and Chair of the Audit and Risk Committee at City Super, a superannuation fund with over 14,000 members, and \$1.4 billion in funds under management.

Our Leadership Team

7. HELEN HARDING

Executive Director Retail

BPhys Ed, MBus, Dip Comp Dir.

Helen is responsible for leading and managing the Queensland Urban Utilities retail business. This includes responsibility for marketing and communications, customer services, billing and collections, and demand management programs. In addition, Helen works with other members of the executive team to establish the future direction and leadership of Queensland Urban Utilities.

Prior to joining Queensland Urban Utilities, Helen had a 12 year career in the energy retail industry, during which time she held positions of Acting General Manager, Retail for Babcock and Brown Power, and Senior Manager for Energen Retail Pty Ltd. The latter role involved a range of retail management and marketing roles, including Group Manager, Homesuite (energy related product and services), Manager Strategic Initiatives, and Manager – Full Retail Contestability.

Helen brings extensive retail experience to the role in both competitive and non-competitive environments.

8. TRACEY MOORE

Legal Counsel and Board Secretary

LLB, BA, MA

As the General Counsel/Board Secretary, Tracey is responsible for the provision of legal advice to the organisation, and for providing governance and secretarial assistance to the Board.

Tracey has significant experience in infrastructure delivery, including the major approvals process and procurement, and is an experienced probity advisor.

Immediately prior to this appointment, Tracey was a partner in the Infrastructure, Energy and Government Division of McCullough Robertson Lawyers, where she was the leader of water and electricity practice groups.

Tracey has a strong interest in both urban and rural water resource policy and management, including sustainability.

Tracey has 25 years experience in both private and public sector legal practices. She has provided legal advice to the Defence Materiel Organisation, Health Services Australia, Department of Health and Aged Care, and the then Department of Finance and Regulation.

Tracey is a member of the Queensland Law Society, Australian Corporate Lawyers Association, and the Australian Water Association. In her spare time, Tracey has also held a number of board positions within the not-for-profit sector, particularly in the areas of non-profit health service provision and the performing arts.

9. MARK LETICA

Executive Manager

BCom, Cert Gov Prac and Admin

Mark provides strategic direction and leadership for the Office of the Chief Executive Officer, as well as executive Board support, while also contributing to ensuring sound enterprise level governance frameworks are in place.

Mark has worked in both state and local governments as well as in the financial services sector and was one of the founding members of the Council of Mayors (South East Queensland) water reform program, which was responsible for implementing the institutional water reform arrangements in South East Queensland.

Following this term, Mark was appointed as Program Manager, Program Connect, with the objective of establishing a local government-owned utility through the merger of the water/wastewater/retail businesses of Brisbane and Ipswich City councils, and Lockyer Valley, Scenic Rim, and Somerset Regional councils. This represented the largest water transaction, and second largest utilities transaction in Australian history.

10. DEBRA BRISCOE

General Manager Human Resources

BA (Psych)

Debra is responsible for leading and managing Queensland Urban Utilities workforce capability, human resources strategies, frameworks, policies, systems and services.

Debra is an accomplished human resources executive, with 15 years experience working in global and national commercial organisations. Her previous roles have included Head of Human Resources for Foxtel and National Australia Bank, and Executive Manager Organisational Capability at Suncorp.

Debra has led and managed a range of organisational change initiatives, which have included re-structuring and integrating work groups, centralising back-office HR processes and industrial relations in South Pacific Tyres and Mobil, a global procurement project for Rio Tinto, and establishing accredited training/new revenue stream at Foxtel.

Year in Review 2010-II

PERFORMANCE AT A GLANCE

Indicator	2010-II Result
Water pressure (kilopascals (kPa)) Urban areas - ≥ 210 kPa Trickle feed areas (and private booster) - ≥ 100 kPa	All customer complaints are investigated and corrective action undertaken, if required, to ensure standards are met.
Water volume (litres per minute (L/min)) Urban areas - ≥ 25 L/min Trickle feed areas - ≥ 3.2 L/min	
Interruptions	
Number of unplanned water supply interruptions Target ≤ 100 per 1000 properties per annum	63
Restoration of water supply Target $\geq 90\%$ unplanned interruptions restored within 5 hours	87%
Water main breaks (per 100 km of water main)	21
Customer focus	
Time to install a new service connection Target $\geq 95\%$ within 15 working days	38%
Calls answered - grade of service Target $\geq 80\%$ within 30 secs	75% (% within 20 secs)
Customer complaints (per 1000 properties)	4
Acknowledgement of customer enquiries and complaints (% within 2 working days)	86%
Response to customer enquiries and complaints (% within 20 working days)	92%
Water quality complaints Target < 8 per 1000 properties	3
Water quality incidents Target ≤ 10 per 1000 properties	0.3
Notification of planned interruptions - water and sewerage (48 hrs notice given)	We provide a minimum of 48 hours notice to our customers before any planned interruption to services. This is provided through letter box notices or hand delivered calling cards.
Response to incidents	
Urgent (% within 1 hr) Water - Target = 100%	93%
Urgent (% within 1 hr) Sewerage - Target = 100%	85%
Non-urgent (% within 24 hrs) Water - Target = 100%	78%
Non-urgent (% within 24 hrs) Sewerage - Target = 100%	86%
Safety	
Lost-time injury frequency rate - Target ≤ 9	17.6



49,925

CUSTOMERS DIRECTLY AFFECTED
BY THE JANUARY 2011 FLOOD EVENT

Year in Review 2010-II

JANUARY 2011 FLOOD EVENT

Disruption to Services

The January 2011 flood event affected a large proportion of our service territory, with major flooding experienced through most of the Brisbane River catchment. The most severe effects were felt in the Lockyer Creek and Bremer River sub-catchments, where many flood height records were set. Overall, thousands of properties were inundated by floodwaters across our service territory.

The flood resulted in inundation or other damage to our infrastructure and assets across a wide area, as shown on *Figure 4*. Despite this damage, customers did not experience a disruption to wastewater services. Water supply disruptions were limited to some 15,000 customers in the Lockyer Valley region arising from disruption to the bulk water supply.

Our Flood Response

Our response during the emergency management phase of the flood disaster ensured that services to customers were maintained, while protecting the safety of our employees and communicating and working with key agencies and stakeholders.

We responded to the disruption in bulk water supply through initiatives such as transferring water by road tanker and helicopter to targeted reservoirs and affected customers, including an aged care facility and chicken farm. We also delivered 105,000 litres of bottled water to customers and schools in the Lockyer Valley, Somerset, Marburg, and beyond where water tanks had been damaged.

Through community announcements on television and radio, as well as information on our website and community disaster websites, we kept the community up-to-date on the situation in relation to water supplies. This included communicating the collection points for bottled water supplies and boil water alert information for communities where water supply had been restored.

While our dedicated crews were repairing the extensive damage to our infrastructure and assets, we supported Queensland Health by running a press and radio campaign to remind residents of the need to avoid entering flood waters because of the risk of contamination. This was supported with signage near affected waterways that warned against entry.

Throughout the initial clean-up weekend of 15 and 16 January, we maintained high water supply levels in our reservoirs to provide sufficient water for clean-up activities. Customers did not experience any supply disruptions during this period.

Customer and Community Assistance

We provided relief to customers impacted by the flooding events, including some 49,925 customers identified as being directly affected by the flood, via number of means, including:

- provision of rebates for water used in the clean-up, including up to 20 kilolitre (kL) for flood-affected properties
- adjustment of the bill recovery cycle for flood-affected properties, including the waiving of some accounts in the Lockyer Valley region for nine months
- provision of tailored flood assistance to properties devastated by the flood.

Our Employees

Our employees performed admirably during and after the flood event, and we supported them through initiatives such as an Employee Flood Relief Appeal for flood-affected employees. By matching donations made by employees, we were able to raise \$11,250 for the 15 members of the Queensland Urban Utilities family who experienced significant damage to their homes.

Support for flood-affected employees continues to be available through our *Employee Assistance Program*, which is a confidential service providing support for the emotional and psychological wellbeing of our employees and their families.

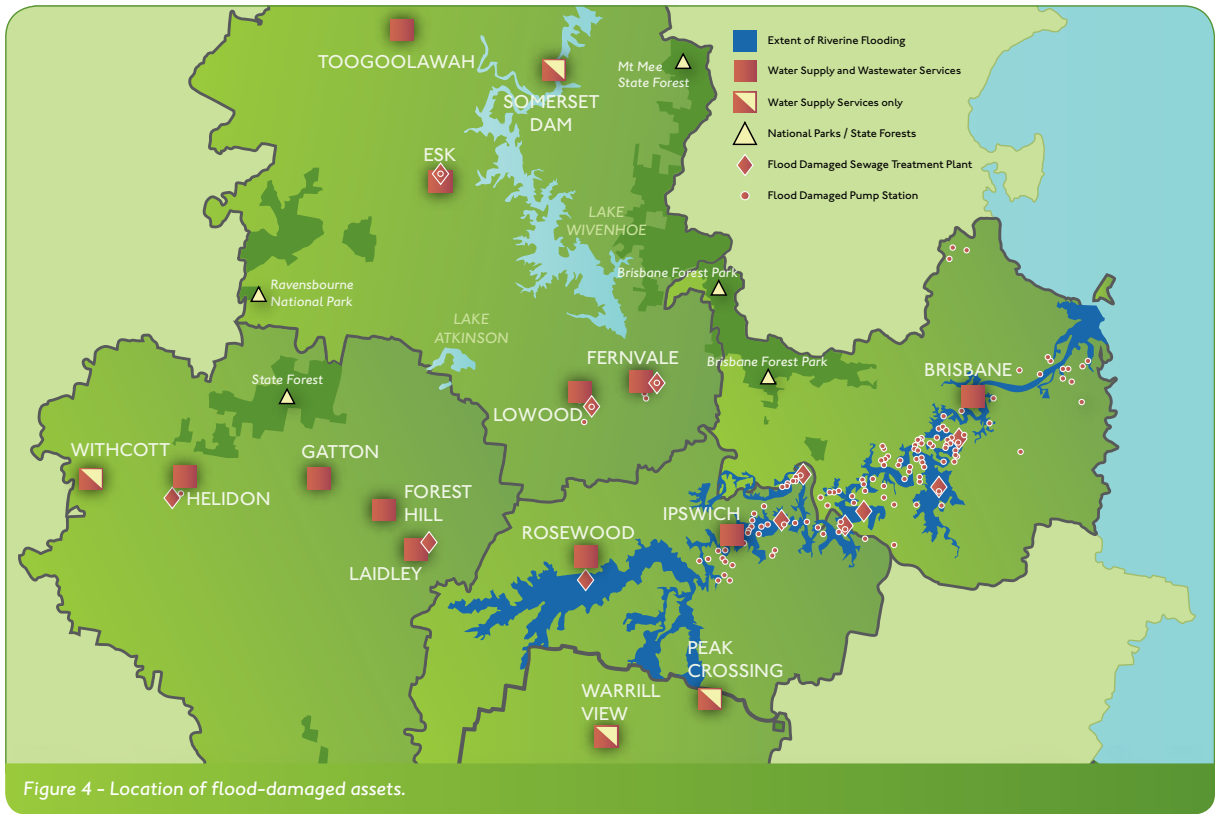
Completing the Recovery

We spent \$24 million this year to repair flood-damaged assets in the Brisbane, Ipswich, Lockyer Valley, and Somerset regions, while an additional \$25 million worth of assets were written off.

Works progressed at our eleven damaged wastewater treatment plants within the requirements of their respective Transitional Environmental Programs. At 30 June 2011, ten of the eleven wastewater treatment plants had been recovered to pre-flood condition, while laboratory results at the remaining plant showed compliance with discharge licence requirements.

Recovery works (to operational capacity) were also substantially completed at our 122 damaged wastewater pumping stations during this period.

Year in Review 2010-II



Peter Granzien was one member of the Queensland Urban Utilities family recognised for his standout performance throughout the January floods. Peter demonstrated great leadership to staff, and took responsibility for the recovery in the Somerset region.



Local Heroes

In January 2011, South East Queensland experienced its worst flooding and devastation in more than 35 years. During this difficult time, our business partners and employees pulled together to support our customers and urgently repair water and wastewater infrastructure to ensure continuity of our services.

In a testament to their dedication to our customers, several employees continued to come to work despite losing, or being close to losing, their own homes. Others showed leadership and commitment to our customers by going well above the expectations of their usual positions.

*To acknowledge and thank these 'local heroes', Queensland Urban Utilities presented the **Local Hero Awards** in late June. Also honoured were our neighbouring distributor-retailers and a number of suppliers.*

Year in Review 2010–11

WATER AND WASTEWATER PRICES FOR 2011-12

Our pricing structure for 2011-12, announced in May 2011, achieves a balance between the cost of providing quality water and reliable wastewater services with the needs of our existing and growing customer base.

The efficient management of our business enabled us to deliver a decrease in water charges, ranging from \$101.83 to \$6.51 for customers in Ipswich, Lockyer Valley, and Scenic Rim. Delivering these decreases required that we absorb the 12% to 18% increases in the State Government's Bulk Water charge.

For Brisbane customers, the 2011-12 charges will mean they continue to have the lowest average annual water and wastewater bill in South East Queensland.

TOWARD Q2

The State Government's Toward Q2 vision for Queensland's future was developed to address current and future challenges for Queensland. The Toward Q2 vision establishes five core ambitions that seek to develop a Queensland that is strong, green, smart, healthy and fair. The Toward Q2 ambitions that our objectives align with are shown in Table 1 to address State Government requirements.

Table 1 - How we align with the Toward Q2 vision.

Toward Q2 Ambition	What we said in our Corporate Plan	How we achieved these objectives in 2010-11
STRONG (Creating a diverse economy powered by bright ideas)	Our <i>Corporate Plan 2010-2015</i> is directed to the creation of an efficient and sustainable business to ensure we can continue to deliver a service that is valued and trusted by our customers and the community.	<ul style="list-style-type: none"> \$213 million invested in capital works including \$96 million to cater for forecast growth in connections. Achieved a net operating profit of \$131 million. \$50 million benefit realisation. Identified and budgeted for an additional \$12.9 million worth of efficiency savings for 2011-12.
GREEN (Protecting our lifestyle and environment)	To deliver our services in an efficient and sustainable manner, we aim to minimise our impact on the environment. We aim to ensure that our assets are fully compliant with regulatory and legislative requirements.	<p>Following the integration of assets from our Participating Councils, we undertook an audit of our wastewater treatment plants.</p> <p>In consultation with the Department of Environment and Resource Management, Queensland Urban Utilities is actively returning 14 of these plants to compliance.</p>
SMART (Delivering world-class education and training)	Our <i>Corporate Plan 2010-2015</i> establishes safe, capable, and dedicated people as central to our service delivery model. In support of this, we aim to develop capability and leadership skills, and recognise and reward performance.	In a year in which we integrated over 1,000 employees from five distinct workforce cultures, we also delivered a number of capability and leadership related initiatives.
HEALTHY (Delivering world-class education and training)	Our <i>Corporate Plan 2010-2015</i> establishes safe, capable and dedicated people as central to our service delivery model. Health and safety are enshrined at the heart of everything we do.	We delivered a number of improvements to our approach to health and safety, including the completion of a <i>Safety Management System</i> standards review, and developed and implemented a safety training course and safety alert process.
FAIR (Supporting safe and caring communities)	We aim to deliver a service that is valued and trusted by our customers and the community.	<ul style="list-style-type: none"> Delivered the lowest price increases in SEQ for water and wastewater distribution/retail services. Appropriate and respectful relief was provided to customers impacted by the flooding events, including some 49,925 customers identified as being directly affected by the flood. Implemented financial hardship and home dialysis policies to support vulnerable customers.



Looking ahead 2011-12

Our vision is to be recognised nationally as a leader in the delivery of products and services, and valued as a trusted partner by our customers and community. Listening and responding to the needs of our customers and our community will be key to our success over the next 12 months, and Queensland Urban Utilities will continue to work closely with all of our stakeholders.

In developing our focus and goals for the 2011-12 year, we have considered feedback from our stakeholders, customers, and employees. These goals also recognise that

we operate in one of the fastest-growing regions of Australia. As our region grows, so does our business.

In 2011-12, we will continue to focus on improving our operational efficiency while delivering our capital investment program. At the same time we will increase our focus on safety - it will remain our number one priority.

The coming year will also see the continued development of our organisational culture, as we bed down the transition from five organisations into a single, unified distributor-retailer.

Our business strategies for 2011-12 are presented in *Table 2*.

Table 2 - Our business strategies for 2011-12.

Strategic Outcome	Business Strategies 2011-12
Service valued and trusted by customer and community	
Customers recognise and trust our brand	<ul style="list-style-type: none"> Develop and implement a brand strategy that supports our strategic direction. Identify and establish a corporate citizenship presence in the community that supports our vision.
Satisfied customers	<ul style="list-style-type: none"> Understand the needs of our customers through effective research and information management. Implement an efficient and consistent customer-focussed approach across our business. Educate our customers about the value of our services.
Our performance outcomes evidence our continued competitive advantage	Demonstrate our commitment to our customers through operational responsiveness.
An established and effective stakeholder engagement structure	<ul style="list-style-type: none"> Understand community needs and growth through effective stakeholder and community engagement. Work closely with community social groups and provide adequate support for customers facing financial hardship.
Business efficiency and sustainability	
Prudent and efficient asset management	<ul style="list-style-type: none"> Understand our risks and respond appropriately. Provide infrastructure planning that meets the requirements of all stakeholders and enables community growth.
Optimal operational performance	<ul style="list-style-type: none"> Proactively pursue opportunities for operational efficiency. Ensure that our systems and processes enable us to regularly monitor, review and improve our performance. Optimise our asset base with value-added initiatives. Plan and deploy efficient and effective technology and systems. Ensure that our governance structure enhances efficient and effective decision-making.
Legal and regulatory compliance	Continue to comply with all regulatory requirements.

Strategic Outcome		Business Strategies 2011-12	
Appropriate financial performance			
Adequate cash flow		Ensure that our systems and processes enable us to identify all potential funding opportunities.	
Financial insight		Manage our financial performance.	
Sustainable growth			
Business positioning		Understand our growth goals and consistently assess potential value-adding alliances.	
Innovative research and development		Identify our potential technology research and development partners, and a funding strategy to engage with them.	
Safe, Capable and Dedicated People			
Clear accountability and alignment		Ensure that accountabilities across the organisation are clearly articulated.	
Enabling workforce relations		Plan a long-term workforce to support organisational needs.	
		Support current needs, and enable future change and growth through workplace relations and industrial instruments.	
Capability uplift and leadership		Understand the benefit of enterprise leadership, and deliver a leadership model to support this.	
		Foster employee performance through talent acquisition, retention, and succession planning.	
		Deliver a learning and development model, strategy, and framework that supports our current and growth strategies.	
Embedded culture and commitment		Foster an organisational culture that supports our purpose, vision, organisation brand values, behaviours, and capabilities.	

149,198 ML

OF WASTEWATER REMOVED AND TREATED

Service Valued and Trusted by Customers and Community

PERFORMANCE SUMMARY 2010-II

Corporate Objective: Service Valued and Trusted by Customers and Community

Strategic outcome	Business strategy	Achievements
Customers recognise and trust our brand	Develop a brand strategy to meet our current needs and future business strategy	Implemented a brand synchronisation strategy to align our external brand, organisational values and behaviour, internal brand, and our culture.
	Enhance brand reputation and establish and monitor brand values	Brand development research identified value, transparency, customer focus, and reliability as key focus areas for customers. Monitoring to date shows a strong first year brand awareness (>83%) and satisfaction with service (85% satisfied or neutral) across our service territory.
	Develop a corporate citizenship/social equity charter	Strategy to be addressed in subsequent years.
Satisfied customers	Understand and segment our customer base	Our customer base is understood against a number of relevant segments, including residential, commercial, trade waste, tenanted, and pensioners, as well as according to Participating Council area.
	Influence the development of a Customer Code and deliver complaint resolution services	<p>Provided a formal submission on the <i>Draft Customer Water and Wastewater Code</i> to the Queensland Water Commission.</p> <p>Our Complaints Management Framework facilitated receipt and resolution of 497 customer complaints between July 2010 and June 2011.</p>
	Simplify customer front-end processes	The service territory is now supported by a centralised customer contact centre, 24-hour fault and emergency hotline, and a website customised to council area.
	Develop and implement a customer-focused approach across the business, including customer engagement and feedback systems	Developed and adopted a formal whole-of-business <i>Customer Service Standard</i> and <i>Customer Charter</i> . Customer contact centre manages customer initiated enquiries and feedback.
	Develop and deliver customer education around the water business model	Strategy to be addressed in subsequent years.
	Develop a clearly defined strategy for applying new technologies that improve quality and efficiency of customer engagement	Strategy to be addressed in subsequent years.
	Develop and implement a market research program that delivers customer insight	Brand development research identified value, transparency, customer focus, and reliability as key focus areas for customers.

Corporate Objective: Service Valued and Trusted by Customers and Community

Strategic outcome	Business strategy	Achievements
Our performance outcomes evidence our continued competitive advantage	Meet customer codes through timely response times to repair requests	86% of customer correspondence is acknowledged within two business days, with 92% of correspondence completed within 20 business days.
	Become the lead in targeted National Performance Indicators	Strategy to be addressed in subsequent years.
	Identify the core activities that we must deliver internally and assess their competitive risk and opportunity of alternatives	Strategy to be addressed in subsequent years.
An established and effective stakeholder engagement structure	Achieve recognition for stakeholder and community engagement through our <i>Stakeholder Engagement Plan</i>	Our <i>Stakeholder Engagement Plan</i> , endorsed in November 2010, recognises our Participating Councils, State Government agencies, and the community.
	Establish effective customer and community reference groups	Customer and Community Reference Group membership (formed in November 2010) spans sectors including low-income consumer advocacy, urban development, local government, environment and sustainability, regional development, pensioners and retirees, community service, and residential and commercial customers.
	Deliver broader, targeted stakeholder engagement plans for more complex issues and higher risk initiatives	Customised stakeholder engagement plans have been developed and implemented to support a range of business programs and initiatives, including the <i>Water Netserv Plan</i> , flood recovery program, and trade waste approvals.
	Deliver community service obligations for other entities	Facilitated rebates provided by Participating Councils and the State Government, including Brisbane City Council's remission to eligible pensioners.
	Deliver a <i>Netserv Plan</i> in consultation with the community	The <i>Draft Water Netserv Plan (Part A)</i> was released for public comment in May 2011. Customer and Community Reference Group information sessions were also held.
	Provide adequate support for customers facing financial hardship, and work closely with community social groups	Further developed our <i>Financial Hardship Policy</i> in consultation with the Queensland Council of Social Services and Kildonan Uniting Care. Waived accounts for Lockyer Valley properties devastated by the January 2011 floods, and provided water usage rebates for flood-affected properties.
	Ensure we have a common understanding of community needs and growth	Strategy to be addressed in subsequent years.

Service Valued and Trusted by Customers and Community

LAUNCHING QUEENSLAND URBAN UTILITIES

Our retail division was central to the successful launch of our services across the whole of Queensland Urban Utilities' service territory on 1 July 2010. Having commenced with the issue of new accounts in Brisbane City in the previous financial year, our effective customer education and awareness campaign was introduced throughout the Ipswich, Lockyer Valley, Scenic Rim, and Somerset regions between May and August 2010.

Initially, local media and rate notices were used to inform customers that Queensland Urban Utilities would soon be taking care of their water and wastewater services. This was followed by a direct mail campaign to all ratepayers, and concluded with the issue of new accounts (supported by advertising in the local media) that contained detailed billing and payment information.

The success of this and subsequent customer education and awareness efforts is demonstrated in the June 2011 survey results that show prompted brand awareness among customers has grown to 83%, reaching as high as 88% in Brisbane City.

Billing and collections

A significant volume of behind-the-scenes work was required to achieve the smooth transition of water and wastewater charges from rate accounts to a new Queensland Urban Utilities' bill, including the migration and management of customer and tariff data from the five Participating Council areas. Integration of meter reading and billing services also required the development of appropriate capacity in our receipting and debt management services.

SETTING THE STANDARD

The State Government's *Customer Water and Wastewater Code*, which came into effect on 1 January 2011, establishes the rights and obligations of distributor-retailers and their customers relating to the availability of water and certain wastewater services.

Our *Customer Charter*, developed during the year, addresses these rights and responsibilities and formalises our commitment to delivering reliable water and wastewater services to our customers. Key aspects of our *Customer Charter* were developed incorporating customer feedback (including feedback from the Community and Customer Reference Group).

Our Service Standards support the *Customer Charter* and outline our responsibilities, and the standards customers can expect, in relation to the water and wastewater services we provide.

STRONG CUSTOMER FOCUS

To deliver on our customer promise we established a dedicated retail division with responsibility for the creation and ongoing delivery of front-end customer contact functions, including our general enquiry line, our 24-hour emergency response line, meter reading, billing, marketing, water efficiency program management, stakeholder engagement, and communication.

The value we place on feedback from our customers is reflected in the initiatives we have developed in the past year to deliver a comprehensive program of customer and stakeholder engagement. This program included the creation of the first Customer and Community Reference Group in South East Queensland, as well as hosting community group forums organised by the Queensland Council of Social Service to discuss water reform and its impact on low-income earners.

The feedback received via these initiatives enhanced our understanding of what our customers value in a water and wastewater service provider, and provided valuable input into the development of customer-focussed policies, such as our *Financial Hardship Policy*.

Financial Hardship Policy

Our *Financial Hardship Policy* has been developed to recognise that from time to time customers may face financial circumstances that adversely affect their ability to pay their accounts. Working with the Queensland Council of Social Service and Kildonan Uniting Care, we developed a policy that supports customers experiencing financial hardship and provides training for our staff in the application of the policy.

Home dialysis rebate

People using haemodialysis machines at home need large quantities of water for their life-saving equipment. Each dialysis treatment uses about 500 litres of water, and most patients dialyse three times each week. This means that an allowance of 50 kL of water per quarter will cover most home dialysis requirements.

Recognising the financial burden imposed by home dialysis, we introduced, on 1 July 2010, a standardised water rebate for home dialysis treatment. This rebate means that home dialysis patients across our service territory receive their first 50 kL of water free of charge each quarter.

Customer and Community Reference Group

As part of our focus to understand the needs of our customers and community, we called for community and industry representatives to create the Queensland Urban Utilities Customer and Community Reference Group.

The Group was formed in November 2010 as a result of this nomination process, and each representative was evaluated against selection criteria that ensured cross-community representation. Membership of the group spans sectors including low-income consumer advocacy, urban development, local government, environment and sustainability, regional development, pensioners and retirees, community service, and residential and commercial customers. The Group meets quarterly to provide feedback on a range of issues, from the delivery of services to pricing.

In 2010-II, the Group provided feedback that has informed the development of key customer initiatives, including Queensland Urban Utilities' *Customer Charter and Service Standards*, the *Netserv Plan* community consultation program, and our *Concealed Leak Policy*.



Customer and Community Reference Group

Left to right – John Cherry (SEQ Council of Mayors), Bruce McBryde (Property Owners' Association of Qld), Joe Sullivan (Commercial customer representative – Spotless Linen and Laundry Services), Vera Sommerwil (National Seniors), Iain Bowman (Lifeline Community Care), Prof John Cole (Australian Centre for Sustainable Business and Development), Linda Parmenter (Queensland Council of Social Service), Ed Parker (Residential customer representative), Susanne Ruijs (Regional Development Australia, Ipswich & West Moreton Committee).
Absent – Martin Zaltron (Urban Development Institute of Australia), Scott Wallace (Growcom).

Service Valued and Trusted by Customers and Community

'WE CAN HELP'

Queensland Urban Utilities believes that engaging with our community is an essential part of making informed business decisions.

We regularly consult with local communities on infrastructure projects, with the aim of identifying and managing issues that may impact on residents. We also engage with our stakeholders to support a range of business programs and initiatives, such as our flood recovery program, water and wastewater network services plan and the introduction of a consistent trade waste approvals process.

Our customers' needs drive everything we do, and it is our goal to consistently meet or exceed our customers' expectations.

Our call centre receives more than 325,000 customer-initiated telephone calls annually, and is the first point of contact for customers who have general enquiries, requests for service or information, or who wish to report and log a fault or emergency via the telephone. Of these, more than 300,000 interactions are resolved at first-time contact.

While we strive to resolve issues and complaints to the customer's satisfaction, this is not always possible. Our *Complaints Management Framework* (Figure 5), within our *Complaints Policy* shows the path via which unresolved issues may be escalated.

Our staff also provide administration services to support 12,000 special meter reading requests that assist our customers with reconciliation at property settlement and 250 meter tests annually.

Energy and Water Ombudsman

Small customers (i.e. residential customers and non-residential customers using less than 100 kL per annum as defined by the State Government) also have the ability to take their complaint to the office of the Energy and Water Ombudsman Queensland if they are not completely satisfied with an outcome.

To ensure customer complaints referred to the Ombudsman are dealt with effectively, Queensland Urban Utilities conducted familiarisation workshops to increase the Ombudsman's understanding of the services provided by Queensland Urban Utilities. The workshops also provided an opportunity to establish how Queensland Urban Utilities would work with the Ombudsman to resolve customer complaints.

Since 1 January 2011, 96 cases related to our services have been referred to the Ombudsman, of which 50 were referred back to Queensland Urban Utilities for resolution.

Concealed Leak Policy

During the year, we also developed a *Concealed Leak Policy* to provide our customers with details of the financial adjustment that may be available on a customers' account where water is lost due to a concealed leak within the customers' infrastructure on their property. It also provides information on how to minimise water loss due to concealed leaks.

BRAND STRATEGY

This year also saw the development and launch of our Brand Synchronisation strategy to align our external brand, organisational values and behaviours, internal brand, and our culture.

Our Brand Promise is based on research that identified value, transparency, customer focus and reliability as the four elements our customers would expect to see in their ideal water utility.

Our Customer Experience Program aims to improve our customer service levels by better understanding the needs of our customers, and establishing a corporate culture that can deliver the experience expected by our customers.

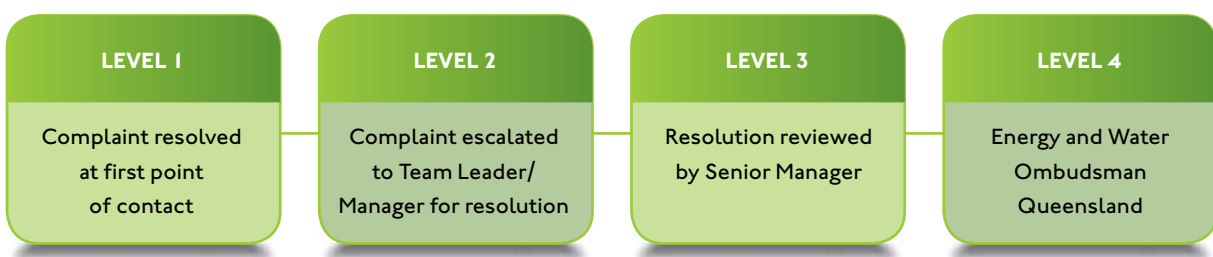


Figure 5 - Our Complaints Management Framework.

Supporting communities

WaterAid Australia is an independent organisation that relies heavily on voluntary support. It works to help the world's poorest communities gain access to safe water, sanitation, and hygiene education. This is achieved by helping local communities set up low-cost, sustainable projects using appropriate technologies that can be managed by the community itself.

Queensland Urban Utilities is committed to supporting WaterAid Australia by way of 'in-kind' support, with enthusiastic employees and contractors who volunteer their time to promote and assist in fundraising activities. Since fundraising commenced in 2005, Queensland Urban Utilities, and the former water business of our Participating Councils, have raised over \$70,000 for this charity.

Funds raised to date have contributed to building 84 ATloos (appropriate technology toilets) for 5,400 students in the Goroka Highlands of Papua New Guinea. Current projects that require funding are located in Papua New Guinea and East Timor.

Over the past twelve months, Queensland Urban Utilities has raised close to \$16,000, with the main fundraising event being the Queensland WaterAid Golf Day held in November 2010. Queensland Urban Utilities, in partnership with Seqwater, was a major sponsor for an event that attracted 132 players from across the water industry in South East Queensland.





SAFETY IS OUR

No.1

PRIORITY

Safe, Capable, and Dedicated People

PERFORMANCE SUMMARY 2010-II

Corporate Objective: Safe, Capable, and Dedicated People

Strategic outcome	Business strategy	Achievements
Clear accountability and alignment	Clearly articulate and publish accountabilities aligned with our strategy	Purpose, vision, values and a corporate plan were developed, adopted and articulated to staff.
	Ensure all employees have an understanding of how their role contributes to the achievement of our strategic objectives	Commenced a roll out of performance management process. This process cascades the strategic objectives and accountabilities through the organisation to employees.
	Correlate accountability and authority through organisation design principles	Initiated a review of our operating model with the aim of optimising our ability to deliver to the corporate plan, including incorporation of organisation design principles developed in 2010-II.
Enabling workforce relations	Support current needs and enable future change and growth through workplace relations and industrial instruments	Supported current needs via pre-existing framework (i.e. 16 distinct industrial instruments) and in accordance with current legislative limits.
	Develop a single Enterprise Bargaining Agreement which lays the foundation for operating to deliver long-term strategies	Substantially progressed negotiation of a single Enterprise Bargaining Agreement.
	Develop relationships with unions and staff that enable us to operate in an optimal manner and deliver our strategy, unconstrained by our workforce framework	Established central and line Employment Consultative Committees enabling communication between the organisation, unions, and employees.
	Develop a long-term workforce plan to inform the future state and business model	A business-wide efficiency review identified key parameters within which the workforce plan will be developed. Developed organisational capabilities, a Talent and Succession framework, and progressed attraction and retention strategies.
Capability uplift and leadership	Identify our organisational capabilities and develop strategies to achieve the defined position	Identified our organisational capabilities. A capability development strategy will be developed and implemented in early 2011-12.
	Develop a talent management framework, including succession planning, aligned to our organisational capabilities. Align capabilities to our growth strategies and identify and implement solutions for talent and performance gaps in our organisation	Aligned the Talent Management Framework, including succession planning, with our organisational capability strategy. The talent framework integrates performance and learning agility to review talent.
	Develop a capability in climate and economic regulatory change knowledge and its business implications	Established a regulatory affairs team within the Finance Division.

Safe, Capable, and Dedicated People

Corporate Objective: Safe, Capable, and Dedicated People

Strategic outcome	Business strategy	Achievements
Capability uplift and leadership	Deliver an employee value proposition and branding that enables talent acquisition, retention and performance success	Commenced development of an Employee Value Proposition, with a focus on aligning internal employee interactions with organisational values.
	Deliver a learning and development model, strategy and framework that supports our current and growth strategies	Developed and implemented a statutory and mandatory training requirements matrix, as well as role competency profiles to enable a training gap analysis. Currently developing a Learning and Development Framework and other support strategies.
	Understand the benefit of enterprise leadership and deliver a leadership model to support this, integrated with performance and reward structures	A cultural change program identified leadership as the most effective of four levers of change. Performance 'measurement' and 'review' elements of the agreed leadership model have been implemented.
Embedded culture and commitment	Secure the organisation's desired cultural identity	Assessed our baseline culture (March 2011), and implemented a Culture Measurement Strategy.
	Prepare the relevant measurement framework to address cultural and leadership shifts	Assessed our baseline culture (March 2011), adopted an 18-month target culture, and implemented a Culture Measurement Strategy.
	Publish a cultural blueprint that integrates our purpose, vision, organisation values and brand values, behaviours, and capabilities	Substantially progressed the development of an integrated Cultural Blueprint.
Healthy and safe people	Embed health and safety management in everyday life	Commissioned an independent, external whole-of-business safety review, and implemented a Safety Committee structure. Completed a Safety Management System review, and developed and implemented training. Developed and implemented a Health and Wellbeing program.
	Implement Queensland Urban Utilities' supplier contracts that clearly articulate our safety expectations	Ensured supplier contracts are in accordance with AS4000 and contain additional requirements that clearly articulate our safety expectations. This extends to specific safety plans and Safe Work Method Statement evaluations for construction projects.
	Target '0' lost time injury frequency rate	Implemented a coordinated approach to Workplace Health and Safety, including centralised health and safety program management and the provision of consultation, guidance, and advice regarding policy, strategy, and business process.
Tailored remuneration, rewards and recognition	Implement contracts that reflect the capability and performance required	Developed a new common law contract that reflects capability and performance requirements.
	Deliver a commercial remuneration framework that optimises performance outcomes	Implemented a Performance and Reward Framework to optimise performance outcomes.
	Implement staff capability build and succession planning for targeted employees	Commenced implementation of a Talent and Leadership Strategy. The talent review and succession planning outcomes feed directly into development planning for employees as a key mechanism for building staff capability.

With end-to-end accountability, our human resources division is responsible for a range of key functions, including business partnership, learning and development, organisational development, performance and reward, workplace health, safety and wellbeing, and workplace relations.

WORKFORCE PROFILE

At the end of June 2011 Queensland Urban Utilities employed 1,246 staff in a range of different professions and trades in permanent full-time, permanent part-time, and temporary capacities. This equates to a full-time equivalent staff establishment of 1,077. During the year we recorded a 90% permanent retention rate, and 10% permanent separation rate.

CHANGE AND TRANSITION

The integration of staff from five Participating Councils, each with distinct values, cultures, policies, practices, and industrial instruments has been a major theme throughout the year. A key challenge has been to provide our staff with the support and tools necessary to meet the organisation's immediate needs, while at the same time developing the strategies, policies, and practices required to meet the future needs of the organisation.

Key transitional initiatives progressed during the year include commencement of the consolidation of five sets of policies, practices, and industrial instruments.

The past 12 months has seen a particular focus on Safety Management Systems and the initiation of a 'Centre of Excellence' Model in human resources to fast-track the required uplift in capability.

Supporting our objective of safe, capable, and dedicated people, we commenced a review of training requirements to ensure that the training and knowledge that employees receive matches the requirements of their roles.

Our Learning Management System has been developed to support this process and is backed up by an internal audit process, which assesses training programs offered against statutory requirements.

HEALTH AND SAFETY

During the year, we increased our focus on health and safety, and implemented a coordinated approach to Workplace Health and Safety. This included the creation of a centralised approach to health and safety program management, and the provision of consultation, guidance, and advice regarding policy, strategy, and business process.

In a year in which we integrated five distinct workforce cultures, we also completed a Safety Management System review, and developed and implemented a safety training course on risk assessment, and safety alert process.

We also implemented a safety committee structure and commissioned an independent, external, whole-of-business safety review to enshrine safety within our business systems and identify opportunities for improvement. Other initiatives included:

- The development and implementation of our Health and Wellbeing Program.
- Stipulation that supplier contracts be in accordance with AS4000 and contain additional requirements that clearly articulate safety expectations. This extends to specific safety plans and Safe Work Method Statement evaluations for construction projects.



Safe, Capable, and Dedicated People

DEVELOPING OUR CULTURE

To facilitate the development of a safe, capable and dedicated workforce, our human resources division produced a range of shaping strategies in 2010–11, including our foundation culture, capability, values and behaviours.

In March 2011 all employees were invited to participate in Queensland Urban Utilities' *Organisational Culture Survey*. More than 66% of employees from across the business took part in the survey and provided feedback on how we can improve our culture to support our organisational objectives. The results of this survey have led to the development of a clear set of strategies designed to address the key themes that emerged from the research.

In May 2011, Queensland Urban Utilities' organisation values and behaviours were finalised and communicated to all employees. The values are : safety, creativity, accountability, participation, deliver value, customers, and community.

WORKFORCE PLANNING, ATTRACTION AND RETENTION

In planning to meet future organisational needs, the development of a two-year workforce plan was scoped. The workforce planning process followed the completion of a business-wide efficiency review and will draw on and supplement a number of strategies, policies, and initiatives that have been developed and/or initiated during the course of the year, including:

- Strategies to attract, develop and retain employees with the diverse skills, talents, and experiences needed for our future success.
- Building employee relations through initiatives such as workplace consultative committees, safety committees, and culture leaders.
- Agreed organisational capabilities and a Talent and Succession framework.
- An Employee Value Proposition that, upon completion, will inform attraction and retention strategies.
- Talent and Leadership Strategy implementation.

Our Values

Our organisational values support our purpose, vision and the development of a constructive culture for Queensland Urban Utilities. They provide guidance for our employees on what behaviour is expected and how decisions should be made.



Promoting a work life balance

Queensland Urban Utilities operates within the confines of the *Workforce Framework 2009*, established by the transitional legislation, and the policies and industrial instruments inherited from the Participating Councils. Finalisation of the consolidation of transitional human resources policies is scheduled for the next reporting period, following conclusion of enterprise bargaining agreement negotiations.

Working within this framework we provide a variety of flexible employment options to meet business needs, as well as supporting our development of a safe, capable and dedicated workforce. Employment options that promote work-life balance, and are available to employees, include the ability to:

- Negotiate flexible work arrangements such as nine-day fortnights, condensed hours (i.e. working 36.25 hrs over 4 days), non-standard starting and finishing times, and part-time agreements.
- Enter into job-sharing arrangements in which two or more employees share one full-time position, each working on a fractional basis.
- Take advantage of flextime arrangements, which allow accrual of up to 14 ordinary hours to be used on an ad hoc basis, taking into account staffing levels.
- Work from a remote workplace (e.g. their home), while maintaining a presence in their primary office electronically (i.e. telecommuting).
- Have employees simultaneously occupy two part-time roles in different divisions, at different pay classification levels, and operating under different award arrangements or different employment statuses.
- Access various paid and unpaid leave arrangements.





90%

PERMANENT STAFF RETENTION RATE IN 2010-II

Safe, Capable, and Dedicated People

PERFORMANCE MANAGEMENT

A key element to the development of safe, capable, and dedicated people is the management of performance. Performance in 2010-II was managed under the frameworks inherited from our Participating Councils.

Looking to the future, we have developed an outcome-focused Performance Framework that uses a scorecard model. This framework will be rolled out in the first quarter of the 2011-12 financial year, and will initially apply to employees not covered by the enterprise bargaining agreement.

It is expected that until such time as the new enterprise bargaining agreement is concluded, staff employed under the enterprise bargaining agreement will be able to opt-in to this framework or choose to remain under their existing Planning for Performance model. The Planning for Performance model was amended in 2010-II to increase its focus on outcomes.

TALENT AND LEADERSHIP FRAMEWORK

Our cultural change program identified leadership, processes and systems, employee capability, and employee commitment as the four key levers of change. As the strongest lever for change, a leadership model was developed and adopted, including the following key elements:

- Identify and review critical roles
- Succession planning
- Development
- Deployment
- Engagement
- Measurement and Review

The measurement and review elements of this model were then implemented in late 2010-II, with development of strategies for the remaining elements to be progressed in 2011-12.

INDUSTRIAL AND EMPLOYEE RELATIONS

Negotiations of the inaugural Queensland Urban Utilities Enterprise Bargaining Agreement commenced in September 2010. These negotiations are seeking to consolidate 16 existing industrial instruments under a single agreement, and have allowed for the harmonisation and alignment of terms and conditions. It has also allowed for the simplification of allowances, leave provisions, and industrial consultation arrangements.

The Employment Consultative Committee is the bargaining unit for Enterprise Bargaining Agreement negotiations. It was established prior to transition as a negotiation and open communication channel between the organisation, unions, and employees.

In addition to Enterprise Bargaining Agreement negotiations, safety and operational issues are included as standard agenda items of all Employment Consultative Committee meetings.

Consultative committees, comprising General Managers and local union delegates, have also been established to address operational issues.

Minimal industrial dispute has occurred in 2010-II due to sound industrial partnerships with the eight unions operating within our service territory.

CARERS (RECOGNITION) ACT 2008

The *Carers (Recognition) Act 2008* formally recognises carers and the important contribution they make to the people they care for and to the community more generally. The Schedule to the *Carers (Recognition) Act 2008* sets out the 13 principles of the Queensland carer's charter.

Queensland Urban Utilities is currently considering the most appropriate and effective means to inform its employees about the principles of the Queensland carer's charter.

As our human resources policies are closely aligned with the transitioned enterprise bargaining framework, new policy development is closely aligned with the enterprise bargaining agreement, which is currently under negotiation.

Finalisation of the consolidation of our human resources policies, is scheduled for the next reporting period, once the enterprise bargaining agreement is agreed and implemented. As part of this process, Queensland Urban Utilities will seek to incorporate the principles of the carer's charter into new policies in consultation with Carers Queensland and/or the Office for Carers.

A number of our existing policies contain provisions that may assist employees who have assumed the role of a carer. In recognising that priorities and circumstances vary from person to person, our policies and practices provide for increased flexibility with consideration to the needs of the individual, their caring responsibilities, and work areas. Depending on circumstances, individuals may use family or carer's leave, flexible working hours, flexitime, job share, and planned career breaks to support employees with caring needs.



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MILLION DOLLARS

INVESTED IN WATER DISTRIBUTION
INFRASTRUCTURE IN 2010-II

Delivering Our Services

PERFORMANCE SUMMARY 2010-II

Corporate Objective: Business Efficiency and Sustainability

Strategic outcome	Business strategy	Achievements
Prudent and efficient asset management	Identify opportunities for operational efficiency, and determine and deliver measurable outcomes	<p>Delivered following key operational efficiencies:</p> <ul style="list-style-type: none"> • standard specification adopted for all standard design contracts • adopted an operational model covering design, procurement and delivery of capital programs • established a centralised 'operations' resource allocation and logistics area • developed internal model to optimise staff costs • initiated a review of our business model and business efficiencies.
	Deliver a risk framework that encapsulates climate change and population growth risk for infrastructure and operations	<p>Implemented end-to-end business process mapping that incorporated customer requirements, risk and compliance, accountability, authorities, and delegations, budget data, and records.</p> <p>Key climate change and population growth risks are incorporated in the risk management framework.</p>
	Provide infrastructure planning that meets Participating Councils' and Queensland Government land use planning requirements	Capital planning process includes ongoing engagement with Participating Councils and the State Government to identify regional land use plans, including 'hot spots' for growth and investment.
	Refresh population growth forecasting and assess the impact on infrastructure planning	Developed and refreshed growth projections in consultation with the Participating Councils.
	Provide infrastructure to enable community growth	Revised projections used in updates to the regional Master Plans for Lockyer Valley, Scenic Rim, and Somerset Regional Councils, and prioritised the capital infrastructure program.
	Optimise business outcomes by not over specifying designs in our procurement processes	<p>Developed a new water and wastewater design code and standards.</p> <p>Prepared standard design tools that enable the capture of mechanical and electrical details, and definition of requirements for use in design and construct contracts.</p>
	Proactively work with the Queensland Water Commission to develop guidelines for cross-participant investment infrastructure	Engaged with the Queensland Water Commission to develop guidelines for collaborative, grid-level investment.
	Optimise our asset base with value-added initiatives	Implemented a program to improve reliability of active assets, including for switchboards at wastewater pump stations.

Delivering Our Services

Corporate Objective: Business Efficiency and Sustainability

Strategic outcome	Business strategy	Achievements
Optimal operational performance	Ensure effective business performance management systems are in place	Implemented end-to-end process flows, and revised document control and management review processes.
	Identify and mitigate any security risks in our supply network	Developed business reporting frameworks that support management of risk, compliance, and product/service delivery, and implemented revised management system audit program.
	Develop and implement a five-year plan and annual operating plans	The <i>Corporate Plan 2010-2015</i> was approved in the third quarter.
	Introduce risk management strategies to ensure compliance	The security risk framework and associated guidelines were introduced. Also developed a draft assurance and compliance framework, as well as a range of management plans that address risk.
	Comply with the regulatory requirements in the submission and review of all water grid plans	Identified regulatory requirements and guidelines, and established business-wide mechanisms to deliver requirements (internally and, where relevant externally). Prepared and submitted compliant plans which were approved by the Regulator.
	Identify any risk to critical business functions and plan for business continuity, disaster response and recovery	Completed whole-of-business impact assessments for critical functions. Planning is to be prioritised via threat and vulnerability assessments.
	Understand and mitigate any security risks in our technologies	Established ICT SCADA Security Working Group, and incorporated technology risks into the <i>Corporate Risk Register</i> .
	Agree information and communication technologies operations model, and critical service contracts	The current ICT operations model concludes 30 June 2013. An in-principle decision was taken to seek a service-based solution.
	Implement and manage a single view of our SCADA/ Telemetry systems	The preliminary SCADA/telemetry platform consolidation review has been completed. Implementation is to be considered following the completion of a cost-benefit analysis.
	Identify all obsolete technology and have a strategy for replacement	Documented current applications architecture and identified dependent, obsolete, and duplicate technologies. Developed a three-year elimination/consolidation/replacement roadmap.
	Define key standards to enable technologies to integrate	Defined a strategic vision – a service-based architecture, centred around monolithic enterprise resource planning, consolidated GIS, consolidated property database, customer relationship management, and retail billing. Integration is to be via a standards-based, point-to-point interface, or application integration layer as appropriate.
	Pursue the adoption of policies to enhance efficient and effective delivery	Established a policy framework and review group and commenced a gap analysis of existing and future policy requirements. The Board approved 30 policies in 2010-II.

Corporate Objective: Business Efficiency and Sustainability

Strategic outcome	Business strategy	Achievements
Legal and regulatory compliance	Deliver the <i>Netserv Plan</i> by 2013	Identified regulatory requirements and guidelines for preparation of the <i>Netserv Plan</i> . The <i>Draft Water Netserv Plan (Part A)</i> was released for public comment in May 2011.
	Ensure assets are fully compliant with regulatory and legislative requirements	Completed an audit of wastewater treatment plants, which showed 14 to have compliance issues. Commenced actions to return these plants to compliance, in consultation with the Department of Environment and Resource Management.
	Participate in the finalization of the grid contract and market rules. Finalise operating protocols between water grid participants	Presented the final draft of the <i>Operating Protocols</i> to the Grid Manager for sign off.
	Establish and regularly exercise emergency response plans and procedures	Implemented the Emergency Management Training Project Program.
	Align business reporting to our strategic objectives/ outcomes to meet the needs of all stakeholders	Developed an approved reporting framework and strategic key performance indicators.
	Continually meet our prudential requirements	Provided the SEQ Water Grid Manager with Queensland Treasury Corporation's confirmation that Queensland Urban Utilities can meet its financial commitments.





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MILLION DOLLARS

INVESTED IN WASTEWATER
INFRASTRUCTURE IN 2010-II

Delivering Our Services

PERFORMANCE SUMMARY 2010-II

Corporate Objective: Sustainable Growth

Strategic outcome	Business strategy	Achievements
Business positioning	Articulate our growth goals	Articulated our growth agenda through our <i>Corporate Plan 2010-2015</i> . This agenda provides the elements to meet the aspirations of what the business may look like by 2020.
	Implement and publish an Information and Communication Technologies road map (including <i>Emergency Response Plan</i> considerations)	Completed an <i>Information Communication and Technology Road Map</i> for the next three years, along with an asset renewal strategy for our key business systems.
	Create a business model to enable us to centrally manage and control our SCADA systems	Commenced implementation of outcomes of an operational review of our SCADA and telemetry systems and endorsed an operating model.
	Develop our strategy in relation to stormwater infrastructure	Initiated development of a strategy for identification and consideration of alternative water supplies. Also worked with the Urban Land Development Authority in the development of alternative water supplies, including a strategy to harvest roofwater in Fitzgibbon. Also worked with Brisbane City Council and developers to progress the implementation of non-drinking water networks that will supply purified recycled water to homes and businesses in the Rochedale and Lower Oxley Creek development areas.
	Set and clarify our value-added products strategy and establish new product development capability	Participated in ongoing industry field trials in smart metering technology.
	Undertake an initial assessment of potential value-adding alliances, including merge and acquisition opportunities	Strategy to be addressed in subsequent years.
Innovative research and development	Consider competitor analysis in product research and development strategies	Strategy to be addressed in subsequent years.
	Explore the potential for current and future technology, here and overseas	Undertook a number of market scanning activities, including around an Enterprise Resource Planning solution and possible Cloud technologies.
	Identify our potential technology research and development partners and a funding strategy to engage with them	Investigated SCADA solutions specifically using Cloud technologies, and identified two potential vendors for consideration of future partnerships.

Delivering Our Services

DELIVERING EFFICIENCY

We share our Participating Councils' determination to deliver services to our customers with the greatest level of efficiency to help reduce pricing pressures that are within our control. Accordingly, in the 2010-II budget, we undertook significant review and refinement of the regional water business budgets and the additional costs in operating a separate stand-alone business. Through this process, Queensland Urban Utilities realised benefits of \$50m for 2010-II.

The efficiencies achieved in 2010 (Table 3) enabled Queensland Urban Utilities to constrain price increases to one half or less of those applied by the other regional distributor-retailers.

The achievement of efficiencies is constrained by the Queensland Government's *SEQ Distribution and Retail Water Reform Workforce Framework 2009*, which mandates current employment and associated conditions continue until 30 June 2013. Within this framework, we continue to seek opportunities to deliver further efficiencies.

Table 3 -Efficiency Achievements 2010-II.

Category	Achievement
Labour	<ul style="list-style-type: none"> Vacancy rate applied/increased. 2010 Enterprise Bargaining Agreement increases absorbed. Overtime reduced through improved management.
Materials and services	<ul style="list-style-type: none"> Reduction in the cost of service level agreements through consolidation into one financial, payroll, and retail billing system, and building in-house capability. Negotiated price reductions in the transitional service level agreements. Reduction in sub-contractor services.
Other financial costs	<ul style="list-style-type: none"> Claims for the additional cost of construction of infrastructure absorbed in the capital program.
Costs for new staff and resources to build corporate capability	<ul style="list-style-type: none"> Reductions in requested additional resourcing. Managed position vacancies to minimise the staff increase across the business. Reductions in requested services funding budgets.
Return to assets	<ul style="list-style-type: none"> Capital program reviewed independently and prioritised from the draft budget of \$454 million to the final budget of \$341 million; this ensured that projects were prudent and efficient. This also had the follow-on impact of reducing return on assets and depreciation.

IMPROVING OUR CAPABILITIES

Our corporate services and information and communication technology divisions provide valuable support to all levels of the organisation. These functions actively support our operational, retail and human resources divisions to achieve our corporate objectives. In our first full year after incorporating the five Participating Council areas, our focus has been on transition and consolidation of these functions. Wherever possible, services in place before the transition were expanded to accommodate the whole of Queensland Urban Utilities.

Corporate services

Our Corporate Services team provides information, advice, and internal support services through a framework that provides an integrated and consistent approach for organisational governance. This framework, established in 2010-II, sets out administration rules and delegations aligned to our *Authorities and Delegations Manual*. We also developed supporting strategic frameworks that detail key organisational functions in the disciplines of assurance and compliance, business performance, business resilience, and business sustainability.

Our corporate services division, helping the business through a challenging year of transition and consolidation, developed *Transitional Service Agreements* to ensure continuity of business services. It also facilitated the relocation of nearly 500 staff from Fortitude Valley to the Brisbane Transit Centre, Roma Street. Our ability to achieve this in three days was the result of a well-planned and executed relocation strategy.

Other key achievements in 2010-II included:

- integration of five disparate processes and systems and centralisation of the accounts payable function
- transition of all fleet and minor plant and procurement of an external mail service provider
- establishment of a Policy Review Group
- implementation of records management system
- development and implementation of emergency response plans
- development of a business performance and reporting framework to ensure regulatory and compliance reporting obligations
- preparation of business management systems for external certification in the disciplines of safety, environment, and quality management
- design, procurement, and distribution of new uniforms for 850 field/corporate staff.

Information and Communication Technology

The primary goal of our Information and Communication Technology division is to enable and support business change and growth through the adoption of appropriate technologies, while delivering an assured business platform in a cost-effective manner. This is achieved through planning, program delivery, and management of the business information systems, supporting information technology infrastructure and network technologies.

Our focus in 2010-II has been on planning to adopt the most appropriate technologies and platforms once our initial service agreements expire. Supporting this approach, we completed an *Information Communication and Technology Road Map* covering the next three years, along with an asset renewal strategy for our key business systems.

Other key initiatives include:

- Commenced implementation of an operating model following completion of an operational review of our SCADA and telemetry systems.
- Participated in smart metering technology field trials in conjunction with other Water Services Association of Australia members.
- Commenced investigations of enterprise resource planning solutions and possible Cloud technologies.

Our focus has been around SCADA solutions, specifically using Cloud solutions and discussions are continuing with two potential partners.

MAINTAINING OPERATIONAL RELIABILITY

Appropriate maintenance expenditure preserves the service standard of the assets in the short term, and ensures that the identification of capital renewal works is achieved at the right time in the asset life cycle. Appropriate preventative maintenance expenditure reduces reactive expenditure and overall life-cycle costs.

Our operational maintenance program has two priorities:

- To maintain the existing asset base to meet safety, service standards, performance, and legislative requirements.
- To inspect and assess the asset base to understand its condition profile, and to identify required preventative and/or corrective works.

Delivering Our Services

The operational maintenance budget was developed following the zero-base budget approach. This bottom-up approach was applied to planned scheduled, corrective, responsive, and special project maintenance.

Since 1 July 2010, Queensland Urban Utilities has been working to align the operational maintenance approach, methodology, and programs across our service territory. There has been a significant effort in this area and, as a result, the following has been achieved:

- The active asset base and all available information have been captured into the works management system complete, and a standardised maintenance strategy applied.
- The zero-base budgeting approach has been applied across the five service areas.
- We have initiated a geographical information systems/works management interface program to capture the passive assets in detail into the works management system.

A closed-circuit television and geographical information systems reconciliation program has been initiated to improve our knowledge base in the Ipswich, Lockyer Valley, Scenic Rim, and Somerset regions and provide a condition profile of the buried sewerage asset base. This work will improve our ability to forecast the renewal requirements of the asset base in the coming years.

WATER DEMAND MANAGEMENT

Our water demand management strategy incorporates several complementary initiatives to manage residential, commercial, and industrial water consumption, including:

- accurately measuring and monitoring water use
- commercial/industrial water efficiency management plan program
- minimising system losses through an active pressure and leakage management program
- educating to ensure our customers are well informed
- establishing and maintaining industry partnerships.

Saving precious drinking water – pressure and leakage management

Our pressure reduction and leakage management program continued to save water by reducing leakage from mains, and reducing water pressure that could cause a main to burst. We have now inspected more than 6,500 km of water mains for leaks, conducting repairs as needed. By June 2011, the program has reported savings of 25 ML per day. This result gives our water infrastructure one of the lowest leakage rates – 12,050 ML/year, or 10% of total volume delivered – in the country.



Jeff Duffey

PLANNING FOR GROWTH

Planning for customer growth

South East Queensland is one of the fastest growing regions in Australia. The population in the area serviced by Queensland Urban Utilities is expected to increase to 1.82 million by 2031.

We face a significant challenge in planning for, providing, and maintaining the infrastructure to service future growth. It will be necessary to plan for new infrastructure and make sure that existing systems are used effectively.

The population projections presented in *Figure 6* and *Figure 7* demonstrate the substantial population growth forecast for the region and illustrate that, over the next 20 years, the population within Queensland Urban Utilities' service territory is forecast to increase by approximately 38%.

The values shown in these figures draw upon the latest estimated resident population figures from the Australian Bureau of Statistics, the SEQ *Regional Plan 2009-2031* population targets, and Demography and Planning projections.

Population growth within the Brisbane area will be serviced largely by infill development, while the urban development footprints in the other four local government areas are expected to expand significantly as the population increases.

This growth will vary geographically, with the strongest growth, in both percentage and absolute terms, expected to occur in Ipswich. *Table 4* below shows the estimated number of additional dwellings that will be required between 2011 and 2031 to accommodate expected population growth.

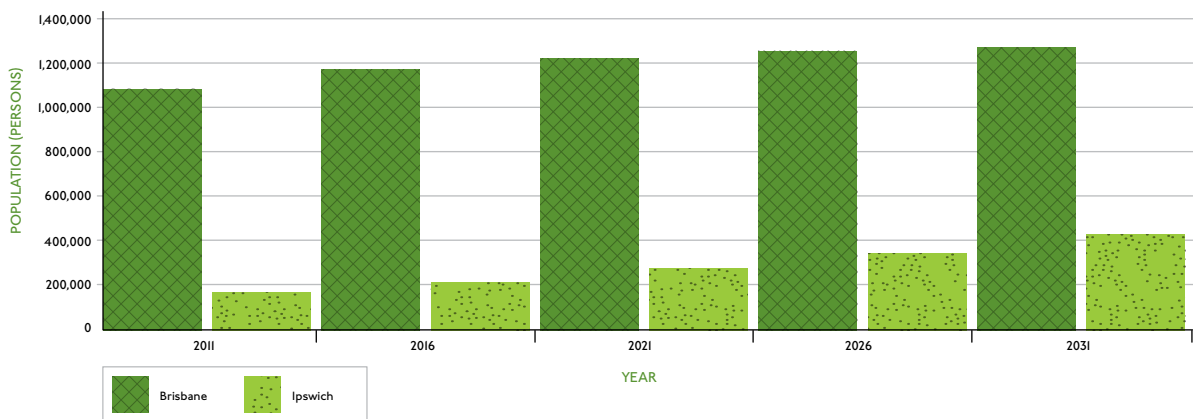


Figure 6 – Resident Population Projections – Brisbane and Ipswich.

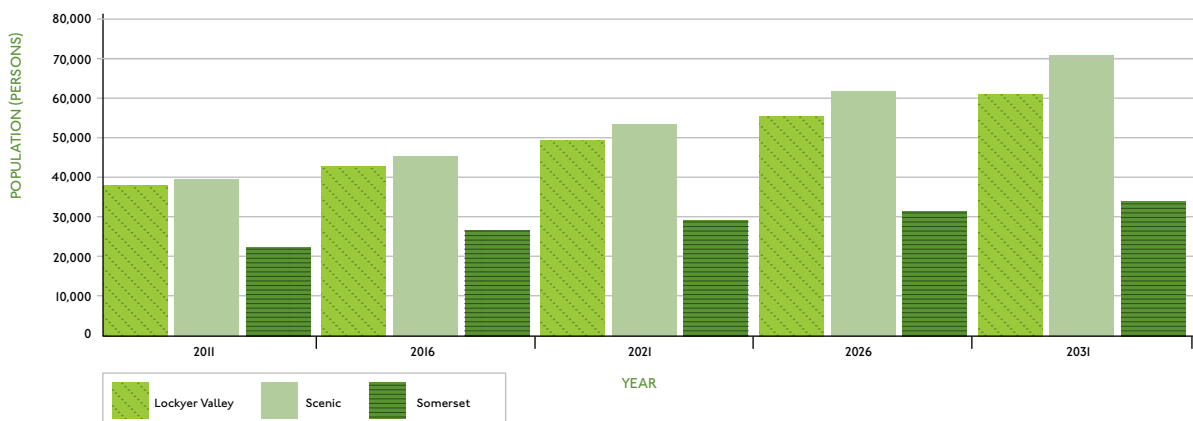


Figure 7 – Resident Population Projections – Lockyer Valley, Scenic Rim and Somerset.

Delivering Our Services

Table 4 – Projected New Dwellings Required Between 2011 and 2031.

	BRISBANE CITY	IPSWICH CITY	LOCKYER VALLEY	SCENIC RIM	SOMERSET	TOTAL
New Dwellings	103,000	106,000	9,300	13,100	5,000	236,400

Source: After SEQ Regional Plan 2009-2031.

Development of the Netserv Plan

Queensland Urban Utilities was the first of the SEQ water distributor-retailers to develop its water and wastewater infrastructure plan, or *Water Netserv Plan*. Our *Water Netserv Plan* is being prepared in two distinct but related parts. Part A broadly deals with strategies, infrastructure, planning, standards, connections, and charging, while Part B covers operational and technical plans.

A draft of Part A was released to the public in May 2011 as part of our community engagement campaign, with comments sought, received and collated up to 24 June 2011. A draft of Part B will be presented to the Board in the third quarter of 2011. Our community engagement campaign included information sessions for the Customer and Community Reference Group, as well as sessions for key stakeholders in Brisbane, Ipswich, and the Lockyer Valley. Information was also provided via the Queensland Urban Utilities' website and Contact Centre, and directly to key stakeholders.

The *Water Netserv Plan* will be a key tool for future streamlined asset management and economic regulation, bringing together a number of asset and planning related activities.

DELIVERING NEEDED INFRASTRUCTURE

Investment in 2010-11

Queensland Urban Utilities invested \$184 million in water and wastewater projects during 2010-11, excluding \$24 million spent on flood recovery works, and \$5 million on other assets such as information and communication technology and tools of trade. Our investment in capital infrastructure reflects our commitment to providing quality water and wastewater services to our customers now and into the future.

This investment ensures an appropriate degree of renewal of our existing assets, while taking into account a growing customer base and changing community expectations in relation to water quality and discharges to the environment.

Figure 8 shows our capital expenditure by driver on water and wastewater projects in 2010-11.

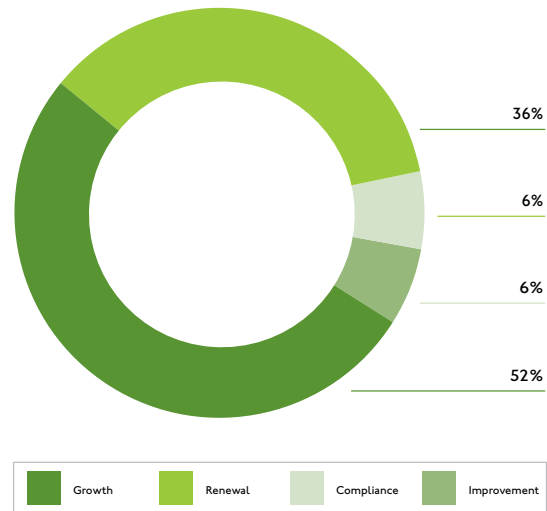


Figure 8 – Capital Expenditure by Driver.

Investment in water services

We supplied 11 9,889 ML of water via a network of 8,700 km of pipes in 2010-11. To support the continuation of water supply services to our existing customers, and to position us to meet future customer growth, we invested \$42 million in water distribution infrastructure in 2010-11.

Investment in wastewater services

Our 8,900 km sewerage network collected around 149,198 ML in 2010-11 for treatment in our 28 wastewater treatment plants. Responding to the drivers affecting our ability to continue to deliver our wastewater services, we spent \$141 million on wastewater infrastructure in 2010-11.

Wastewater treatment plant and sewerage network upgrades formed a number of key projects across our service territory this year.

Wastewater treatment plant upgrades are driven both by growth and regulatory requirements (typically compliance with lower nitrogen and phosphorous discharge targets to protect waterway health). As treatment plant capacity is reached, the Department of Environment and Resource Management aligns development applications for increased capacity to more stringent nutrient discharge resource condition targets.

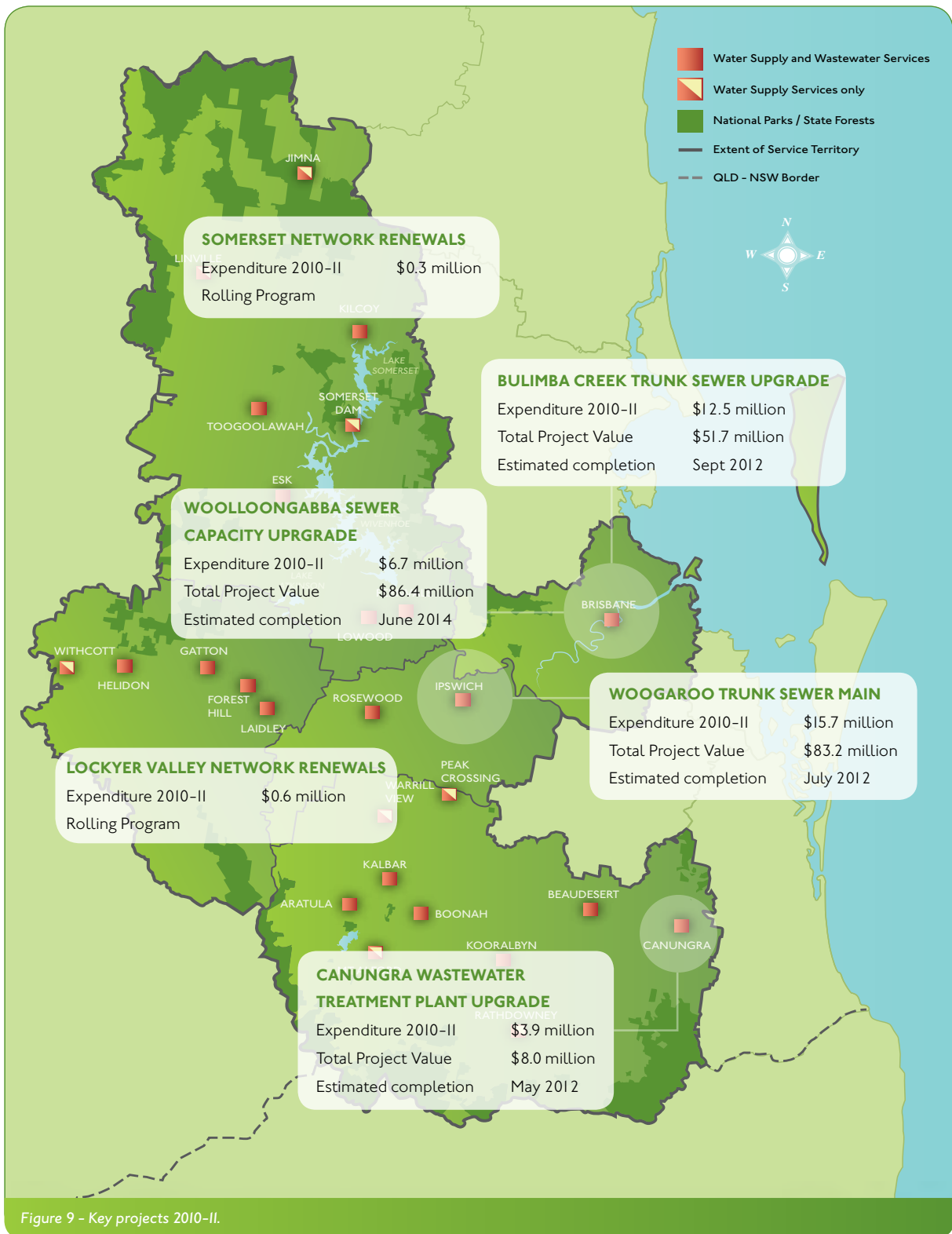


Figure 9 – Key projects 2010-11.

Delivering Our Services

Woogaroo Trunk Sewer Main Project – using advanced construction methods

Construction of the \$60 million Woogaroo Trunk Sewer Main Project west of Brisbane, started in February 2011, and is expected to be completed in late 2012.

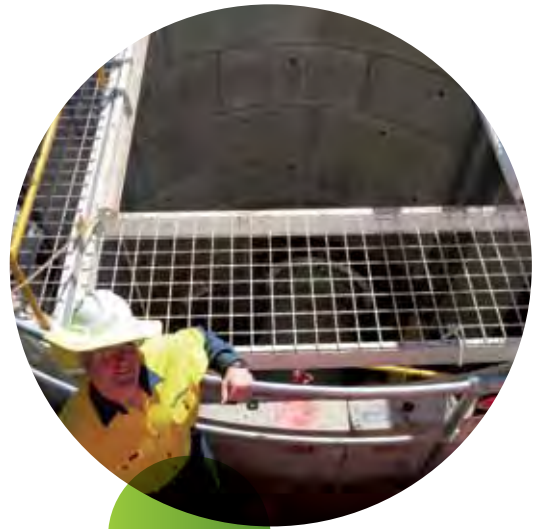
The new main will operate in parallel with the existing trunk main to quadruple the service capacity and satisfy the forecast population growth and development in the western corridor, in particular within the Springfield development.

The Woogaroo project involves advanced construction techniques, including deep-trenching and micro-tunnelling to lay 4.7 km of new sewer trunk main in the suburbs of Goodna, Bellbird Park, and Springfield.

More than 2.6 km of the pipeline will be positioned in trenches between 3 m and 7 m deep. The remaining 2.1 km will be laid using micro-tunnelling, with pipes up to 45 m below the surface. Access shafts for tunnelling will range from 4 m to 6 m in diameter, and will be 5.5 m to 11 m deep.

The use of micro-tunnelling techniques minimises disruption to those who live and work in the construction areas, and allows the new sewer main to be put under roads and bushland with minimal surface impacts.

- 1. Chris Wood, Contract Manager at a 9m deep access shaft at Goodna where pipe jacking is underway.**
- 2. Tunnel-boring machine set up in a 9m deep access shaft at Goodna.**
- 3. Construction underway to build an 11 m deep (deepest for the project) receiving shaft at Goodna.**



Canungra wastewater treatment plant upgrade

The Canungra wastewater treatment plant upgrade is one of a number of planned infrastructure projects required to support our growing customer base. The upgrade is also needed to ensure the effluent discharged from our treatment plant meets the new requirements set by the Department of Environment and Resource Management. The upgrade will involve new technology that will increase the capacity of the existing plant by around 60%, and improve the quality of effluent discharged to Canungra Creek.

Construction is scheduled for completion in November 2011, with the fully commissioned wastewater treatment plant operational by Easter 2012.

1. Preparing to pour the concrete base of the membrane bioreactor tank - Canungra wastewater treatment plant.

2. The completed membrane bioreactor tank.

Wastewater Pump Stations

Maintaining a high-reliability wastewater reticulation network is fundamental to protecting waterways and public health. We are continuing to deliver a \$19 million five-year program to upgrade 200 wastewater pump stations.

This program initially involved a detailed reliability-centred maintenance study to identify the potential for equipment failure at pump stations.

High-reliability pump station control equipment and switchboards continue to be rolled out to pump stations across the networks to minimise the risk of dry weather overflows.



Delivering Our Services

Woolloongabba Sewer Capacity Upgrade Project – catering for increased development

Queensland Urban Utilities is increasing the capacity of Woolloongabba's sewerage system to cater for the increasing development and population density in the area.

A feasibility study and investigation took place to determine the best upgrade option for Woolloongabba's sewerage system.

Part A – Buranda and Stones Corner – of the two-part Woolloongabba Sewer Capacity Upgrade was completed in 2010-11. Part B will commence in 2011-12.

To ensure a minimal impact on traffic and neighbouring properties in this busy location, a small diameter tunnel- boring machine has been used to install the sewer pipes. This machine installs the new sewer pipes into the ground by feeding small sections of pipe through access shafts that range from four to six metres in diameter.

Queensland Urban Utilities has worked closely with the local community to provide updates and manage impacts.

The first stage of a project to increase the capacity of Woolloongabba's sewerage system was completed in 2010-11.



Bulimba Creek Trunk Sewer Upgrade – building community partnerships

The Bulimba Creek Trunk Sewer currently services approximately 20,700 hectares of properties to the south east of Brisbane via 62 km of sewer pipes. Queensland Urban Utilities' upgrade project will increase the capacity of the sewer system and cater for the region's growth.

Construction began in March 2011, and is expected to take around 18 months to complete.

The upgrade works will extend from DM Henderson Park, to the north of Padstow Road, MacGregor, and connect to the trunk main at Coora Street, Wishart, a distance of around 4.5 km.

The new sewer will run alongside the existing trunk sewer line, which follows Bulimba Creek located in the suburbs of MacGregor, Eight Mile Plains, Rochedale, and Wishart.

This area includes the environmentally sensitive Bulimba Creek Catchment, and has been the catalyst for the development of a strong partnership between Queensland Urban Utilities and the Bulimba Creek Catchment Coordinating Committee (B4C) to achieve mutual aims of positive environmental and community outcomes.

B4C's involvement with the project team in the planning of revegetation, selection of desired flora species, and revegetation methods, as well as co-ordination of volunteer planting days, has enhanced Queensland Urban Utilities' work with the local community.

The partnership will be expanded to benefit other capital investment projects across the service territory.



Delivering Our Services

Budget planning

The budget framework for 2011-12 was approved by the Chief Financial Officer in November 2010 and a detailed *Queensland Urban Utilities Budget Guideline – 2011-2012* was provided to the Executive Leadership Team and Business Unit Managers. The Executive Leadership Team undertook a significant review and refinement of the budget.

This involved a functional and account-level review, including comparison against the historical trends and forecasts for the 2010-11 year, and taking into account the requirements of the Corporate Plan 2010-2015 and previously announced efficiency targets.

Independent review

To ensure that proposed major projects for 2011-12 were subject to a suitable amount of planning rigour, an independent engineering consultant reviewed these projects. The review evaluated projects on a range of criteria, including design standards, growth projections, project justification, project deliverability, and cost. A regulatory assessment was also carried out for some of the projects. These reviews led to further rationalisation of future capital works.

A gateway review process was also implemented for major projects to ensure that we continue to achieve efficiencies in the delivery of our capital program.

The *Gateway Review Program* is used to provide independent support to projects by having peers examine them at critical moments in their lifecycle. At the project level, this involves a series of 'gates' through which a project must pass. *The Gateway Review Program* is designed to ensure that a project (through its supporting documentation) has been considered against each 'gate' relevant to the project lifecycle. The initial gateway review stage addresses a project's justification, and considers the strength of its business case.

Capital expenditure for 2011-12

We have budgeted to invest an additional \$301 million in capital projects for 2011-12 to ensure that we have the right water and wastewater infrastructure to help us enrich our customers' quality of life. This includes some \$187 million to support new capacity for customer growth and an additional \$88 million to maintain our existing assets and services.

Some \$260 million of this budget will go towards supporting the provision of our wastewater services for existing and new customers.

236,400 NEW

DWELLINGS PROJECTED BETWEEN 2011 AND 2031



Delivering Our Services

ENVIRONMENT

Our commitment to ecological sustainability

The *Sustainable Planning Act 2009* is one of several acts and regulations that guide our planning, design and construction, and operational activities. We will consider that we have been successful if we can contribute towards:

- conservation, enhancement or restoration of life-supporting capacities of ecosystems
- protection of biological diversity
- creation of diverse, efficient, resilient and strong economies that espouse the principles of inter-generational equity
- creation of well-serviced and healthy communities with affordable, efficient, safe and sustainable development
- conservation or enhancement of areas and places of special aesthetic, architectural, cultural, historic, scientific, social or spiritual significance
- provision of integrated networks of pleasant and safe public areas for aesthetic enjoyment and cultural, recreational or social interaction
- a focus on potential adverse impacts on climate change from development, and addressing them through sustainable development.

We recognise that not all of our activities have the potential to impact on the outcomes described above, but we will seek to contribute where we can. We also recognise that it is often necessary to seek a balance that provides the best overall position between competing objectives.

Sustainable best practice

We are committed to excellence in environmental management, and wish to be seen as an industry leader in the field. We strive to go beyond what is required by legislation and achieve industry 'best practice' across all our activities. A number of initiatives have been implemented, and more are under consideration.

A key policy initiative is our move to further embrace the guiding principles of ecological sustainability by adopting and managing five business sustainability types:

1. natural sustainability – includes natural resources and ecological systems
2. social sustainability – is the critical component of our relationship with the community, which grants us our social licence to operate
3. human sustainability – relates to the health, knowledge, skills, motivation, and productivity of our staff
4. manufactured sustainability – refers to all material goods and the infrastructure necessary to assure our service provisions
5. financial sustainability – reflects the productive power and monetary value of the other four types of sustainability.

We are developing our policies and strategic framework in accordance with the Global Reporting Initiative. This framework sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance.



Wastewater overflows

Queensland Urban Utilities provides a service to collect, transfer and treat wastewater in a manner that reduces pollution to the environment and minimises public health risks. At times, wastewater overflows can occur, usually during significant rainfall events as a result of excessive stormwater entering the sewerage network. Other potential causes for overflows can include pipe blockages, mechanical failure, and power outages.

The impact of overflows on the environment and the community will vary depending on a variety of factors, including: the location of the spill; volume of the overflow; weather conditions at the time; and exposure to the public.

Our approach to minimising and managing overflows focuses on planning standards development, and operational activities. Efforts to reduce the number of

overflows include increasing the delivery capacity of the system through improved design, condition assessment, and new infrastructure, as well as improving the way we operate. Minimising the impact of overflows generally relies on an immediate response by our field crews, localised mitigation strategies, and feedback from the community.

Climate change and energy management

To successfully meet the challenge posed by a changing climate, Queensland Urban Utilities is developing a Climate Change Strategy, which will focus on:

- adaptation – managing the effects of climate change on our infrastructure and operations
- mitigation – reducing energy consumption and greenhouse gas emissions to become carbon neutral.

Runcorn bushland restoration – World Environment Day

A project funded by Queensland Urban Utilities to restore a section of Runcorn bushland to how it was more than a century ago was launched to celebrate World Environment Day.

More than 90 volunteers helped to plant more than 400 native trees, shrubs and grasses to recreate an open floodplain woodland similar to what experts say existed in the upper catchment of the Bulimba Creek before the land was used for cropping and grazing, then more recently for urban development.

The project is being funded as part of our \$51.7 million upgrade of the Bulimba Creek trunk sewer main.

Maisie Dixon tree planting.





8

INDEPENDENT, NON-EXECUTIVE BOARD MEMBERS

Corporate Governance

The reporting of our approach to corporate governance has been structured to demonstrate our performance against the principles set out in the *ASX Corporate Governance Principles and Recommendations*.

Corporate governance includes the policies and procedures that our Board members use in the conduct of the organisation's affairs and in their relationship with our Participating Councils.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Our Board

Our Board comprises eight independent, non-executive members, who were appointed by the Participating Councils in accordance with the provisions of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

Our Board members bring a wealth of knowledge, experience, and a range of skills sets including: public administration, operational management, asset management, infrastructure planning and delivery, business planning, and organisational development and change.

Information on the skills, qualifications and expertise of each Board member is presented on pages 11 and 12.

Our Board has the overall responsibility for corporate governance of Queensland Urban Utilities. It monitors the performance of Queensland Urban Utilities, its management, and its employees, both directly and through established Board committees.

Membership Criteria

In accordance with the Participation Agreement, the Board is required to have a minimum of four and a maximum of eight members, each of whom is subject to retirement by rotation.

Board members are appointed in accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, with due consideration given to ability and prior experience in contributing to the strategic oversight of Queensland Urban Utilities, as well as bringing independent judgement to bear on the Board's decision-making.

Role of the Board

Under s32 of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, the primary role of the Board is to decide Queensland Urban Utilities' strategies and operational, administrative, and financial policies.

The Board also ensures that the Queensland Urban Utilities performs its functions and exercises its powers in a proper, effective, and efficient manner, and that it complies with planning and reporting requirements.

The Board's role and responsibilities are set out in a formal charter, and include:

1. Monitoring the implementation of policies, and strategies and achievement against objectives.
2. Monitoring compliance with control and accountability systems, regulatory requirements, and ethical standards.
3. Ensuring that appropriate risk management systems, internal control and reporting systems, and compliance frameworks are in place and operating effectively.
4. Informing and approving the business and capital investment plans.
5. Tariff and price determination.
6. Approving the annual and long-term budgets, including operational and capital expenditure.
7. Ensuring the preparation of accurate financial reports and statements.
8. Reporting to participants on the performance and state of the Authority.

The Board reserves the right to consider and approve a range of matters, with all other matters delegated to the Chief Executive Officer in accordance with s53 of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*. Delegated authorities are set out in the *Authorities and Delegation Manual* as adopted by the Board in August 2010.

Corporate Governance

BOARD MEMBER INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Our Board participated in an induction in June 2010 to develop Members' understanding of their roles and responsibilities, including the management of conflicts of interest, and business and corporate expectations. The induction program included an overview of the water industry in South East Queensland, and the legislative and regulatory framework within which Queensland Urban Utilities operates. Each Member of the Executive Leadership Team also briefed the Board on their respective Divisions, including immediate '90 day priorities'.

Where relevant to the discharge of duties as a member of the Board, further professional development and training will be offered.

STRUCTURE THAT ADDS VALUE

Board Meetings

Board meetings are conducted at least once every calendar month, as required by the *Board Charter*. Where a matter needs consideration outside a scheduled meeting, the Board uses a circular resolution process. Where a matter is complex, or requires in-depth discussion out-of-session, an extraordinary Board meeting is scheduled, either physically or virtually, in accordance with the *Board Charter*.

The Chief Executive Officer, Legal Counsel/Board Secretary, and Executive Manager also attend Board meetings in an advisory and support capacity.

The Chairperson, Chief Executive Officer, and Executive Manager discuss and finalise the agenda for each meeting, which includes as a standing item a report from the Chief Executive Officer on operations, including financial and non-financial performance. Each meeting also includes consideration of a range of strategic and operational matters.

Papers are circulated to Board Members a week prior to the Board meeting to provide time for due consideration of matters.

Committee Meetings

To assist the Board in the execution of its duties, and to allow detailed consideration of complex issues or areas of special interest, the following standing committees have been established:

1. Audit, Finance and Risk Committee.
2. Capital Delivery and Asset Management Committee.
3. Human Resources and Community Committee.

Each committee operates under approved terms of reference which articulate their purpose and structure.

Independent professional advice

At the discretion of the Chairperson, a Board Member may seek competent, independent professional advice at the expense of Queensland Urban Utilities where such advice is deemed necessary for the Board Member to effectively discharge their duties.

Board Performance Review

As the body ultimately responsible for the sound and prudent management of Queensland Urban Utilities, the Board is committed to a continuing process of formal performance review. Recognising this commitment, the Board adopted a *Board and Committee Performance Assessment Policy* during the financial year. This policy sets out a framework for the evaluation of individual Board Members, the Board, and the three Board committees.

The initial externally facilitated Board evaluation will be carried out in the second quarter of 2011-12. Attendance at Board and Committee meetings in 2010-11 is summarised in *Table 5*.

12 ORDINARY

BOARD MEETINGS HELD IN 2010-11

Table 5 - Summary of attendance.

Member		Board		Audit, Finance and Risk	Capital Delivery and Asset Management	Human Resources and Community
		Ordinary	Extraordinary			
	Term of Appointment	12	5	7	4	8
Jude Munro	(5 years)	11	4	7	4	7
Len Scanlan	(5 years)	12	3	7	n/a	6
Diana Eilert	(4 years)	9	3	n/a	4	n/a
Phil Kesby	(4 years)	10	1	n/a	n/a	8
Barry Ball	(3 years)	11	4	n/a	4	n/a
Paul Emmerson	(3 years)	12	4	7	n/a	n/a
Dennis Cavagna	(4 years)	11	5	n/a	4	n/a
Bernard Ponting	(3 years)	11	5	7	n/a	n/a

All Board members appointed 25 June 2010.

PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Ethical standards and disclosure of interests

The Board is aware of its obligations to ensure that Board Members avoid conflicts of interest (both real and apparent) between their duty to Queensland Urban Utilities and their own interests.

In accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, the Board maintains an up-to-date register of interests to ensure that conflicts of interest are avoided. Members disclose any interests at each Board meeting.

Code of Conduct

Queensland Urban Utilities expects all of its Board Members and employees to maintain the highest ethical standards.

Queensland Urban Utilities Board Members and employees are expected to conduct themselves by facilitating responsible behaviour and decision-making consistent with our values, policies, and legal obligations.

Official Misconduct

Matters that raise suspicion of official misconduct are referred to the Crime and Misconduct Commission. Where necessary investigations are undertaken by either our Crime and Misconduct Commission Liaison Officer or Brisbane City Council's Assurance Security and Ethical Standards Unit. Outcomes of the investigations are reviewed and monitored.

Our Executive Leadership Team created a Crime and Misconduct Commission Liaison Officer role to provide advice and assistance to Managers on the control of fraud, serious crime, and official misconduct matters. The role also coordinates and manages official misconduct investigations.

In addition, we have engaged the Brisbane City Council Assurance Security and Ethical Standards Unit to provide investigation services when required.

Corporate Governance

Whistleblowers

With the repeal of the *Whistleblowers Protection Act 1994*, and the introduction of the *Public Interest Disclosure Act 2010* on 1 January 2011, the way in which public interest disclosures are to be publically reported has changed. From 1 January 2011, agencies are no longer required to report public interest disclosures in annual reports.

Under section 61 of the *Public Interest Disclosure Act 2010*, the Public Service Commission is now responsible for the oversight of public interest disclosures, and preparing an annual report on the operation of the *Public Interest Disclosure Act 2010*. From 1 January 2011, agencies are required to report information about public interest disclosures to the Public Service Commission. The Public Service Commission will prepare an annual report on the operations of the *Public Interest Disclosure Act 2010*, and the information provided by agencies. The annual report will be made publicly available after the end of each financial year.

No public interest disclosures were received by the utility for the 2010-11 financial year.

Public Sector Ethics Act 1994

For the period 1 July 2010 to 31 October 2010:

During this period, Queensland Urban Utilities applied and enforced the *Codes of Conduct* we inherited from our Participating Councils, as required by the provisions of the *South East Queensland Distribution and Retail Water Reform Workforce Framework 2009*.

For the period 1 November 2010 to 30 June 2011:

Our inherited *Codes of Conduct* remained in effect throughout 2010-11. A *Queensland Urban Utilities Code of Conduct* was drafted in the second half of the year and finalised on 30 June 2011.

Our Code of Conduct specifically outlines interactions with the *Public Sector Ethics Act 1994* and contains the specific ethics and principles from the Act.

Employees will be made aware of the contents of the new *Code of Conduct* via an implementation program that will commence in July 2011. Copies of the *Code of Conduct* will be provided to employees, and a series of mandatory training sessions, planned for early July, will outline employees' responsibilities under the *Public Sector Ethics Act*, *Crime and Misconduct Commission Act* and *Code of Conduct*. Employees will also have online access to the *Code of Conduct* from July 2011.

Contravention of the Code of Conduct will be addressed in accordance with our Managing Poor Performance and Misconduct policies.

RECOGNISE AND MANAGE RISK

Capital Delivery and Asset Management Committee

Queensland Urban Utilities has a Capital Delivery and Asset Management Committee, chaired by Barry Ball - with Jude Munro AO, Diana Eilert, and Dennis Cavagna as members of the Committee.

The Committee's primary function is to provide an oversight of our asset management planning, as well as network risk management. The Committee also oversees the enhancement of capital, the asset acquisition and replacement strategy, and assists the Board in meeting obligations to report to Participating Councils on performance and deliverables.

The Committee convened four times during the financial year. Attendance at the Capital Delivery and Asset Management Committee meetings is included in Table 5 on page 62.

REMUNERATE FAIRLY AND RESPONSIBLY

Human Resource and Community Committee

Queensland Urban Utilities has a Human Resources and Community Committee, chaired by Phil Kesby - with Jude Munro AO, and Len Scanlan as members of the Committee.

The objective of the Human Resources and Community Committee is to review and recommend the principles and standards with respect to attraction and retention of employees, and to develop positive stakeholder relationships including with the communities serviced by Queensland Urban Utilities.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit, Finance and Risk Committee

Queensland Urban Utilities' Audit, Finance and Risk Committee is chaired by Len Scanlan. Board Members Bernard Ponting and Paul Emmerson are members of the Committee, with Jude Munro AO also attending in her capacity as the Chair of the Board. The Committee is also attended by the Chief Executive Officer, Chief Financial Officer, Principal Audit Officer, the internal audit provider, Brisbane City Council's Chief Internal Auditor, and the Queensland Audit Office. For transparency and good governance, the papers for the Committee are made available to the internal and external auditors, and closed sessions are undertaken as required with the internal and external auditors.

The Audit, Finance and Risk Committee provides independent assurance to the Board on the suitability of Queensland Urban Utilities accountability and control framework. The Committee oversees financial reporting and internal control, risk and compliance and internal audit and external audit.

The Audit Finance and Risk Committee have complied with the objectives as set out in the *Committee Terms of Reference*.

In 2010-II, the Committee met seven times (see page 62 for table of attendance) and conducted the following activities:

- Reviewed the organisation's audit activities.
- Reviewed the final audit reports and considered key findings released by the Auditor-General.
- Monitored the implementation of audit recommendations and actions.
- Reviewed the annual financial statements.
- Considered policies for recommendation to the Board.
- Considered the *Financial Management Manual* and *Treasury Report*.
- Considered all recommendations by the external audit and the Queensland Audit Office.

Internal Audit Review

Internal Audit is an independent function established within Queensland Urban Utilities office of the Chief Executive Office to assist the Chief Executive Officer in the discharge of his responsibilities under the *Financial Accountability Act 2009*, and to provide an independent review of internal system controls.

Brisbane City Council's Assurance Security and Ethical Standards unit has been engaged to perform the internal audit function for Queensland Urban Utilities, in accordance with an approved Audit Charter and Audit Strategy Plan approved by the Audit, Finance and Risk Committee. The internal audit function is performed independently of management and authorised auditors.

Internal Audit has fulfilled its function in accordance with the above requirements.

In 2010-II, Internal Audit undertook nine reviews based on the organisation's risk profile and in accordance with the internal audit plan. The reviews are separated into six key categories: internal control and risk management; major projects; revenue assurance; service standards; continuous assurance and special projects. The reviews supported service delivery and internal control management with recommendations for improvements made in the areas of corporate and local governance. In addition, assurance data reviews are also carried out on a quarterly basis.

Review days by key category, and business unit, are shown in *Table 6* and *Table 7* respectively.

Table 6 - Key Review Categories.

Review areas 2010-II	Review days
Internal Control and Risk Management	70
Major Projects	20
Revenue Assurance	20
Service Standards	40
Continuous Assurance	53
Special Projects	10

Table 7 - Review Days by Business Unit.

Business unit	Review days
Operations	60
Corporate Services	50
Workforce Capability	10
Finance	40



9 REVIEWS

UNDERTAKEN BY INTERNAL AUDIT

Corporate Governance

Moving Forward

As Queensland Urban Utilities has now completed its first trading year as a new statutory body, plans are in place to enhance and strengthen our corporate governance processes. These will be implemented by:

- Integrating our enterprise risk management framework with the internal audit process.
- Introducing a self-assessment program to ensure high standards of professional practice.
- Overseeing the maintenance of internal controls through the implementation of the Enterprise Resource Planning project.

External Audit Arrangements

The Queensland Audit Office is Queensland Urban Utilities external auditor under the terms of the *Financial Accountability Act 2009*. In addition to the Queensland Audit Office audit, four other significant audits/reviews were undertaken during the financial year.

The independent assessments focused on the efficiency of capital projects and business operations, safety management, and a price monitoring review.

Records Management (Public Records Act)

Under the provisions of the *Public Records Act 2002* we are required to make and keep full and accurate records of our activities and have regard to any relevant policy, standards and guidelines made by the Queensland State Archivist about the making and keeping of public records.

Amalgamation of the five water businesses brought with it a requirement for the development of a recordkeeping system for the new business. These recordkeeping services are provided by our Corporate Services Division, and it currently uses the policies, guidelines and procedures of Brisbane City Council.

Access to electronic information stored on shared drives and in the recordkeeping system is controlled by appropriate security/access controls.

In 2010–11, Queensland Urban Utilities made significant progress in implementing systems that address the requirements of recordkeeping policy, strategy, guidelines, and procedures. Major initiatives for 2010–11 involved:

- Establishing a Queensland Urban Utilities recordkeeping system.
- Transitioning water records from the Participating Councils.
- Including the recordkeeping function in the annual audit program.
- Reviewing the Business Classification Scheme as part of the electronic document records management system implementation.
- Commencing the development of a specific water sector Retention and Disposal Schedule for submission to the State Archivist, in collaboration with other water utilities.
- Implementing a review of recordkeeping across Queensland Urban Utilities' business processes to establish standardised processes.

These initiatives will be continued in 2011–12 and will lead to the development of proprietary recordkeeping documentation.

Right to Information

The *Queensland Urban Utilities Publication Scheme* is available on our website. The *Publication Scheme* has been developed to give the community greater access to information routinely available from our organisation.

In 2010, Queensland Urban Utilities addressed eight compliant applications under the *Right to Information Act 2009*. Any information sought under the *Right to Information Act* and considered to be in the public interest to disclose, is included in the *Right to Information Disclosure Log* available on our website.

Corporate Governance

MAKE TIMELY AND BALANCED DISCLOSURE

Corporate Planning and Reporting

To provide our Participating Councils with our forward corporate objectives, we annually prepare and distribute a *Corporate Plan* that sets out our direction and priorities for the subsequent five-year period. Our Participating Councils are consulted in the development of this plan. This plan is supported by the *Operational Plan*, which sets out the operational risks to service delivery and how Queensland Urban Utilities will deliver services. It also sets out the strategies, activities, or initiatives needed to achieve these operational objectives, and the details about service delivery performance that will allow an assessment of the performance against service standards.

Table 8 and Table 9 below fulfill State Government disclosure obligations for overseas travel and consultancies respectively.

Table 8 - Overseas Travel.

Name of member and position	Destination	Reason for travel	Queensland Urban Utilities cost	Contribution from other agencies or sources
Jennifer Leis, General Manager Corporate Services	New Orleans, United States of America	Present at Building Resilience Workshop II	\$667	\$4,903
Steve Moore, Infrastructure & Technology Manager	United States of America	Attend SCADA security international conference	\$11,459	\$5,000

Table 9 - Consultancies.

Consultancies	\$'000
Consultancies related to the capital program	
Engineering and design	3,145
Infrastructure planning	2,148
Other	427
Organisational efficiency reviews	354
Expert specialist and legal advice	172
Specialist engineering technical advice	346
Consultancies in response to economic regulation	111
Expert specialist financial, treasury and taxation advice	254
Safety, culture and other human resource consultancies	361
Information technology	569
Other	382
Total	8,269

RESPECT THE RIGHTS OF PARTICIPANTS

In accordance with the requirements of the *Participation Agreement* and in the interests of communicating with our Participating Councils, a quarterly performance report is produced in July, October and January. This report includes information that allows the participants to make an informed assessment of the operations of Queensland Urban Utilities, its financial performance, and emerging issues. It also provides an update on achievement against strategic objectives.

In addition, following each Board meeting, the Board Chairperson writes to each Mayor setting out the broad outcomes of the monthly Board meeting and any emerging issues faced by the Authority.

RISK MANAGEMENT AND COMPLIANCE POLICY

In 2010-II, we developed and adopted a *Risk Management and Compliance Policy* to facilitate the development of a Risk Management Framework. This enabled the business to effectively manage risk, and meet legislative obligations in line with corporate and operational objectives.

The application of this policy has provided impetus to Queensland Urban Utilities in the following ways:

- To establish integrated risk management and compliance systems that conform to the requirements of *ISO 31000:2009 Risk Management and AS3806:2006 Compliance Programs*. These systems provide a process through which we identify and evaluate business threats, vulnerabilities, and opportunities.
- To identify critical business functions requiring planning for business continuity and disaster recovery.
- To promote and actively support an organisational culture that is committed to risk management and compliance through open communication and effective leadership.
- To adopt risk-based decision-making and business planning to enable sustainable, cost-efficient resource allocation, and complement the cost/benefit analysis process to prioritise business activities.
- To comply with legal and regulatory requirements.

This framework informs and describes risks in the management of the water and wastewater services we provide. It gives us the ability to quantify known risks and facilitate informed decision-making to deliver quality community and business outcomes.

The Audit, Finance and Risk Committee provides independent assurance and recommendations to the Board on strategic, business, and operational compliance risk and assurance systems.



Appropriate Financial Performance

PERFORMANCE SUMMARY 2010-II

Corporate Objective: Appropriate financial performance

Strategic outcome	Targets 2010/11	Achievements
Adequate cash flow	Develop a process to identify all potential funding opportunities	Provision of water and sewerage services remained our key source of funding. Maximised opportunities for other funding sources as they arose, including obtaining the best interest rates on investments and maintaining our credit rating.
	Maintain our 2010 credit rating	Operated within the required credit metrics and maintained our Queensland Treasury Corporation credit rating.
	Maintain a positive relationship with our Queensland Treasury Corporation lenders and secure required debt funding to meet business needs at attractive rates	Maintained a strong and positive relationship with Queensland Treasury Corporation through our stakeholder management process.
	Avoid the need for any further shareholder injection of equity in the current business	Managed our capital structure within our agreed credit metrics to mitigate this risk.
	Complete negotiations with the Queensland Audit Office on a methodology for determining the value of the asset base for our financial accounts	Queensland Treasury and the Queensland Audit Office advised that the Participating Councils' 'Ownership Share' is to be disclosed as equity. Queensland Audit Office is satisfied that Queensland Urban Utilities has complied with the Ministerial direction to determine the regulatory asset base.
Financial Insight	Understand capital expenses, operating expenses and revenue (and how it impacts future funding), and refine our financial model	Actively sought to identify and develop opportunities for business improvement and efficiency, including commissioning of an independent review, to develop a recommended organisational 'day two' business model.
	Influence the revised approach to setting infrastructure charges to minimise impact on revenue	Our Chief Financial Officer delivered a presentation to the taskforce outlining the impact of infrastructure charges on distributor-retailer businesses.
	Ensure funding strategies for non-regulated business activities do not put at risk our core business activities	Non-regulated services represented less than 1% of total operating revenue in 2010/11. These services were funded in a manner that did not adversely affect our credit metrics.
	Clearly understand our risk appetite and base decision making on leveraging best outcome	Established an Audit, Finance and Risk Committee. Developed and implemented a risk register and matrix that was communicated throughout the organisation for use in decision making.
	Maintain service delivery through understanding asset conditions and forward investment profile	Integrated key asset management components into the way its assets are operated, maintained, renewed and enhanced. Developed 30-year, 5-year and budget year investment horizons.
	Consider financial risks in our business planning	Introduced a number of initiatives, including: <ul style="list-style-type: none"> • Creation of a dedicated Treasury Team. • Development of robust financial models incorporating sensitivity analysis. • Addition of finance representative to tender evaluation panels.

Glossary

GLOSSARY

Board	The Central SEQ Distributor-Retailer Board.
Board Member	Means a person who is, for the time being, a member of the Board of Queensland Urban Utilities.
Central SEQ Distributor-Retailer	A statutory body supplying water and treating wastewater to the service territories of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset.
Executive Leadership Team	Means the Chief Executive Officer, and direct reports.
Gigalitre (GL)	Measurement of volume equal to one billion litres, or one thousand megalitres (refer Megalitre).
Lost-time injury frequency rate (LTIFR)	<p>A lost-time injury is defined as an occurrence that resulted in a fatality, permanent disability or time lost from work of one day/shift or more.</p> <p>The LTIFR is the number of lost-time injuries per million hours worked, calculated using this equation:-</p> $\frac{(\text{Number of lost-time injuries} \times 1,000,000)}{(\text{Total hours worked in accounting period})}$
Megalitre (ML)	Measurement of volume equal to one million litres. One megalitre is approximately the volume of a one-metre deep olympic-sized swimming pool.
Participation Agreement	A Participation Agreement under s20 or 23 of the South East Queensland Water (Distribution and Retail Restructuring) Act 2009.
Participating Councils	Brisbane and Ipswich City Councils and the Lockyer Valley, Scenic Rim and Somerset Regional Councils.
Raw water	Unfiltered water supplied in bulk to water supply authorities for treatment before distribution to customers.
Recycled water	Water taken from any waste (effluent) stream and treated to a level suitable for further use, where it is used safely and sustainably for beneficial purposes. This is a general term that can include reclaimed water.
Supervisory control and data acquisition (SCADA)	The term SCADA usually refers to centralised systems which monitor and control entire sites, or complexes of systems spread out over large areas (anything from an industrial plant to a nation). Most control actions are performed automatically by remote terminal units ("RTUs") or by programmable logic controllers ("PLCs"). Control functions are usually restricted to basic overriding or supervisory level intervention. For example, a PLC may control the flow of cooling water through part of an industrial process, but the SCADA system may allow operators to change the set points for the flow, and enable alarm conditions, such as loss of flow and high temperature, to be displayed and recorded. The feedback control loop passes through the RTU or PLC, while the SCADA system monitors the overall performance of the loop.
Stakeholder	All those who are either affected by or who can affect the activities of an organisation, namely customers, governments, media, non-government organisations, local residents and employees.
Sewage	Material transported in a sewerage system. Sewage is collected from all internal household drains; it contains all the contaminants of grey water and urine, in addition to high concentrations of faecal material from toilets and wastes from industrial and commercial premises. Sewage can therefore contain a range of infectious enteric pathogens and a range of physical and chemical contaminants.
Sewerage	The pipes and channels, including all trunk, pressure and reticulation pipes, via which wastewater is transported from its point of origin (e.g. house or business) to a point of treatment and/or disposal.
Trade waste	<p>Water-borne waste from a business or manufacturing premises, that is not:</p> <ol style="list-style-type: none"> 1. a prohibited substance (for example, petrol, pesticide); 2. domestic sewage (human waste) 3. stormwater. <p>Some trade waste cannot be accepted at wastewater treatment plants and must be disposed of through special facilities.</p>
Wastewater	Material transported in a sewerage system and comprising some combination of sewage and trade waste.
Water netserv plan	<p>Section 99BJ of the South East Queensland Water (Distribution and Retail Restructuring) Act 2009 requires that a "distributor-retailer must, from 1 July 2013, have a plan (a water netserv plan) about its water and wastewater networks and providing its water service and wastewater service".</p> <p>Among other requirements the water netserv plan must be consistent with the SEQ Regional Plan and the planning assumptions for the distributor-retailer's geographic area.</p> <p>The water netserv plan will become the key strategic document guiding Queensland Urban Utilities delivery of water and wastewater infrastructure, replacing a range of planning tools that existed prior to the creation of the distributor retailers.</p>



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MILLION DOLLARS

NET OPERATING PROFIT FOR 2010-II

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Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Revenue			
Utility charges	5	688,222	-
Contributions, grants and subsidies	6	142,695	-
Insurance	7	10,182	-
Interest received	8	2,869	-
Fees and charges	9	25,993	-
Other revenue	10	4,322	152
Total operating revenue		874,283	152
Expenses			
Employee expenses	11	80,209	-
Bulk water purchases	12	183,066	-
Materials and services	13	132,664	38,951
Depreciation and amortisation	14	135,396	-
Finance/borrowing costs	15	116,188	1
Loss on disposal of assets	16	30,126	-
Other expenses	17	7,414	40
Total operating expenses		685,063	38,992
Profit before income tax equivalent		189,220	(38,840)
Income tax equivalent	25	58,286	(11,603)
Profit for the year		130,934	(27,237)
Other comprehensive income			
Defined benefit plan revaluation	35	1,091	-
Total other comprehensive income		1,091	-
Total comprehensive income		132,025	(27,237)

The accompanying notes form part of these statements.

Statement of Financial Position

as at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	18	77,432	(1)
Trade and other receivables	19	25,122	-
Inventories	20	2,650	-
Other current assets	21	148,128	-
Total current assets		253,332	(1)
Non current assets			
Property, plant and equipment	22	4,335,482	12
Intangible assets	23	1,955	-
Deferred tax assets	25	12,408	11,603
Defined benefit plan	35	1,091	-
Total non-current assets		4,350,936	11,615
Total assets		4,604,268	11,614
Current liabilities			
Trade and other payables	28	33,147	38,851
Employee benefits	27	30,458	-
Current income tax payable	29	14,230	-
Other current liabilities	29	106,516	-
Provision for participation rights	30	42,633	-
Total current liabilities		226,984	38,851
Non current liabilities			
Employee benefits	27	1,900	-
Interest bearing liabilities	26	1,774,985	-
Deferred tax liabilities	25	20,939	-
Total non current liabilities		1,797,824	-
Total liabilities		2,024,808	38,851
Net assets		2,579,460	(27,237)
Equity			
Contributed equity	30	2,538,793	-
Retained earnings		40,667	(27,237)
Total equity		2,579,460	(27,237)

The accompanying notes form part of these statements.

Statement of Changes in Equity

For the year ended 30 June 2011

	Notes	Retained earnings \$'000	Contributed equity \$'000	Total \$'000
Balance as at 3 November 2009		-	-	-
Loss for the period	40	(37,477)	-	(37,477)
Adjustment for approved establishment costs	40	(1,363)	-	(1,363)
Amendment for income tax effect	40	11,603	-	11,603
Balance as at 30 June 2010		(27,237)	-	(27,237)
Contributions by and distributions to Participants				
Contributed equity	30	-	2,538,793	2,538,793
Participation return to Participants	30	(64,121)	-	(64,121)
Total contributions by and distributions to Participants		(64,121)	2,538,793	2,474,672
Profit for the year		130,934	-	130,934
Other comprehensive income	35	1,091	-	1,091
Total comprehensive income for the year		132,025	-	132,025
Balance as at 30 June 2011		40,667	2,538,793	2,579,460

The accompanying notes form part of these statements.

Statement of Cash Flows

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Receipts from customers		744,211	-
Developer cash contributions		28,853	-
Interest received		2,529	-
GST input tax credits from ATO		23,153	-
GST collected from customers		408	-
		799,154	-
<i>Outflows:</i>			
Employee expenses		(87,122)	-
Suppliers and services		(418,741)	(1)
Finance and borrowing costs		(104,926)	-
Income tax		(23,922)	-
GST paid to suppliers		(26,575)	-
GST remitted to ATO		(322)	-
		(661,608)	(1)
Net cash provided by (used in) operating activities		137,546	(1)
Cash flows from investing activities			
<i>Outflows:</i>			
Payments for property, plant and equipment		(152,718)	-
Net cash provided by (used in) investing activities		(152,718)	-
Cash flows from financing activities			
<i>Inflows:</i>			
Cash on initial transfer of assets and liabilities from Participants	30	9,006	-
Borrowings		105,087	-
<i>Outflows:</i>			
Participation rights payments	30	(21,488)	-
Net cash provided by (used in) financing activities		92,605	-
Net increase (decrease) in cash and cash equivalents		77,433	(1)
Cash and cash equivalents at the beginning of the financial year		(1)	-
Cash and cash equivalents at the end of the financial year	18	77,432	(1)

The accompanying notes form part of these statements.

Notes to and forming part of the Financial Statements 2010-2011

I. Reporting entity

The Central SEQ Distributor-Retailer Authority (the Authority) was established under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* (the Act) and is a Statutory Body under *Financial Accountability Act 2009* and the *Statutory Bodies Financial Arrangements Act 1982*.

Under the Act, governance arrangements for the new Authority were established in a Participation Agreement, which became operative from 25 June 2010. The participants are Brisbane City, Ipswich City, Lockyer Valley Regional, Scenic Rim Regional and Somerset Regional Councils.

The assets, liabilities, instruments and employees of the five participating Councils' water distribution and sewerage operations were transferred to the Authority as a result of the Act and by the Queensland Government gazettal of the First and Second Transfer Schemes on 29 June 2010 and 30 September 2010 respectively (refer to Note 30(c) for summary of assets and liabilities transferred). The value of the net assets transferred from the Councils to the Authority has been calculated using a regulatory asset base (RAB) valuation approved by the Queensland Government to represent the market value of the business. This valuation was prepared to underpin the water pricing methodology currently under review by the Queensland Competition Authority.

In return for the net assets transferred to the Authority, each Council participates in the Authority based on its share of the RAB, comprising debt and participation rights as agreed by the five Councils and the Authority in the ratio of 40 to 60.

Section 10(1) of the Act states that the Authority expires at the end of 99 years from when it was established on 3 November 2009. On expiration (a) the Authority's assets and liabilities become the assets and liabilities of its participants; and (b) the participants become the successor in law of the assets and liabilities rateably in accordance with their participation rights under the participation agreement.

The primary functions of the Central SEQ Distributor-Retailer Authority are to do the following for its geographic area –

- (a) purchase water from the water grid manager under the *South East Queensland Water (Restructuring) Act 2007*;
- (b) distribute water;
- (c) provide the following services to customers –
 - i. water services;
 - ii. wastewater services;
- (d) charge customers for relevant services;
- (e) manage customer enquiries, service requests and complaints;
- (f) on and from 1 July 2010 –
 - i. perform functions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* and the *Water Supply (Safety and Reliability) Act 2008* relating to trade waste as a sewerage service provider; and
 - ii. perform particular planning and development assessment functions under the *Sustainable Planning Act 2009*;
- (g) anything else likely to complement or enhance a function mentioned in paragraphs (a) to (f).

The Central SEQ Distributor-Retailer Authority trades as Queensland Urban Utilities and is a "for profit" entity. The registered office is Level 6, West Tower, 171 Roma Street, Brisbane, QLD.

2. Basis of preparation

(a) Statement of compliance

These financial statements are general purpose financial statements and have been prepared for the period 1 July 2010 to 30 June 2011 in accordance with:

- Australian Accounting Standards (AASBs) and Interpretations;
- the *Financial Accountability Act 2009*;
- the *Financial and Performance Management Standard 2009*; and
- Queensland Treasury's Financial Reporting Requirements for Queensland Government agencies (as applicable to statutory bodies).

The financial statements were authorised for issue by the Board on 29 August 2011.

Notes to and forming part of the Financial Statements 2010-2011

2. Basis of preparation (contd)

(b) Basis of measurement

The financial statements have been prepared on an accrual basis and, except where stated, in accordance with the principles of historical cost.

(c) Presentation currency and comparatives

Amounts included in the financial statement are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, zero, unless disclosure of the full amount is specifically required.

Amounts shown in this financial report may not add to the correct sub-totals or totals due to rounding.

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

The current financial year disclosures represent a full year of business operations, whereas prior to 1 July 2010, the water distribution and sewerage operations amounts were included with the relevant participating Councils.

The comparative figures disclosed in these statements are the transactions and balances for the period 3 November 2009 to 30 June 2010 and represent the cost to establish Queensland Urban Utilities.

(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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about specific areas of estimate, uncertainty and critical judgement in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are described in the following:

(i) Impairment

Queensland Urban Utilities assesses impairment at each reporting date by evaluating conditions specific to Queensland Urban Utilities that may lead to impairment of assets. In accordance with the provisions of AASB 136 *Impairment of Assets*, where an indicator of impairment 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 24).

(ii) Tax equivalent regime – Income tax and utilisation of tax losses

Queensland Urban Utilities is subject to the Local Government Tax Equivalent Regime. Tax losses carried forward at 30 June 2010 relating to establishment costs were \$2.2m. A deferred Tax Asset (DTA) was recognised in relation to these carry forward tax losses. These carried forward tax losses were utilised against taxable profits in the year ended 30 June 2011.

(iii) Provision for impairment of receivables

A provision for impairment of receivables has been made at year end, refer Note 19.

(e) Going concern

The financial statements have been prepared on a going concern basis in accordance with AASB 101 *Presentation of Financial Statements*.

(f) Water reform structural changes

On 7 April 2011 the Premier announced that the State Government had decided to repeal the sections of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* which had legislated the creation of the integrated retail and distribution authorities called distributor-retailers to deliver services to customers within particular geographical areas. The Premier further announced that Councils who wish to return to their previous structure will be able to do so and those who wish to retain the current entities can also do so.

As at 1 July 2011, Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset Councils had given their support for Queensland Urban Utilities to continue as the provider of quality water and wastewater services to customers in their regions.

Notes to and forming part of the Financial Statements 2010-2011

2. Basis of preparation (contd)

(g) New and revised accounting standards

Queensland Urban Utilities did not voluntarily change any of its accounting policies during 2010/2011. Only two amendments to Australian accounting standards applicable for the first time for 2010-2011 were relevant to Queensland Urban Utilities, as explained below.

AASB 2009 – 5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project included certain amendments to AASB 117 Leases that revised the criteria for classifying leases involving land and buildings. Consequently, Queensland Urban Utilities was required to reassess the classification of the land elements of all unexpired leases that Queensland Urban Utilities had entered into as at 1 July 2010, on the basis of information existing at the inception of the relevant leases. The outcome of the entity's reassessment was that no reclassification from an operating lease to a finance lease was necessary.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2011, Queensland Urban Utilities has not applied any amendments or standards that have been issued but are not yet effective. Queensland Urban Utilities does not plan to early adopt any standards or interpretations and the extent of the impact of these has not been determined.

3. Significant accounting policies

(a) Revenue

(a) (i) Utility charges

Utility charges are recognised as revenue on an accrual basis in the period to which they relate. Queensland Urban Utilities issues utility accounts quarterly and monthly with water consumption billed in arrears and the fixed service charge generally billed in advance. An estimation of unbilled water consumption is performed monthly, based on historical information of the customers' usage and accrued revenue is recognised for this amount. Accruals or prepayments are recognised for fixed access charges billed in arrears or advance.

(a) (ii) Contributions

Developer contributions

Queensland Urban Utilities finances part of its capital works infrastructure program through non-refundable contributions from developers which are applied to the cost of these works. These contributions received may be in the form of a non-cash contribution (assets) and/or a cash contribution.

Non-cash contributions

Non-cash contributions from developers such as water and sewerage infrastructure are recognised as revenue and as non-current assets when the authority obtains control of the assets and becomes liable for any ongoing maintenance. These contributed assets are recognised at their fair value.

Cash contributions

Non-refundable cash contributions from developers towards the cost of water supply and sewerage infrastructure are collected by Councils on behalf of Queensland Urban Utilities and transferred to Queensland Urban Utilities when received. Cash developer contributions for specific assets are recognised as a liability where that specific asset has not been constructed at balance date. Cash contributions for assets already constructed or for which there are no performance obligations are recognised as revenue on receipt.

(a) (iii) Other services

Revenue from rendering of a service is recognised upon the delivery of the service to the customers and includes fees and charges from the approved fees and charges schedule and from quotes for services.

(a) (iv) Interest

Interest income is recognised as it accrues in the Statement of Comprehensive Income, using the effective interest method.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques received but not banked at year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Notes to and forming part of the Financial Statements 2010-2011

3. Significant accounting policies (contd)

(c) Receivables

Debtors are recognised at the amounts due at the time of invoicing, sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment.

All known bad debts are written off periodically and/or as at 30 June. Subsequent recoveries of amounts previously written off are recognised via an adjustment to finance costs in the Statement of Comprehensive Income.

(d) Inventories

Inventories held for distribution comprise stores and materials used in operating, maintenance and capital works activities. These inventories are valued at the lower of cost (purchase price) and net realisable value.

(e) Property, plant and equipment

Recognition

Items of property, plant and equipment with a total value of less than \$10,000, except for network assets, are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

All network assets, including those with a value of less than \$10,000, are capitalised. The term "network asset" is applied to an accumulation of individual items or components operating as a cohesive whole in the provision of a particular service. Computer equipment is not treated as a network asset. Interconnected infrastructure assets are treated as a network asset.

Capital and operating expenditure

Direct labour and materials expenditure incurred in the purchase or construction of assets is capital expenditure. Expenditure necessarily incurred in either maintaining the operational capacity of assets or ensuring that their original life estimates are achieved, is considered maintenance and is treated as an expense as incurred.

Acquisition

Acquisitions of property, plant and equipment are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including architects' fees, engineering design fees and all other establishment costs.

Donated items of property, plant and equipment except reserve land are recognised as assets and revenue at fair value. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Valuation

Property, plant and equipment assets, including leased assets, are valued at fair value, except for certain land, plant and equipment and fleet (which are recorded at cost). Property, plant and equipment is assessed for impairment in accordance with AASB I 36 (refer note 24).

Assets within each class of property, plant and equipment carried at fair value are subject to ongoing review and revalued as necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date.

Acquisitions after the date of valuation are carried at acquisition cost that materially equates to fair value.

Details of property, plant and equipment including details of valuers and methods of valuations are disclosed in note 22.

Depreciation

Depreciation represents the consumption of the service potential embodied in the asset. To achieve a systematic and rational allocation of their value, property, plant and equipment assets (excluding land) are depreciated over their estimated useful lives. These estimates are reviewed annually. The depreciation method applied to assets is reviewed annually. Details of estimated useful lives of assets are set out below.

Items or components that form an integral part of a complex infrastructure asset are recognised as a separate asset. These items or components may be replaced during the useful life of the complex asset. Each component is depreciated over its individual life or life of the complex asset if shorter.

Property, plant and equipment assets are depreciated from the date acquired or installed ready for use or, for internally constructed assets, from the time an asset is completed and commissioned ready for use.

Notes to and forming part of the Financial Statements 2010-2011

3. Significant accounting policies (contd)

(e) Property, plant and equipment (contd)

Class of Fixed Asset	Depreciation Rate	Useful Life
Buildings	1.25% - 14.28%	7-80 years
Site improvements	2.5% - 10%	10-40 years
Plant and equipment:		
Fleet vehicles	10% - 33.33%	3-10 years
Fleet machinery	4.55% - 25%	4-22 years
Computer and communications equipment	5% - 33.33%	3-20 years
Other	1.66% - 20%	5-60 years
Infrastructure:		
Water supply network	1% - 10%	10-100 years
Sewerage network	0.91% - 10%	10-110 years

(f) Construction work in progress

Property, plant and equipment under construction at year end is valued at cost, including the cost of materials and direct labour and an appropriate proportion of overheads excluding administration costs. Construction work in progress is assessed for impairment and where costs cannot be capitalised, they are expensed. Assets under construction are not depreciated until they are complete and commissioned ready for use.

(g) Intangible assets

Amounts paid for computer software in excess of the recognition threshold of \$10,000 are capitalised and then amortised on a straight-line basis over the expected period of benefit (3-20 years).

Useful lives are reviewed annually to ensure these reflect the probability of continuing future benefits. Intangible assets are also assessed for impairment (refer note 23).

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is based on the cost of an asset less its residual value.

(h) Impairment of non-current assets

Each non-current physical and intangible asset, including work in progress is assessed for indicators of impairment annually. If an indicator of possible impairment exists, Queensland Urban Utilities determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Refer note 24.

An impairment loss is recognised immediately through profit or loss in the Statement of Comprehensive Income, 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 surplus to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

Notes to and forming part of the Financial Statements 2010-2011

3. Significant accounting policies (contd)

(i) Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Queensland Urban Utilities is a statutory body under the *Statutory Bodies Financial Arrangements Act 1982* and cannot enter into a finance lease without the approval of the Queensland Treasurer. As at 30 June 2011, Queensland Urban Utilities had not entered into any finance leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

(j) Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents.

(k) Payables

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

(l) Financial instruments

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

Queensland Urban Utilities is not party to any derivative financial instruments and does not enter into transactions for speculative purposes, nor for hedging.

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.

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.

(m) Loan liabilities

(i) Queensland Treasury Corporation (QTC)

(a) General purpose borrowings – Queensland Urban Utilities borrows from QTC to fund a range of non-specific capital projects undertaken.

Repayments are made monthly in accordance with the underlying borrowing rate and after adjustment for new borrowings and earlier repayments.

Apportionment of the payment between finance costs and debt redemption will vary according to interest rates. At year end, the outstanding QTC loan balance is disclosed at book value.

(b) Specific borrowings – Queensland Urban Utilities borrows from QTC to fund a range of specific, targeted projects undertaken.

Repayments are made in accordance with the arrangements set up for the specific loans, including frequency of loan repayments and new borrowings.

(c) Queensland Urban Utilities has access to a working capital facility with QTC – refer note 18(c).

(ii) Participants' loans

The Participating Councils provided loans to Queensland Urban Utilities under a separate loan agreement ("Participating Local Government Fixed Rate Loan Agreement (Senior Debt)"). This loan is subject to a fixed interest rate of 6.7834% with monthly interest-only payments for 3 years from 1 July 2010. Following this initial period, the terms will be renegotiated.

Notes to and forming part of the Financial Statements 2010-2011

3. Significant accounting policies (contd)

(n) Employee benefits

Employee benefits relate to amounts expected to be paid to employees for annual leave, leave in lieu of statutory holidays worked and overtime, long service leave, sick leave, workers' compensation and superannuation.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages and salaries

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates.

Annual leave

Accrued annual leave is recognised in current liabilities (employee benefits) and represents the amount that Queensland Urban Utilities has a present obligation to pay resulting from employees' services provided up to balance date. The accrual has been calculated at nominal amounts based on remuneration rates that would be required to be paid if the liability was settled at balance date and includes related on-costs.

Leave in lieu

Accrued leave in lieu is recognised in current liabilities (employee benefits) and represents the amount which Queensland Urban Utilities has a present obligation to pay resulting from employees' services provided up to balance date. The accrual has been calculated at nominal amounts based on remuneration rates that would be required to be paid if the liability was settled at balance date and includes related on-costs.

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made by Queensland Urban Utilities resulting from employees' services provided up to balance date.

The provision comprises amounts that Queensland Urban Utilities has a present obligation to pay resulting from

employees' services provided up to balance date and an actuarial estimate of future obligations, taking into account future increases in wage and salary rates, periods of service and experience of employee departures. Related on-costs have also been included. These are reported as current liabilities (employee benefits).

Amounts that Queensland Urban Utilities does not have a present obligation to pay at balance date are discounted using the rates attaching to national government securities at balance date that most closely match the terms of maturity of the related liabilities. This amount is reported as a non current liability.

Sick leave

The provision for sick leave represents staff entitlements under arrangements that existed prior to 30 June 1996. The reported balances reflect Queensland Urban Utilities' present obligation to employees resulting from employees' services provided up to 30 June 1996 at which point sick leave ceased to vest (ie employees from this date were no longer entitled to cash equivalents payments for unused sick leave). Accordingly, the vested sick leave entitlement is effectively 'frozen' with remaining balances predominantly paid on termination of those entitled employees who were in service prior to 30 June 1996.

The provision has been calculated at nominal amounts based on remuneration rates as at 1 July 1996 and includes related on-costs and CPI adjustments.

All other sick leave is non-vesting, and an expense is recognised as leave is taken.

Superannuation

Local Government Superannuation Scheme (LG Super)

Queensland Urban Utilities contributes to LG super for employees under both defined benefit scheme and accumulation superannuation scheme. Queensland Urban Utilities 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 of employees and is not an asset or liability of Queensland Urban Utilities. Accordingly, there is no recognition in the financial statements of any over-or-under funding of LG Super. Refer to note 35.

Notes to and forming part of the Financial Statements 2010-2011

3. Significant accounting policies (contd)

(n) Employee benefits (contd)

Brisbane City Council Superannuation Plan (City Super)
Queensland Urban Utilities 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 21 November 2008, City Super is declared as "technically insolvent" as described in the *Superannuation Industry (Supervision) Regulations 1994 (SIS Regulations)*. Refer to Note 35.

Queensland Urban Utilities has been advised that the LG Super and City Super funds will merge from 1 July 2011. There is no change anticipated in the defined benefits arrangements at the time and Queensland Urban Utilities will continue to make payments as advised.

Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with the section 5 Addendum (issued in May 2011) to the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury. Refer to note 37 for the disclosures on key executive management personnel and remuneration.

Board Remuneration

The Participation Agreement discloses the remuneration and benefits of Board Members and the Chairperson. Remuneration includes reasonable travelling, accommodation and other expenses that a Board Member properly incurs in attending Board Meetings or otherwise in connection with the business of Queensland Urban Utilities. To the extent permitted by law, Queensland Urban Utilities must indemnify each Board Member against a liability of that person and the legal costs of that person. Queensland Urban Utilities has an appropriate insurance coverage for Directors and Officers liability.

Details of payments to each Board Member is included at note 38.

(o) Provisions

Provisions are recorded when Queensland Urban Utilities has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate. The amounts recognised as provisions in relation to the dismantling and removal of assets and the restoration of land on which the assets have been located, have been included in the cost of the assets.

(p) Trust funds

Funds held in the trust account include deposits lodged to guarantee performance and unclaimed amounts. Queensland Urban Utilities performs only a custodian role in respect of these funds and because they cannot be used for Queensland Urban Utilities purposes they are not considered revenue nor brought to account in the financial statements. They are disclosed in note 36 for information purposes only.

(q) Finance and borrowing costs

Finance and borrowing costs comprise:

- Bank charges
- Interest expense on bank overdrafts, short-term and long-term borrowings;
- Unwinding of the discount on provisions;
- Amortisation of discounts or premiums related to borrowings; and
- Ancillary administration charges.

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

Finance and borrowing costs directly attributable to a specific capital project that necessarily takes a substantial period of time to prepare for its intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Notes to and forming part of the Financial Statements 2010-2011

3. Significant accounting policies (contd)

(r) Taxation

Income tax

Queensland Urban Utilities is exempt from Commonwealth Government income taxation but is subject to the Local Government Tax Equivalents Regime (LGTER). Under the LGTER, Queensland Urban Utilities pays an income tax equivalent to its participating Councils in accordance with the requirements of its Participation Agreement.

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, 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 in respect of 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 temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

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 Australian Taxation Office (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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

Other taxes

Queensland Urban Utilities pays payroll tax to the Queensland Government Office of State Revenue on its activities.

Fringe benefits tax is paid to the Australian Taxation Office in accordance with the relevant legislation.

(s) Contributed equity

In return for the net assets transferred to the Queensland Urban Utilities, each Council participates based on its share of the RAB, comprising debt and participation rights as agreed by the five Councils and the Authority in the ratio of 40 to 60. The value of participation rights (60% of the RAB) has been brought to account as contributed equity in accordance with advice given by Queensland Treasury.

(t) Participation returns

Participation returns are paid to the participating Councils in accordance with the Participation Agreement. Payment is from post-tax operating profits (after adjustment for donated assets).

An estimate of the total amount of Participation Returns is calculated according to the Participation Return Policy and provided to the participating Councils no later than 30 May annually.

Between 1 and 15 November annually, Queensland Urban Utilities will provide to the participating Councils an estimate of the net profit for the first six months and advise the total amount of the Interim Participation Return.

The Final Participation Return for the year ended 30 June 2011 was declared on 30 May, 2011, refer note 30.

Notes to the Financial Statements

For the year ended 30 June 2011

4. Financial Risk Management

Overview

Queensland Urban Utilities 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 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 Queensland Urban Utilities. Queensland Urban Utilities measures risk exposure using a variety of methods as follows (refer note 31):

RISK EXPOSURE	MEASUREMENT METHOD
Credit risk	Ageing analysis
Liquidity risk	Maturity analysis
Interest rate risk	Sensitivity analysis

Credit risk

Credit risk exposure refers to the situation where Queensland Urban Utilities may incur a financial loss as a result of another party to a financial instrument failing to discharge their obligations. Queensland Urban Utilities has minimum exposure to credit risk due to the large number of small value receivables.

Queensland Urban Utilities 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 held with QTC 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. Investments are made in accordance with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

Liquidity risk

Liquidity risk refers to the situation where Queensland Urban Utilities may encounter difficulty in meeting obligations associated with financial liabilities. Queensland Urban Utilities 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. Queensland Urban Utilities 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.

Interest rate risk

Queensland Urban Utilities is exposed to interest rate risk through its borrowings from QTC and cash deposited in interest bearing accounts. Queensland Urban Utilities manages its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract with QTC. The risk in borrowing is effectively managed through QTC's capacity to issue securities with variable terms allowing an appropriate duration for debt of Queensland Urban Utilities.

Notes to the Financial Statements

For the year ended 30 June 2011

Notes	2011 \$'000	2010 \$'000
5. Utility charges		
Wastewater charges	338,409	-
Water base charges	100,579	-
Water consumption	249,234	-
	688,222	-
6. Contributions, grants and subsidies		
Developer contributions - cash	87,034	-
Developer contributions - donated assets	55,498	-
Grants and subsidies	163	-
	142,695	-
7. Insurance		
Insurance recovery	10,182	-
	10,182	-
<p>A progress claim for insurance for \$10.15m related to the weather events occurring in January 2011 has been made; these funds have been accrued as it has been assessed by management that it is probable that future economic benefits associated with this item will flow to Queensland Urban Utilities and the value can be reliably measured. Further insurance recoveries are being pursued (refer notes 34 and 39).</p>		
8. Interest received		
Interest on arrears	321	-
Interest on investments	2,548	-
	2,869	-
9. Fees and charges		
Property connection fees	11,903	-
Professional fees	1,857	-
Recycled water	8,256	-
Other fees	3,977	-
	25,993	-
10. Other revenue		
Recovery for damage to services	801	-
Other revenue	3,521	152
	4,322	152

Notes to the Financial Statements

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
II. Employee expenses			
Salaries and wages		75,318	-
Annual leave expenses		7,667	-
Long service leave expenses		(1,276)	-
Employer superannuation contribution		11,852	-
Workers' compensation premium		760	-
Payroll tax		4,715	-
Other employee related expenses		8,191	-
		107,227	-
Less: capitalised costs	3(f)	(27,018)	-
		80,209	-
The number of employees including full time and part time employees measured on a full time equivalent basis are:			
		1,077 FTE	Nil
12. Bulk water purchases			
Bulk water purchases		183,066	-
Bulk water is purchased from the SEQ Water Grid Manager. The price for bulk water is currently set by the Queensland Government through the Queensland Water Commission.			
13. Materials and services			
Labour hire expenses		9,775	-
Advertising		827	1,236
Chemicals		3,212	-
Consultancies		8,269	1,057
Contracts		5,848	34,800
Directors fees	38	439	-
Electricity		11,802	-
Information communications and technology		1,047	1,241
Legal costs		341	114
Materials		12,498	-
Printing and stationery		2,841	-
Rent		4,935	413
Repairs and maintenance		876	1
Supplies and consumables		52,341	-
Traffic control		1,593	-
Transport and travel		285	-
Plant and equipment hire		11,208	-
Software purchases		487	-
Other expenses		4,040	89
		132,664	38,951

The 2009-2010 materials and services comparative amounts have been adjusted in accordance with ASB I01 para 41 - refer to note 40.

Notes to the Financial Statements

For the year ended 30 June 2011

Notes	2011 \$'000	2010 \$'000
14. Depreciation and amortisation		
Buildings	297	-
Plant and equipment	398	-
Fleet	2,646	-
Water supply network	41,122	-
Sewerage network	90,141	-
Intangibles	792	-
	135,396	-
15. Finance/ borrowing costs		
Bank charges	2,164	1
QTC finance costs	13,009	-
Interest on Participants' debt	101,015	-
	116,188	1
16. Loss on disposal of assets		
Cost of assets disposed (including flood)	30,126	-
	30,126	-
17. Other expenses		
Bad and doubtful debts	3,515	-
Insurance	1,849	-
Audit fees*	480	40
Rates and taxes	2	-
Remissions	1,528	-
Other	40	-
	7,414	40

* Total external audit fees relating to the 2010-2011 financial year are estimated to be \$270,000 (2010: \$40,000). There are no non-audit services included in this amount.

Notes to the Financial Statements

For the year ended 30 June 2011

Notes	2011 \$'000	2010 \$'000
18. Cash and cash equivalents		
(a) Cash and cash equivalents		
Cash on hand	7	2
Cash at bank	1,023	(3)
Short term deposits Commonwealth Bank	11,900	-
Short term deposits Queensland Treasury Corporation	64,502	-
Cash and cash equivalents in the cash flow statement	77,432	(1)
(b) Reconciliation of operating surplus to net cash from operating activities		
Cash flows from operating activities		
Profit for the year	130,934	(27,237)
Adjustments for:		
Depreciation and amortisation	135,396	-
Loss on sale of property, plant and equipment	30,126	-
Donated assets	(55,498)	-
Increase/decrease in assets and liabilities		
(Increase)/decrease in trade and other receivables	(8,678)	-
(Increase)/decrease in inventories	(1,194)	-
(Increase)/decrease in GST input tax credits receivable	(3,422)	-
(Increase)/decrease in accrued revenue	(147,580)	-
(Increase)/decrease in prepayment	(523)	-
(Increase)/decrease in deferred tax assets	(805)	-
Increase/(decrease) in trade and other payables	31,179	38,851
Increase/(decrease) in provisions and employee benefits	3,334	-
Increase/(decrease) in unearned revenue	5,693	-
Increase/(decrease) in interest payable	9,098	-
Increase/(decrease) in deferred tax liabilities	20,939	-
Increase/(decrease) in GST payable	86	-
Net cash from operating activities	149,085	11,614
(c) Funding facilities		
Working capital facility QTC	100,000	50,000
Client specific pool QTC borrowing limit for 30 June 2011	346,100	0
Overdraft facility - Commonwealth Bank	5,000	5,000
Total facility	451,100	55,000
Amount of facility undrawn	163,006	55,000

Notes to the Financial Statements

For the year ended 30 June 2011

Notes	2011 \$'000	2010 \$'000
19. Trade and other receivables		
Current		
Utility debtors	23,783	-
Other debtors	2,583	-
Less: Provision for impairment	(4,580)	-
	21,786	-
GST receivable	3,422	-
GST payable	(86)	-
	3,336	-
Total	25,122	-
20. Inventories		
Inventories held for use	2,650	-
	2,650	-
21. Other current assets		
Deposit paid	-	-
Prepayments	523	-
Accrued revenue	1,240	-
Accrued water consumption	70,886	-
Accrued base charges	6,763	-
Accrued insurance recovery	10,155	-
Accrued interest	340	-
Accrued developer contributions	58,197	-
Other	24	-
	148,128	-

Notes to the Financial Statements

For the year ended 30 June 2011

22. Property, plant and equipment

2011	Land	Buildings	Plant and equipment	Fleet	Water Supply Network	Sewerage Network	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2010	-	-	-	-	-	-	-
Acquisitions as per transfer notices	50,110	6,757	2,249	159	1,605,594	2,335,913	4,000,782
Additional assets acquired from participants	-	-	-	15,545	-	-	15,545
Additions at cost	-	-	-	-	37,271	68,354	105,625
Disposals	-	-	(5)	(253)	(5,331)	(24,565)	(30,154)
Depreciation for the year	-	(297)	(398)	(2,647)	(41,122)	(90,141)	(134,605)
Balance at 30 June 2011	50,110	6,460	1,846	12,804	1,596,412	2,289,561	3,957,192
Cost	50,110	6,757	2,243	15,298	1,637,470	2,379,674	4,091,552
Less accumulated depreciation	-	297	397	2,494	41,058	90,113	134,358
Carrying amount at cost at 30 June 2011	50,110	6,460	1,846	12,804	1,596,412	2,289,561	3,957,194

There are no comparative figures for property, plant and equipment as the assets of the participating Councils transferred on 1 July 2010.

Work in progress (at cost) at 30 June 2011 (\$12,095 at 30 June 2010)

378,289

Total property, plant and equipment

4,335,483

A fair valuation of property, plant and equipment was undertaken as at 30 June 2011 using a discounted cash flow methodology which determined the fair value of these assets to be \$4.563B. As the impairment testing of the assets indicated an impairment value of \$4.387B (refer note 24), the Board considered that the carrying value (RAB) was not materially different to the impairment value, hence, elected to retain the assets at the RAB valuation.

Additions acquired during the financial year are valued at cost.

23. Intangible assets

2011	Software purchased	Software work in progress	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2010	-	-	-
Acquisitions as per transfer notices	2,747	-	2,747
Amortisation for the year	(792)	-	(792)
Carrying amount at 30 June 2011	1,955	-	1,955

Notes to the Financial Statements

For the year ended 30 June 2011

24. Impairment testing for cash generating units

(a) Valuation and assumptions

The carrying amount of assets, including intangibles (refer Notes 22 and 23) allocated to the cash-generating unit (CGU) are set out below:

	Carrying amount of assets \$'000	Recoverable amount \$'000	Surplus \$'000
Cash-generating unit - Queensland Urban Utilities	4,337,438	4,387,667	50,229

The Board has adopted the following methodology, key assumptions and approach to determine the recoverable amount for the purpose of impairment testing:

- Queensland Urban Utilities treats its business activities as a single cash-generating unit for the purposes of impairment testing.
- Assumed capital structure is 50% debt and 50% equity.
- Pretax nominal cash flows are estimated for at least ten years.
- Cash flow projections are based on the Board approved 2011/2012 budget projected for 10 years, taking into account the 2 year price cap.
- The inclusion of the two year price cap for residential and small customers is as required by the Queensland Government legislation, the *Fairer Water Prices for SEQ Amendment Bill 2011*.
- Cash flow projections are discounted on a mid point basis.
- The Gordon growth model is used for cash flows from year 11 to "in perpetuity".
- The cash flows are effectively EBITDA less renewals capital expenditure allowing for cash flow timing differences.
- Cash flows are estimated using the building block approach consistent with the Queensland Competition Interim Price Monitoring Framework, with a conservative price path for water and sewerage charges for all customers assumed for 10 years within this approach.
- Change in working capital is considered to be a cash flow requirement but this is estimated as zero.
- A rate from the Reserve Bank of Australia target inflation rate is used as a long term growth rate.
- The discount rate reflects the risk of the cash flows and has been calculated using the WACC and Capital Asset Pricing Model (CAPM) framework.
- For impairment purposes the pre-tax nominal discount rate is 9.07%.

(b) Price path post 1 July 2013

As outlined above, for impairment modelling cash flows are estimated using the building block approach consistent with the Queensland Competition Interim Price Monitoring Framework, with a conservative price path assumed for 10 years within this approach.

In June 2011, the *Fairer Water Prices for SEQ Amendment Bill 2011* was passed by the Queensland Government. This legislation requires the Participating Councils to develop and publish final price paths for water and sewerage charges for residential and small customers by 30 March 2013 for the period 1 July 2013 to 30 June 2019. These price paths will be developed in a collaborative manner between Participating Councils and in consultation with Queensland Urban Utilities.

As a result of this process the cash flows from the price paths to be developed may differ from the cash flows based on the price path currently included in the impairment model. The price paths have not yet reached a stage of development that allows an assessment of the difference, if any, between the price paths as included in the impairment model and the price paths that are to be developed by the Participating Councils.

Accordingly, as at the date of this report the impact, if any, that a difference in price paths may have on the valuation of assets or the assessment of impairment can not yet be determined.

Notes to the Financial Statements

For the year ended 30 June 2011

25. Income tax expense/ (benefit)

Queensland Urban Utilities is exempt from Commonwealth Government income taxation but is subject to the Local Government Tax Equivalents Regime. QUU is only subject to the Commonwealth taxes being Fringe Benefits Tax (FBT) and Goods and Services Tax (GST).

Notes	2011 \$'000	2010 \$'000
(a) Income tax expense/ (benefit)		
Current tax	38,153	-
Deferred tax	20,133	(11,603)
	58,286	(11,603)
(b) Numerical reconciliation of income tax expense to prima-facie tax payable		
Surplus/ (Deficit) from operating activities before income tax expense/ (benefit)	190,311	(38,676)
Tax at the the Australian tax rate of 30%	57,095	(11,603)
Non-deductible expenditure	4	-
Permanent difference – depreciation on acquired assets	1,187	-
Income tax expense/ (benefit)	58,286	(11,603)
(c) Deferred tax equivalent asset		
Opening balance	11,603	-
Unused tax losses	(2,228)	2,228
(charge)/ credit to income tax statement	3,033	9,375
	12,408	11,603
(d) Deferred tax equivalent asset comprises of:		
Provisions	1,903	-
Accrued expenses	93	12
Plant and equipment	3,141	287
Expenses capitalised for tax	6,807	9,076
Unused tax losses	-	2,228
Other	464	-
Net tax assets	12,408	11,603
(e) Deferred tax equivalents liability		
Opening balance	-	-
(charge)/ credit to income tax	(20,939)	-
	(20,939)	-
Deferred tax liability comprises of:		
Accrued income	(3,046)	-
Contributed assets	(16,636)	-
Other	(1,257)	-
Net tax liability	(20,939)	-

Notes to the Financial Statements

For the year ended 30 June 2011

Notes	2011 \$'000	2010 \$'000
26. Interest bearing liabilities		
Non-current		
QTC client specific pool loans	288,179	-
Participant loans	1,486,806	-
Total	1,774,985	-

No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollar denominated amounts and an amount of \$539,992 has been capitalised during the current year (2010: nil). There have been no defaults or breaches of the loan agreement during the year.

It is Queensland Urban Utilities intention to hold its borrowings for their full term. No fair value adjustment is made to the carrying amount of the borrowings.

The Weighted Average Borrowing Rate for QTC borrowings as at 30 June 2011 is 6.24%. Interest payments are made monthly in arrears at rates ranging from 6.2054% to 6.7834%.

The fair value of borrowings at 30 June 2011 was determined by QTC to be \$1,789,902,731 (2010: Nil). The fair value is calculated using discounted cash flow analysis and the effective interest rate.

	Carrying Amount \$'000
Balances of outstanding loans were as follows:	
Participant loans	1,486,806
QTC - client specific pool	288,179
	<u>1,774,985</u>
QTC client specific pool loans	
QTC loans transferred from Brisbane City Council	180,992
QTC loans transferred from Scenic Rim Regional Council	2,100
	<u>183,092</u>
Add: Drawdown of debt	105,087
	<u>288,179</u>
Participant loans	
Brisbane City Council	1,241,282
Ipswich City Council	202,309
Lockyer Valley Regional Council	14,735
Scenic Rim Regional Council	14,676
Somerset Regional Council	13,804
	<u>1,486,806</u>

Participant loans are subject to a fixed interest rate of 6.7834% with monthly interest-only payments for 3 years. Following this initial period, the terms will be renegotiated.

Notes to the Financial Statements

For the year ended 30 June 2011

Notes	2011 \$'000	2010 \$'000
27. Employee benefits		
Current		
Salaries and wages accrued	2,461	-
Annual leave	11,879	-
Long service leave	14,637	-
Time in lieu	895	-
Vested sick leave	586	-
Total	30,458	-
Non-current		
Long service leave	1,900	-
Total	1,900	-
28. Trade and other payables		
Current		
Trade creditors	17,516	-
Infrastructure agreement liabilities	10,199	-
Other	5,432	38,851
Total	33,147	38,851
29. Other current liabilities		
Unearned revenue	9,072	-
Accrued expenses	6,302	-
Accrued interest	9,098	-
Accrued capital program costs	47,865	-
Accrued electricity	1,048	-
Accrued bulk water purchases	14,988	-
Other	18,143	-
	106,516	-
Current income tax payable	14,230	-
Total	120,746	-

Notes to the Financial Statements

For the year ended 30 June 2011

2011
\$'000

30. Participation rights

(a) Participation rights returns

In accordance with the Participation Agreement, the Board declared the final participation rights payment of \$42.6m on 30 May 2011. Payment will be made on 30 September 2011.

42,633

An interim participation right was declared on 11 November 2010 and paid on 31 January 2011.

21,488

Total participation rights paid/payable

64,121

Amounts per Participant:

Brisbane City Council

54,507

Ipswich City Council

7,837

Lockyer Valley Regional Council

579

Scenic Rim Regional Council

668

Somerset Regional Council

530

64,121

(b) Participation rights percentages

Section 5.2(c) of the Participation Agreement provides for the calculation of the participation rights of each Participant. Participation rights are determined based on each Participants' Regulatory Asset Base (RAB). The RAB is calculated in

accordance with the method set out in the Ministerial Direction titled "Queensland Competition Authority Act 1997 section 10 (e) Ministers' Direction Notice" as published in the Queensland Government Gazette No. 46 on 9 October 2009.

The RAB and participation rights percentage for each Participant is:

	RAB \$'000	Participation Rights %
Brisbane City Council	3,596,905	85.007%
Ipswich City Council	517,150	12.222%
Lockyer Valley Regional Council	38,199	0.903%
Scenic Rim Regional Council	44,100	1.042%
Somerset Regional Council	34,969	0.826%
	4,231,323	100.000%

Notes to the Financial Statements

For the year ended 30 June 2011

30. Participation rights (contd)

(c) Assets and liabilities transferred

On 1 July 2010 the participating Councils transferred the assets, liabilities, instruments and employees necessary for Queensland Urban Utilities to commence trading under a scheme made in accordance with the Act and gazetted on 29 June 2010.

2011
\$'000

Summary of the transferred assets and liabilities is:

Property, plant and equipment	4,003,528
Capital works in progress	227,794
Cash	9,006
Employee entitlements	(31,424)
QTC debt transferred to Queensland Urban Utilities	(183,092)
	<u>4,025,812</u>
Represented by:	
Contributed equity	2,538,793
Participant's debt	1,487,019
	<u>4,025,812</u>

Details of the transferred assets and liabilities by Council are:

Brisbane City Council

Property, plant and equipment	3,413,238
Capital works in progress	183,667
Cash	9,006
Employee entitlements	(25,494)
QTC debt transferred to QUU	(180,992)
	<u>3,399,425</u>

Represented by:

Contributed equity	2,158,143
Participant's debt	1,241,282
	<u>3,399,425</u>

Ipswich City Council

Property, plant and equipment	474,866
Capital works in progress	42,284
Employee entitlements	(4,338)
	<u>512,812</u>

Represented by:

Contributed equity	310,290
Participant's debt	202,522
	<u>512,812</u>

Lockyer Valley Regional Council

Property, plant and equipment	38,107
Capital works in progress	92
Employee entitlements	(545)
	<u>37,654</u>

Represented by:

Contributed equity	22,919
Participant's debt	14,735
	<u>37,654</u>

Scenic Rim Regional Council

Property, plant and equipment	42,768
Capital works in progress	1,331
Employee entitlements	(863)
QTC debt transferred to QUU	(2,100)
	<u>41,136</u>

Represented by:

Contributed equity	26,460
Participant's debt	14,676
	<u>41,136</u>

Somerset Regional Council

Property, plant and equipment	34,549
Capital works in progress	419
Employee entitlements	(183)
	<u>34,785</u>

Represented by:

Contributed equity	20,981
Participant's debt	13,804
	<u>34,785</u>

Notes to the Financial Statements

For the year ended 30 June 2011

31. Financial instruments

(a) Categorisation of financial instruments

Queensland Urban Utilities has the following categories of financial assets and financial liabilities

Category	Note	2011 \$'000	2010 \$'000
Financial assets			
Cash and cash equivalents	18	77,432	(1)
Trade and other receivables	19	25,122	-
Total		102,554	(1)
Financial liabilities			
Trade and other payables	28	33,147	38,851
Interest bearing liabilities	26	1,774,985	-
Total		1,808,132	38,851

(b) Credit risk exposure

Credit risk exposure refers to the situation where the Entity may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

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 maximum exposure to credit risk based on contractual amounts net of any allowances:

Category	Note	2011 \$'000	2010 \$'000
Maximum exposure to credit risk			
Cash and cash equivalents	18	77,432	(1)
Trade and other receivables	19	25,122	-
Total		102,554	(1)

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

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

The recognised impairment provision for receivables is \$4,579,709 for the current year (2010: nil).

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.

Ageing of past due receivables and the amount of impairment is disclosed in the following table:

Notes to the Financial Statements

For the year ended 30 June 2011

31. Financial instruments (contd)

(b) Credit risk exposure (contd)

	2011		2010	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Receivables				
Not past due	14,550	-	-	-
Past due 31-60 days	5,134	-	-	-
Past due 61-90 days	109	-	-	-
More than 90 days	6,249	4,580	-	-
	26,042	4,580	-	-

(c) Liquidity risk

Queensland Urban Utilities is exposed to liquidity risk in respect of its trade and other payables and interest bearing liabilities. The following table sets out the liquidity risk of the 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 reporting date.

2011 Payable in	< 1 year \$'000	1-5 Years \$'000	> 5 years \$'000	Total \$'000
Financial liabilities				
Participant loans	-	1,486,806	-	1,486,806
QTC client specific pool	-	-	288,179	288,179
Trade and other payables	33,147	-	-	33,147
	33,147	1,486,806	288,179	1,808,132
2010 Payable in				
Financial liabilities				
Trade and other payables	38,851	-	-	38,851
	38,851	-	-	38,851

(d) Interest rate sensitivity analysis

Queensland Urban Utilities is exposed to interest rate risk through borrowings and cash deposited in interest bearing accounts.

Sensitivity analysis

The following sensitivity analysis depicts the outcome on net income if interest rates would change by +/- 1% from the year-end rate rates applicable to QUU'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.

	Net carrying amounts	-1%		+1%	
		Profit	Equity	Profit	Equity
2011	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	77,432	(774)	(774)	774	774
QTC client specific pool	288,179	2,882	2,882	(2,882)	(2,882)
Overall effect on profit and equity		2,108	2,108	(2,108)	(2,108)
2010	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	(1)	0	0	(0)	(0)
Overall effect on profit and equity		0	0	(0)	(0)

Notes to the Financial Statements

For the year ended 30 June 2011

31. Financial instruments (contd)

(e) Fair value

Queensland Urban Utilities does not recognise any financial assets or financial liabilities at fair value.

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings is notified by QTC. It is calculated using discounted cash flow analyses and the effective interest rate and is disclosed below:

2011	Notes	Carrying amount \$'000	Fair value \$'000
Financial liabilities			
Financial liabilities at amortised cost:			
Participant loans	26	1,486,806	1,499,828
QTC client specific pool	26	288,179	290,075
		<u>1,774,985</u>	<u>1,789,903</u>

The comparative value for 2010 is Nil.

	2011 \$'000	2010 \$'000
32. Operating leases		
(i) Leases as lessee		
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	4,399	-
Between one and five years	6,071	-
	<u>10,470</u>	<u>-</u>
(ii) Leases as lessor		
Non-cancellable operating leases rentals are receivable as follows:		
Less than one year	123	-
Between one and five years	401	-
More than five years	573	-
	<u>1,097</u>	<u>-</u>
33. Capital and other commitments		
Contracted but not yet provided for and payable:		
Within one year	162,457	692
One year and no later than five years	69,576	-
More than five years	0	-
	<u>232,033</u>	<u>692</u>

Notes to the Financial Statements

For the year ended 30 June 2011

34. Contingencies

	2011 \$'000	2010 \$'000
Contingent liabilities		
A small number of claims are pending for contract variations, the maximum exposure of which is:	2,416	-
There are five appeals in the Planning and Environment Court, it is not possible to make an estimate of the final amount payable at reporting date.		
It is the intention of management to pursue further insurance recoveries. No amounts for contingent assets have been provided in the financial statements.		
Contingent assets		
Reimbursement of costs associated with an incomplete contract is pending, the maximum exposure is:	2,500	-

35. Superannuation

Refer to note II for details of amount of superannuation contribution paid by Queensland Urban Utilities to the superannuation funds in respect of this year for the benefit of the employees.

Local government superannuation scheme - LG Super

Queensland Urban Utilities contributes to the Local Government Superannuation Scheme (Qld) (the scheme).

The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB II 9 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme 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 II 9. Queensland Urban Utilities has no liability to or interest in the ABF other than the payment of the statutory contributions as required.

The DBF is a defined benefit plan as defined in AASB II 9. Queensland Urban Utilities is not able to account for the DBF as a defined benefit plan in accordance with AASB II 9 because the scheme is unable to account to Queensland Urban Utilities for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the DBF, and is not an asset or liability of Queensland Urban Utilities. 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 the scheme as at 30 June 2010 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

Notes to the Financial Statements

For the year ended 30 June 2011

35. Superannuation (contd)

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2009. The actuary indicated that "the DBF is in a very modest financial position with regard to the net asset coverage of vested liabilities. Investment returns will be volatile under the required investment strategy, particularly over short periods. The DBF therefore needs sufficient reserves to be able to withstand a reasonable range of such influences. Because the DBF is now running down and cash flows are negatives, the VBI (vested benefits index) should not be allowed whenever possible to retreat below 100%. Once below 100%, benefits drawn reduce the available assets for remaining members and hence the net asset coverage of vested benefits declines further.

In order to withstand a one in ten 'low return' outcome, the DBF would need reserves of the order of 8% to 10% having regard to the investment strategy adopted. Given the current position of the DBF, such reserve can essentially only eventuate from either excess investment returns over salary increases or additional employer contributions.

Queensland Urban Utilities has been advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of DBF members.

Under the *Local Government Act 2009* the trustee of the scheme has the power to levy additional contributions on Employers which have employees in the DBF when the actuary advises such additional contributions are payable – normally when assets of the DBF are insufficient to meet members' benefits.

The next actuarial investigation will be made as at 1 July 2012.

Brisbane City Council Superannuation Plan - City Super

Queensland Urban Utilities employees are entitled to benefits from City Super's superannuation plan on retirement, disability or death. The City Super Plan comprises Part A (defined benefit) and Part B (defined contribution).

Members of Part A Defined Benefit Plan receive lump sum benefits on retirement, death, disablement and withdrawal. The Plan also includes a small number of pensioners. The Defined Benefit Plan is closed to new members. All new members receive accumulation only benefits.

Calculations and disclosures required by AASB 119 Employee Benefits for the Defined Benefit Plan have been provided by Mercer (Australia) Pty Ltd.

Actuarial gains and losses are recognised immediately in the Statement of Comprehensive Income in the year in which they occur.

Notes to the Financial Statements

For the year ended 30 June 2011

35. Superannuation (contd)	2011 \$'000	2010 \$'000
(a) Reconciliation of the present value of the defined benefit obligation		
Present value of defined benefits obligations at the beginning of the current year	12,198	-
Current service cost	333	-
Interest cost	565	-
Contributions by plan participants	144	-
Actuarial losses/(gains)	(14)	-
Benefits paid	(953)	-
Taxes and premiums paid	(236)	-
Present value of defined benefits obligations at the end of the current year	12,037	-
(b) Reconciliation of the fair value of the plan assets		
Fair value of plan assets at the beginning of the year	11,505	-
Expected return on plan assets	756	-
Actuarial gains / (losses)	455	-
Employer contributions	1,457	-
Contributions by plan participants	144	-
Benefits paid	(953)	-
Taxes and premiums paid	(236)	-
Fair value of plan assets at the end of the year	13,128	-
(c) Reconciliation of the assets and liabilities recognised in the Statement of Financial Position		
Defined benefit obligations (includes contributions tax provision)	12,037	-
Fair value of plan assets	(13,128)	-
Net superannuation asset	(1,091)	-
(d) Expense recognised in Statement of Comprehensive Income		
Service cost	333	-
Interest cost	565	-
Expected return on assets	(756)	-
Actuarial losses	(469)	-
Superannuation expense	(327)	-
(e) Plan Assets		
The percentage invested in each asset class at the reporting date:		
Australian equity	33%	
International equity	23%	
Fixed income	11%	
Property	16%	
Alternatives/other	12%	
Cash	5%	

Notes to the Financial Statements

For the year ended 30 June 2011

35. Superannuation (contd)

(f) Fair value of plan assets

The fair value of Plan assets includes no amounts relating to:

- any of the Company's own financial instruments
- any property occupied by, or other assets used by, the Company.

(g) Expected rate of return on plan assets

The expected rate of return on assets assumption is determined by weighting the expected long term return for each asset class by the target allocation of assets to

each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each class are net of investment tax and investment fees. An allowance for asset-based administration expenses has been deducted from the expected return. The expected return on assets assumption for pension assets has not been reduced for investment tax, as earnings on the assets supporting the pension liability are tax free.

(h) Actual return on plan assets

Actual return on plan assets	1,212
------------------------------	-------

(i) Principal actuarial assumptions at the reporting date

Discount rate	4.9% pa
Expected rate of return on plan assets	6.8% pa
Expected salary increase rate	4.0% pa

The expected rate of return on Plan assets includes a reduction to allow for the asset-based administrative expenses of the Plan.

(j) Historical information

Present value of defined benefit obligation	12,037
Fair value of Plan assets	13,128
(Surplus)/deficit in Plan	(1,091)
Experience adjustments (gains)/losses - Plan assets	(455)
Experience adjustments (gains)/losses - Plan liabilities	(298)
Other adjustments (gain)/loss - change in assumptions	284

(k) Expected contributions

Expected employer contributions for 2012 are \$1.059m

36. Funds held in trust

Queensland Urban Utilities performs only a custodial role in respect of external Trust Fund money. As such, the balances disclosed below have not been brought to account in the Financial Statements and are shown here for information purposes only:

	2011 \$'000	2010 \$'000
Standpipe bonds and security deposits	165	0
	165	0

Notes to the Financial Statements

For the year ended 30 June 2011

37. Key management personnel and remuneration

(a) Key management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Queensland Urban Utilities during 2010-II. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Dates position held
Chief Executive Officer	Strategic planning & corporate governance, legal (general counsel), internal audit	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010 (resigned 30 June 2011)
Chief Executive Officer (designate)	Strategic planning & corporate governance, legal (general counsel), internal audit	Board appointed Band A Contract	Appointed 28 March 2011
Chief Financial Officer	Tax and treasury, financial services, regulatory affairs, financial performance & reporting, financial planning, financial accounting	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010
Chief Operating Officer	Service delivery (West & East), planning, maintenance & renewal planning, major projects & commercial services, source control	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010
Chief Information Officer	Strategic planning and program delivery, operations	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010
General Manager Corporate Services	Business services, business solutions & information management, business resilience, records management, sourcing, procurement & legal, performance and Integrated Management Systems, administration	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010
General Manager Human Resources	HR & workforce planning, WH&S, learning and development, remuneration & HR administration, employment arrangements & HR practice, organisational development, Registered Training Organisation	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010
Executive Director Retail	Billing & revenue, demand & efficiency, customer service, marketing & communications, operation support	Board appointed Band A Contract	Transitioned under the Transfer Scheme 1 July 2010

Notes to the Financial Statements

For the year ended 30 June 2011

37. Key management personnel and remuneration (contd)

(b) Remuneration

Remuneration for key executive management personnel is determined by the Board. Remuneration and other terms of employment is specified in individual employment contracts. The contracts provide for the provision of performance-related cash bonuses.

For the 2010-11 year, remuneration of key executive management personnel increased by 6.5% to 10% based on a market review of similar roles.

Remuneration packages for key executive management personnel comprise the following components:

Short term employee benefits consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position.

Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.

Long term employee benefits include long service leave accrued.

Post employment benefits include superannuation contributions.

Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Performance bonuses may be paid or payable annually depending upon satisfaction of key criteria. Performance payments of the key executive management are capped at a range between 15% and 25% of total fixed remuneration. The amounts payable are tied to the achievement of pre-determined organisational and individual performance targets as agreed by the Board and the Chief Executive Officer.

Total fixed remuneration is calculated on a "total cost" basis as below.

Position	Base	Non-monetary benefits	Long term employee benefits	Post employment benefits	Total remuneration
	\$'000	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer (resigned 30 June 2011)	410	2	10	37	459
Chief Executive Officer (designate)	112	0	3	9	124
Chief Financial Officer	266	2	7	28	303
Chief Operating Officer	267	2	7	27	303
Chief Information Officer	197	4	5	18	224
General Manager Corporate Services	195	4	4	28	231
General Manager Human Resources	183	4	5	17	209
Executive Director Retail	225	4	6	22	257
Total remuneration	1,855	22	47	186	2,110

No prior period comparative information on key executive management personnel is provided as Queensland Urban Utilities commenced operations on 1 July 2010.

Notes to the Financial Statements

For the year ended 30 June 2011

37. Key management personnel and remuneration (contd)

(c) Performance payments

The basis for performance bonuses paid or payable in the 2010/2011 financial year is set out below:

Position	Date paid	Basis for payment
Chief Executive Officer (resigned 30 June 2011)	30-Aug-11	Individual performance plans based on achievement of targets for key result areas and tied to the Corporate Plan strategies.
Chief Financial Officer	30-Aug-11	
Chief Operating Officer	30-Aug-11	
Chief Information Officer	30-Aug-11	
General Manager Corporate Services	30-Aug-11	
General Manager Human Resources	30-Aug-11	
Executive Director Retail	30-Aug-11	

The aggregate performance bonuses paid to all key executive management personnel is \$256,960.

38. Related parties

Key management personnel compensation

(a) Board members

Board members' fees include fees paid for membership of the Board appointed Committees.

The Board Members who were paid, directly or indirectly were:

2011	Salary and fees \$'000	Superannuation contribution \$'000	Total \$'000
Jude Munro AO	90	8	98
Barry Ball	45	4	49
Dennis Cavagna	45	4	49
Diana Eilert	45	4	49
Paul Emmerson	45	4	49
Phil Kesby	45	4	49
Bernard Ponting	45	4	49
Len Scanlan	45	4	49
	405	36	441

The Board was appointed on 28 June 2010 and there are no comparative figures for 2010.

Notes to the Financial Statements

For the year ended 30 June 2011

38. Related parties (contd)

(b) Loans to key management personnel

None of the key management personnel have personal loans with the Entity outstanding at 30 June 2011.

(c) Other key management personnel transactions

Transactions with related parties of key management personnel that occurred during the financial year are noted below.

Louise Dudley, Chief Financial Officer, is a Director of the City Super Board. QUU contributed to the fund based on actuarial advice and the total payments for the year were \$1,092,500. All transactions are made on normal commercial terms.

(d) Board member transactions

There are no transactions with related parties of Board members for the financial year, other than on normal commercial terms.

(e) Transactions with Participating Councils

Queensland Urban Utilities entered into a number of transitional service agreements (TSA's) with its Participants.

The amount of expenditure included in the Statement of Comprehensive Income follows:

	\$'000
Brisbane City Council	21,668
Services provided include:	
information and communication technology, payroll, internal audit, accommodation, contact centre, information management systems, rates processing, sourcing and category management, logistics and warehousing, GIS, radio access	
Ipswich City Council	246
Services provided include:	
PABX, radio access, GIS, help desk and phones	
Capital commitments to be provided by Brisbane City Council	8,258
(included in note 33)	

39. Significant weather events

In January 2011 there were a number of significant weather events that affected the business operations across the Brisbane, Ipswich and Lockyer Valley regions. The following information is provided:

	2011 \$'000
Income from insurance	10,155
Other income	449
Assets written off due to damage beyond repair	(24,669)
Cost of replacement of assets	(18,632)
Cost of repair to assets	(5,542)
Cost of cleanup	(13,666)
Other costs	(2,326)
Cost to Queensland Urban Utilities (2010 - Nil)	(54,231)

Notes to the Financial Statements

For the year ended 30 June 2011

40. Prior period adjustments

(a) On 17 February 2011 the Honourable Stephen Robertson MP advised the final outcome of the claim by Queensland Urban Utilities for reimbursement of costs to establish Queensland Urban Utilities as the Distributor-Retailer for customers within the Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset Council areas.

The total approved amount for each Council and the repayment of the Interim Distribution Entity debt was:

	Approved \$'000	Estimate \$'000
Brisbane City Council	25,125	24,376
Ipswich City Council	1,484	1,463
Lockyer Valley Regional Council	102	30
Scenic Rim Regional Council	602	131
Somerset Regional Council	-	34
Interim Distribution Entity Debt	11,540	11,454
	38,853	37,488

The 2009/2010 financial statements included a reliable estimate that, at the time was not considered to be materially different to the anticipated outcome. An adjustment to the 2010 comparative figures for \$1.363m has been made based on the approved costs.

(b) Tax effect entries were not processed in the 2009/2010 financial statements and have been adjusted by restatement of comparatives to take this into account.

The following adjustments to the 2010 comparative figures have been made:


		as per 2010 financial statements \$'000	adjusted balance for 2010 \$'000
Total for materials and services (note 13) in the Statement of Comprehensive Income	(a)	37,588	38,951
Income tax expense	(b)	-	(11,603)
Deferred tax asset	(b)	-	11,603
Retained earnings/(loss)	(a) (b)	(37,477)	(27,237)

Certificate of Queensland Urban Utilities

For the year ended 30 June 2011

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62 (1)(b) of the Act we certify that in our opinion:

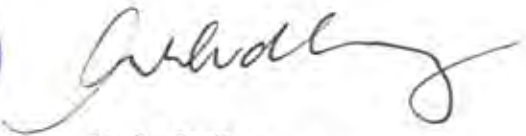
- (i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Central SEQ Distributor-Retailer Authority (trading as Queensland Urban Utilities) for the year ended 30 June 2011 and of the financial position at the end of that period.



Jude Munro AO
B.A. Hons, Grad Dip Public Policy
Grad Dip Business Administration
Chairperson
Queensland Urban Utilities Board



Ian Maynard
B.Sc. Hons
Chief Executive Officer
Queensland Urban Utilities



Louise Dudley
Chartered Accountant
BCom
Chief Financial Officer
Queensland Urban Utilities

Date: 31/8/2011

Date: 31/8/2011

Date: 31/8/2011

Independent Auditor's Report

To the Board of Central SEQ Distributor-Retailer Authority

Report on the Financial Report

I have audited the accompanying financial report of Central SEQ Distributor-Retailer Authority, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairperson, Chief Executive Officer and Chief Financial Officer.

The Board's Responsibility for the Financial Report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Independent Auditor's Report

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 relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Central SEQ Distributor-Retailer Authority for the financial year 1 July 2010 to 30 June 2011 and of the financial position as at the end of that year.

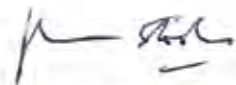
Emphasis of Matter – Significant Uncertainty Regarding Water Pricing post 30 June 2013

Without modifying my opinion, attention is drawn to the following matter. As disclosed in Note 24, the Central SEQ Distributor-Retailer Authority has determined the fair value of its land, buildings and infrastructure assets using an income approach based on discounted cash flows. The Authority has also performed an impairment assessment of its assets based on current pricing arrangements for water Distributor-Retailers in South East Queensland. As the price paths for retail water and sewerage charges post 30 June 2013 have not yet been determined, significant uncertainty exists regarding the assumptions used for valuation and impairment modelling and the resulting impact, if any, on the reported asset balances.

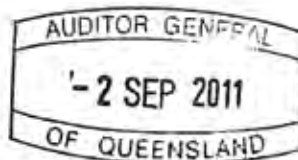
Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Central SEQ Distributor-Retailer Authority for the year ended 30 June 2011. Where the financial report is included on Central SEQ Distributor-Retailer Authority's website the Board is responsible for the integrity of Central SEQ Distributor-Retailer Authority's website and I have not been engaged to report on the integrity of Central SEQ Distributor-Retailer Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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



G G POOLE FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane





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