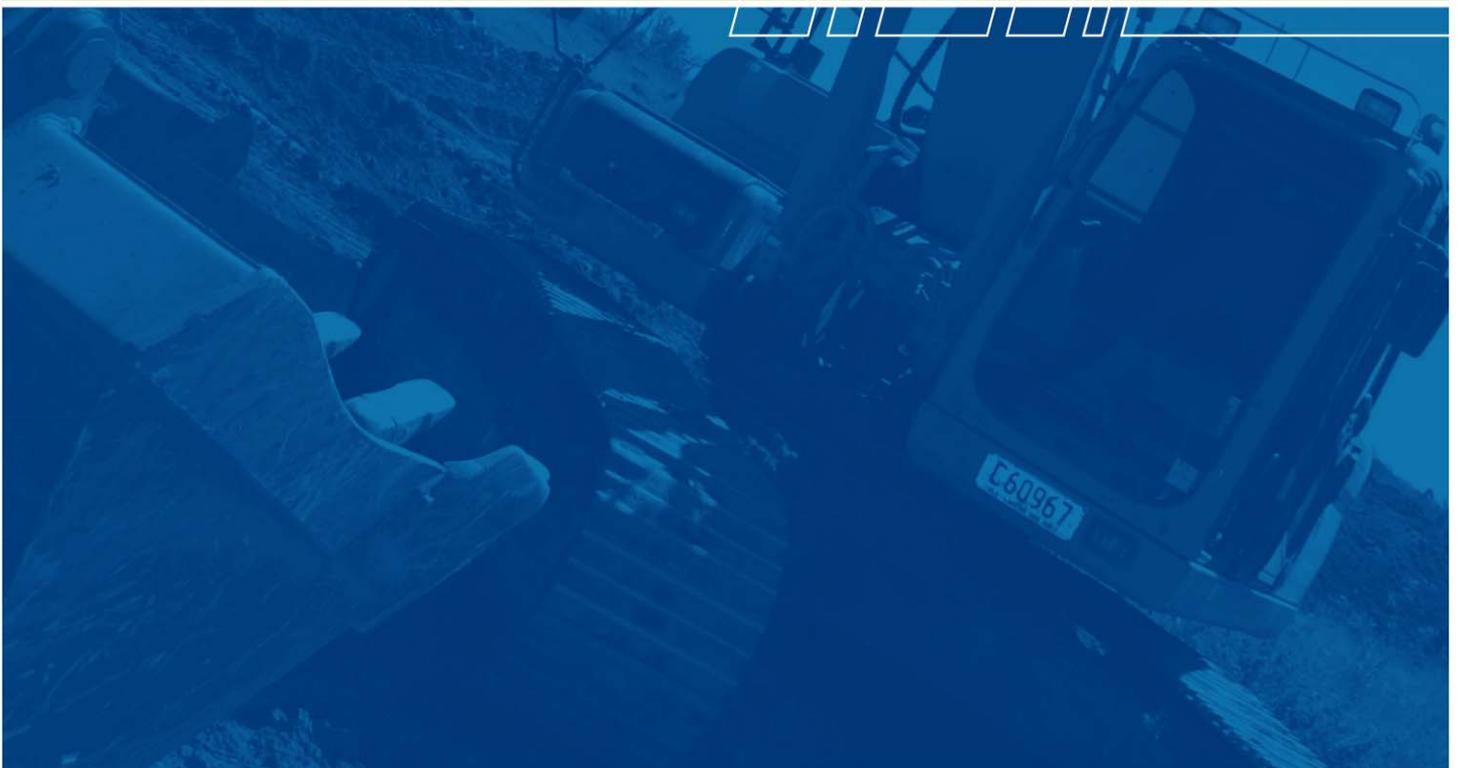




ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2009

ABN 18 119 634 427





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Directors' Report For the Year Ended 30 June 2009

Directors' Report

Your directors present their report on the company for the year ended 30 June 2009.

Board and Management

Directors

The following persons were appointed directors of Queensland Water Infrastructure Pty Ltd and continue in office at the date of this report:

<i>Names</i>	<i>Appointed</i>
Robert McCarthy (Chairman)	28 June 2006
Gerard Bradley	29 June 2006
Thomas Fenwick	29 June 2006
Richard Parris	29 June 2006
John Galton	29 June 2006

All directors are non-executive directors.

Robert McCarthy

Robert McCarthy has extensive experience in government and in the private sector. Robert has been the Director-General of a number of departments in the Queensland Government and at the forefront in planning for the economic development of industries. He played a key role in the development of the Smart State and continues his involvement in implementing the growth of biotechnology in Queensland. Currently Robert is an adjunct professor at the Australian Institute of Bio Engineering and Nanotechnology at the University of Queensland.

Gerard Bradley

Gerard Bradley is the Under Treasurer of Queensland. He was appointed to this position in August 1998 and has over 25 years experience in the Queensland and South Australian Treasury departments. Gerard holds a Bachelor of Commerce, a Diploma of Advanced Accounting, is a CPA and a Fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Australian Institute of Management.

Thomas David Fenwick

Thomas David Fenwick B.E. (HONS) F.I.E. Aust. is a Director of South East Queensland Water Corporation, the Queensland Bulk Water Supply Authority and a Member of the Dispute Resolution Board for the Gateway Motorway Upgrade. Thomas is a former Commissioner of Water Resources and Director-General of the former Queensland Department of Natural Resources. His other appointments have included being a Commissioner for Queensland on the Murray Darling Basin Commission.

Richard Parris

Richard Parris is a Quantity Surveyor who was formerly Queensland Regional Director for the Lend Lease Property Group. Richard is a Director of Devine Limited, an Honorary Ambassador for the City of Brisbane and former Director of several Queensland Government owned Corporations.

John Galton

John Galton is a civil engineer with extensive experience in transport planning, infrastructure design and delivery. John is a former Deputy Director General of Queensland Transport and Assistant Commissioner of the Department of Main Roads. He is currently involved at Board level in the TransApex tunnel and bridge projects and the Gateway Bridge Duplication-

Directors' Report For the Year Ended 30 June 2009

Management

Graeme Newton

Graeme Newton has held the appointment of Chief Executive Officer for Queensland Water Infrastructure Pty Ltd since its establishment in June 2006. With several senior roles in infrastructure delivery, Graeme has combined the necessary technical skills with an understanding of the government processes needed to deliver major infrastructure projects. Graeme was the General Manager and Company Secretary of Burnett Water Pty Ltd, delivering the Paradise Dam. He then lead the planning and approvals for power infrastructure at Stanwell Corporation. Graeme holds an Master in Business Administration, majoring in project management, and is a Member of the Institute of Company Directors.

Phil Chipman

Phil Chipman is the Chief Operations Officer with over 23 years engineering and project management experience. Phil was the Project Manager for the Ross River Dam Upgrade in Townsville, the Burnett Water Program Manager for the Paradise Dam and the Project Director for Kirra Weir. Phil holds a Masters of Management specialising in project management.

Frankie Carroll

Frankie Carroll is the Chief Financial Officer and Company Secretary for Queensland Water Infrastructure Pty Ltd. Frankie has over 17 years experience in financial management, including 10 years within the financial services industry. He has broad experience in the private sector and specialised knowledge in corporate governance. Frankie is a Fellow of the Association of Chartered Certified Accountants and an Associate of the Institute of Taxation of Ireland.

Directors Meetings

Director	Board Meetings Held*	Board Meetings Attended	F&AC Meetings Held**	F&AC Meetings Attended
Robert McCarthy	12	9	4	0
Gerard Bradley	12	12	4	4
Thomas Fenwick	12	12	4	3
Richard Parris	12	12	4	4
John Gralton	12	12	4	4

Principal Activities

The company was registered on 28 June 2006 to carry out and complete the design, construction, commissioning of several major water infrastructure projects. The company's current projects are the Traveston Crossing Dam and Wyaralong Dam. During the period the principal activities of the company were:

- completion of the environmental assessment for the Wyaralong Dam project;
- commencement of early works construction for the Wyaralong Dam Project and procurement of major contractors for two remaining packages packages of work;
- continued to progress the environmental assessment of the Traveston Crossing Dam; and
- handover of Cedar Grove Weir and Bromelton Offstream Storage assets to the Queensland Bulk Water Supply Authority.

Future projects may be entered into with the approval of the State Government.

Directors' Report For the Year Ended 30 June 2009

Dividends - Queensland Water Infrastructure Pty Ltd

No dividends were paid or provided for during the financial period.

Review of operations

The loss of the company for the year amounted to \$4,356,158 (2008 profit \$1,757,854).

Corporate Governance

Queensland Water Infrastructure Pty Ltd and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the high standard as required by the shareholder.

Significant changes in the state of affairs

No significant changes in Queensland Water Infrastructure Pty Ltd's state of affairs occurred during the financial year.

Matters subsequent to the end of the financial year

Other than the matters noted in Note 22 in the financial statements no other matters or circumstances have arisen since 30 June 2009 that will significantly affect, or may significantly affect:

- the company's operations in future financial years, or
- the results of those operations in future financial years, or
- the company's state of affairs in future financial years.

Likely developments and expected results of operations

The company continues to progress the feasibility and potential design and construction of major water infrastructure projects in South East Queensland. The capitalisation of costs for the projects assumes environmental approval for projects under assessment. Further information about likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company. However, the company is subject to the provisions of the *South East Queensland Water (Restructuring) Act 2007*.

Environmental regulation

The company is not subject to a specific environmental regulation under a law of the Commonwealth or of a State or Territory, but operates under the general environmental legislation of the State and Commonwealth.

Insurance of officers

The director and officer liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the company) incurred in their position as director or officer unless the conduct involves a wilful breach of duty or an improper use of information or position to gain advantage.

The terms of the policy of insurance prohibit the disclosure of the nature of the liabilities insured and the amount of the premium.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.



**Directors' Report
For the Year Ended 30 June 2009**

Options

No options over issued shares or interests in the company were granted during or since the year ended 30 June 2009 and there were no options outstanding at the date of this report.

Future Operations

The Queensland Government is not considering any change to the company's current responsibilities, namely the construction of dams and associated infrastructure.

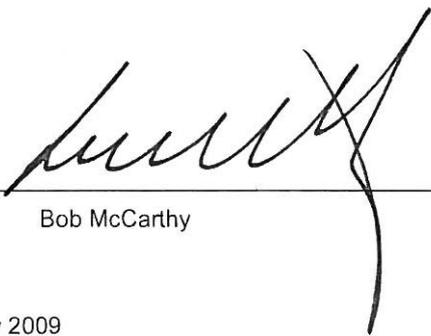
Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Auditor

Queensland Audit Office has been appointed auditor of the company for the financial year ended 30 June 2009 in accordance with sections 325 and 327 of the *Corporations Act 2001*.

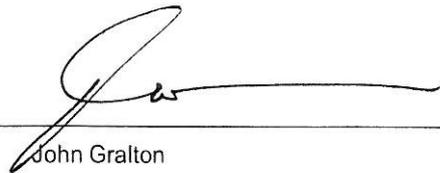
This report is made in accordance with a resolution of the directors.



Director Bob McCarthy

Brisbane

Dated: 30 July 2009



Director John Galton



**Auditors' Independence Declaration
For the Year Ended 30 June 2009**

Auditors' Independence Declaration

To the Directors of Queensland Water Infrastructure Pty Ltd

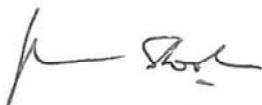
This audit independence declaration has been provided pursuant to section 307C of the *Corporations Act 2001*.

Independence Declaration

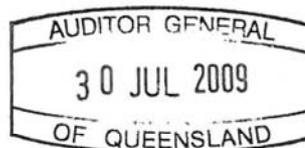
As a lead auditor for the audit of Queensland Water Infrastructure Pty Ltd for the period ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect to Queensland Water Infrastructure Pty Ltd.



G G POOLE FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane



Financial Statements
For the Year Ended 30 June 2009

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This Financial Statement covers Queensland Water Infrastructure Pty Ltd as an individual entity. The Financial Statement is presented in the Australian currency.

Queensland Water Infrastructure Pty Ltd is a proprietary company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Queensland Water Infrastructure Pty Ltd
Level 8, 119 Charlotte Street
Brisbane QLD 4000

A description of the nature of the company's operations and its principal activities is included in the Directors' Report on pages 3-6, which is not part of this Financial Statements.

The Financial Statements was authorised for issue by the directors on 30 July 2009. The company has the power to amend and reissue the Financial Report.



Income Statement
For the Year Ended 30 June 2009

	Notes	2009 \$	2008 \$
Revenue	3	7,088,014	1,757,854
		7,088,014	1,757,854
Operational expense		(4,728,972)	-
Interest expense		(6,715,200)	-
		(11,444,172)	-
Net results from operations		(4,356,158)	1,757,854

The above income statement should be read in conjunction with the accompanying notes

**Balance Sheet
As at 30 June 2009**

	Note	2009 \$	2008 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	6,031,851	7,406,110
Trade and other receivables	6	11,967,477	4,644,072
Non-current assets held for transfer	7	-	68,067,865
Total current assets		17,999,328	80,118,047
Non-current assets			
Property, plant and equipment	8	772,561,355	566,594,023
Total non-current assets		772,561,355	566,594,023
Total assets		790,560,683	646,712,070
LIABILITIES			
Current liabilities			
Trade and other payables	9	34,373,481	26,713,000
Interest bearing liabilities	10	-	68,067,865
Total current liabilities		34,373,481	94,780,865
Non-current liabilities			
Interest bearing liabilities	10	758,424,752	549,812,597
Total non-current liabilities		758,424,752	549,812,597
Total liabilities		792,798,233	644,593,462
Net assets		(2,237,550)	2,118,608
EQUITY			
Issued capital	11	1	1
Retained earnings		(2,237,551)	2,118,607
Total equity		(2,237,550)	2,118,608

The above balance sheet should be read in conjunction with the accompanying notes

**Statement of Changes in Equity
For the Year Ended 30 June 2009**

	Issued capital	Retained earnings	Total
	\$	\$	\$
Note			
Balance at 1 July 2007	1	360,753	360,754
Profit attributable to shareholder	-	1,757,854	1,757,854
Sub total	1	2,118,607	2,118,608
Contribution of equity, net of transaction costs	-	-	-
Balance at 30 June 2008	1	2,118,607	2,118,608

	Issued capital	Retained earnings	Total
	\$	\$	\$
Note			
Balance at 1 July 2008	1	2,118,607	2,118,608
Profit attributable to shareholder	-	(4,356,158)	(4,356,158)
Sub total	1	(2,237,551)	(2,237,550)
Contribution of equity, net of transaction costs	-	-	-
Balance at 30 June 2009	1	(2,237,551)	(2,237,550)

The above statement of changes in equity should be read in conjunction with the accompanying notes

**Cash Flow Statement
For the Year Ended 30 June 2009**

	2009	2008
Note	\$	\$
Cash flows from operating activities		
GST paid to suppliers	(9,741,079)	(18,287,837)
Receipts from GST claim	10,659,774	17,954,408
Receipts from operational activities	2,359,042	1,757,854
Interest Paid	(6,715,200)	-
Net cash provided by/(used in) operating activities	19 (3,437,463)	1,424,425
Cash flows from investing activities		
Payments for property, plant and equipment	(158,449,681)	(301,545,624)
Proceeds from sale of property, plant and equipment	70,359,488	1,791,400
Advance for working capital	(3,000,000)	(3,000,000)
Net cash provided by/(used in) investing activities	(91,090,193)	(302,754,224)
Cash flows from financing activities		
Proceeds from borrowings	170,000,000	286,000,000
Repayment of borrowings	(76,846,603)	-
Net cash provided by/(used in) financing activities	93,153,397	286,000,000
Net increase/(decrease) in cash and cash equivalents	(1,374,259)	(15,329,799)
Cash and cash equivalents at the beginning of the financial year	7,406,110	22,735,909
Cash and cash equivalents at end of financial year	5 6,031,851	7,406,110

The above cash flow statement should be read in conjunction with the accompanying notes

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

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Notes to the Financial Statements For the Year Ended 30 June 2009

1 Summary of Significant Accounting Policies

General Information

The financial report of Queensland Water Infrastructure Pty Ltd for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 July 2009.

The financial report is presented in the Australian currency.

Queensland Water Infrastructure Pty Ltd is a proprietary company limited by shares incorporated in Australia.

The address of the registered office and principal place of business is Level 8, 119 Charlotte Street, Brisbane, Queensland.

The company sole purpose is the design and construction of water infrastructure projects for Queensland.

The principal accounting policies adopted in the preparation of the Financial Report are set out below.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report has also been prepared on a historical cost basis, except where noted.

(b) Function and Presentation currency

The functional and presentation currency of Queensland Water Infrastructure Pty Ltd is Australian dollars (A\$).

(c) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Rental income on properties is accounted for on a straight-line basis over the lease term. Rentals are recognised as income in the periods when they are earned.

(d) Income Tax

The company is exempt from income tax as a State body under *Div. 1AB of Part III of the Income Tax Assessment Act 1936*. The company is not subject to the National Income Tax Equivalents Regime.

(e) Leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to construction work in progress as overheads incurred in connection with the company construction activities.

Properties under management are leased at a discounted rate, in line with the leaseback policy published on the company website. Stage one leaseback rates of three per cent of market value or \$1000 per annum, whichever is less, will apply until the land is required for dam construction or until December 2011. Stage two rates of twenty five per cent of market value will apply to the end of the rental period.

(f) Impairment of Assets

All non-current assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, Queensland Water Infrastructure Pty Ltd 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 asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and value in use.

An impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the asset to the extent available.

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

(g) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with 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.

(h) Property, Plant and Equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Buildings	\$10,000
Land	\$1
Construction Work in Progress	\$1

All property plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment.

Work in Progress

Work in progress is stated at the aggregate of costs incurred to date. The capitalisation of costs for the projects assumes environmental approval for projects under assessment. All costs incurred prior to the commencement of the actual construction of the dams and water storage facilities have been capitalised as construction work in progress due to the following reasons:

- The company is a special-purpose entity set-up to support the construction of the dams and water storage facilities;
- It has no other mandated activities; and
- The decision to establish the dams and their location has already been made by the Queensland Government.

(i) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value less provision for impairment. Trade receivables are generally due for settlement within 30 days.

(j) Intangibles

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements as assets, items with a lesser value being expensed and form part of work in progress.

(k) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the end of the financial year which are unpaid. These amounts are unsecured and have 14-60 day payment terms.

(l) Interest-Bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement (or capitalised as part of construction cost of qualifying assets) over the period of the loans and borrowings using the effective interest method. All borrowing costs are accounted for on an accrual basis.

(m) Borrowing Costs

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

Notes to the Financial Statements For the Year Ended 30 June 2009

(n) Employee Benefits

(i) Wages and Salaries, Annual Leave and Sick Leave

Wages, salaries and annual leave due but unpaid at 30 June 2009 are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement. 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. Employer superannuation contributions and long service leave levies are regarded as employee benefits.

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

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

(ii) Retirement Benefit Obligations

Employer superannuation contributions are paid to employee's nominated superannuation fund.

(iii) Key Management Personnel

The key management personnel disclosures in the Key Management Personnel (Note 13) in the financial statements include:

- the aggregate remuneration of all directors;
- and the aggregate remuneration of other key management personnel.

The remuneration disclosed is all remuneration received or receivable, directly or indirectly, from the company in connection with the management of the affairs of the company. For this purpose, remuneration includes:

- wages and salaries;
- accrued leave;
- superannuation;
- motor vehicle benefits;
- car parking benefits;
- allowances; and
- fringe benefits tax included in remuneration agreements.

(o) Going Concern

The financial report has been prepared on a going concern basis. This basis has been adopted as the company will receive ongoing funding through the Funding Deed which supports borrowings by the company from Queensland Treasury Corporation to fund construction. The company relies on the guarantee from the State of Queensland and the letter from the Treasurer dated 15 July 2009 (See Note 17).

Notes to the Financial Statements For the Year Ended 30 June 2009

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) New Accounting Standards and Interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the company in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the company's 30 June 2010 financial statements. The company has not yet determined the potential effect of the revised standard in the company's disclosures.

Revised AASB 123 Borrowing Costs applies to reporting periods beginning on or after 1 January 2009 and requires an entity to capitalise those borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (refer to paragraph 5 of AASB 123) as part of the cost of that asset. This requirement applies to all qualifying assets with a commencement date for capitalisation on or after 1 January 2009. All other borrowing costs are to be expensed. However, the Australian Accounting Standards Board subsequently issued amendment standard AASB 2009-1 Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]. AASB 2009-1 is effective for reporting periods beginning on or after 1 January 2009, and further amends AASB 123 by allowing not-for-profit public sector entities to expense borrowing costs, regardless of how the borrowings are applied. The change to this standard will have no effect on the financial statements as the company's current policy is to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which will become mandatory for 30 June 2010 financial statements, are not expected to have any material impact on the financial statements.

(r) Comparatives

Where necessary, comparatives have been adjusted to conform with changes in presentation and disclosure.

2 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The financial statements have been prepared on the basis that costs in relation to Traveston Crossing Dam are capitalised in accordance with the company's accounting policy relating to Property, Plant and Equipment (refer to note 1(h)). The amount of these costs to date total \$168, 821, 000. Management has made this judgement based on the assessment that the company will meet the conditions set out in the environment approval for the project and the following reasons:

- The company is a special-purpose entity set-up to support the construction of the dams and water storage facilities;
- It has no other mandated activities; and
- The decision to establish the dams and their location has already been made by the Queensland Government.

The company has not made any other material estimates and assumptions concerning the balances as at 30 June 2009 or transactions during the period ended on that date.

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

3 Revenue

	2009	2008
	\$	\$
<i>Other revenue</i>		
Rental income	2,359,042	1,757,854
Operations costs recharged	4,728,972	-
Total other revenue	7,088,014	1,757,854

4 Employee Benefits and Related Expenses Capitalised

	2009	2008
	\$	\$
Employee Benefits		
Wages and salaries	4,337,138	3,180,199
Employer superannuation contributions *	540,863	292,456
Other employee benefits	173,528	59,905
Total employee benefits	5,051,529	3,532,560
Employee Related Expenses		
Workers' compensation premium *	10,588	9,012
Payroll Tax *	233,753	182,167
Other employee related expenses	63,886	50,172
Total employee related expenses	308,227	241,351
Total employee benefits and employee related expenses	5,359,756	3,773,911

* Cost of workers' compensation insurance and payroll tax are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses. Employer superannuation contributions and the long service leave are regarded as employee benefits.

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

Number of employees	45	33
---------------------	----	----

Employee benefits are capitalised and are included in work in progress in accordance with the accounting policy set out at Note 1 (n).

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

5 Cash and Cash Equivalents

	2009	2008
	\$	\$
Cash at bank	6,031,351	7,405,610
Cash on hand	500	500
Total cash and cash equivalents	6,031,851	7,406,110

Cash on hand is non-interest bearing. Cash at bank earned interest rates between 4.62% and 5.02% (2008 : 6.1% - 7.1%)

6 Trade and Other Receivables

	2009	2008
	\$	\$
Advance working capital receivable*	6,000,000	3,000,000
Trade debtors	5,242,099	-
GST receivable	633,917	1,643,872
Sundry debtors	91,461	200
Total other receivables	11,967,477	4,644,072

*Bank guarantees are held as security for the working capital advance. The balance at 30th June 2009 is receivable within 12 months of this date.

7 Non-Current Assets Held For Transfer

	2009	2008
	\$	\$
Movement reconciliation		
At the beginning of the period	68,067,865	-
Additions	4,079,135	68,067,865
Transfers	(72,147,000)	-
Carrying amount at 30 June 2009	-	68,067,865

The water storage facilities were constructed on behalf of the Coordinator-General. The assets have been transferred to Queensland Bulk Water Storage Authority (QBWSA) under the *South East Queensland Water (Restructuring) Act 2007* on 30 June 2009. These assets were transferred at cost, including land and capitalised interest to QBWSA under transfer notice.

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

8 Property, Plant and Equipment

	2009 \$	2008 \$
Land at cost	111,681,562	-
Less: Accumulated impairment losses	-	-
Total land	111,681,562	-
Total work in progress	660,879,793	566,594,023
Total property, plant and equipment	772,561,355	566,594,023

	Land \$	Work in progress \$	Total \$
Movement reconciliation			
2008			
At the beginning of the period	-	293,370,975	293,370,975
Additions	-	343,082,313	343,082,313
Disposal	-	(1,791,400)	(1,791,400)
Asset held for transfer (See Note 7)	-	(68,067,865)	(68,067,865)
Carrying amount at 30 June 2008	-	566,594,023	566,594,023
2009			
At the beginning of the period	-	566,594,023	566,594,023
Additions	-	206,257,332	206,257,332
Disposal	-	(290,000)	(290,000)
Asset reclassified as land at cost	111,681,562	(111,681,562)	-
Carrying amount at 30 June 2009	111,681,562	660,879,793	772,561,355

An amount of \$111,681,562 of Work In Progress was reclassified as Land at Cost representing future land requirements of the company after the year 2035.

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

9 Trade and Other Payables

	2009	2008
	\$	\$
Trade payables	15,546,695	9,679,311
Annual leave liabilities	312,253	178,154
Accrued expenses and other payables	18,514,533	16,855,535
Total trade and other payables	34,373,481	26,713,000

10 Interest Bearing Liabilities

	2009	2008
	\$	\$
Current - unsecured		
Construction Debt Facility	-	65,990,353
Capitalised interest	-	2,077,512
Total current borrowings	-	68,067,865
Non-current - unsecured		
Construction Debt Facility	680,930,512	515,009,647
Capitalised interest	77,494,240	34,802,950
Total non-current borrowings	758,424,752	549,812,597

No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollars denominated amounts and carried at amortised cost, interest being capitalised during the reporting period. There have been no defaults or breaches of the loan agreement during the period.

The Construction Debt Facility is to be repaid on or prior to expiry of the term of the facility (the Term). The Term will expire upon the date which is six months after the completion of all projects. The facility bears an average interest at 6.51% per annum.

In accordance with the Funding Deed signed between the State of Queensland and the company, the State of Queensland agrees to guarantee to Queensland Treasury Corporation (QTC) the repayment by the company from time to time any moneys owing by the company to QTC under or in respect of the Construction Debt Facility.

The fair value of the Construction Debt Facility at 30 June 2009, as notified by the Queensland Treasury Corporation, was \$765,735,601. The fair value is calculated using discounted cash flow analysis and the effective interest rate. As it is the intention of the company to hold its borrowings for their full term, no adjustment provisions are made in these accounts.

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

11 Issued Capital

	2009 \$	2008 \$
Share Capital		
Ordinary shares		
Fully paid	1	1
Total issued capital	1	1

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. The capital is not a significant factor effecting the management of the company.

12 Remuneration of Auditor

During the period the following fees were paid or payable for services provided by the auditor of the company, its related practices and non-related audit firms:

	2009 \$	2008 \$
<i>Audit services</i>		
Queensland Audit Office		
Audit and review of financial reports	83,667	41,000
Total audit services	83,667	41,000

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

13 Key Management Personnel

(a) Key Management Personnel

The following persons were key management personnel of Queensland Water Infrastructure Pty Ltd during the reporting period:

Directors:

Robert McCarthy , Chairman
Gerard Bradley
Thomas Fenwick
Richard Parris
John Galton

Executives:

Graeme Newton, Chief Executive Officer
Phillip Chipman, Chief Operations Officer
Frankie Carroll, Chief Financial Officer/Company Secretary

(b) Key Management Personnel Compensation

	2009	2008
	\$	\$
<i>Directors</i>		
Short term benefits	127,200	127,200
<i>Executives</i>		
Short term benefits	781,488	665,049
Total key management personnel compensation	908,688	792,249

There have been no other transactions with the key management personnel during the period ended 30 June 2009 or outstanding balances owing to/from the directors as at 30 June 2009.

14 Contingent Assets and Liabilities

There are no contingent assets or liabilities at the balance date.

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

15 Capital and Leasing Commitment

(a) Capital Commitment

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2009	2008
	\$	\$
Property, plant and equipment:		
Payable:		
Within one year	7,634,025	45,761,270
Total capital commitment	7,634,025	45,761,270

(b) Lease Commitments – Non-cancellable Operating Leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2009	2008
	\$	\$
Within one year	656,911	461,639
Later than one year but not later than five years	633,234	896,652
Total lease commitment	1,290,145	1,358,291

Operating leases are entered into as a means of acquiring access to office accommodation and car parking. Lease payments are generally fixed. Renewal options exist in relation to office and car parking space operating leases.

No lease arrangements create restrictions on other financing transactions.

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

16 Related Party Transactions

(a) Guarantees

The State of Queensland has provided guarantees in respect of loans provided by Queensland Treasury Corporation (see Note 10 for details).

The company holds guarantees for working capital advanced to the alliance participants.

(b) Parent Entity

The ultimate Australian parent entity is the State of Queensland through the Department of Infrastructure and Planning which at 30 June 2009 owns 100% of the issued ordinary shares of Queensland Water Infrastructure Pty Ltd (2008:100%).

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 13.

(d) Transactions with Related Parties

The following entities have the same controlling entity as the company, and therefore are considered to be related parties of the company. Transactions with these parties are listed below:

	2009	2008
	\$	\$
<i>Transactions with Parent Entity</i>		
Department of Infrastructure and Planning	9,991,361	9,182,478
<i>Transactions with Other Related Parties</i>		
Queensland Treasury Corporation	140,544,290	317,731,778
Department of Education and Training	1,411	28,190
Queensland Bulk Water Storage Authority	77,305,462	-
Qfleet	84,830	74,849
Department of Employment, Economic Development and Innovation	117,883	40,330
Department of Transport and Main Roads	-	771,624
Department of Environment and Resource Management	519,723	446,916
Department of Public Works	392,015	368,299
Department of Premier and Cabinet	136,058	232,459
Energex Limited	189,106	38,703
Office of State Revenue	1,345,198	762,677
Queensland Rail	-	114,931
Queensland Police Service	30,000	-

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

(e) Outstanding Balances

	2009 \$	2008 \$
Queensland Treasury Corporation	(758,424,752)	(617,880,462)
Department of Infrastructure and Planning	(324,724)	(7,259,758)
Department of Premier and Cabinet	-	(160,160)
Department of Employment and Industrial Relations	-	(29,753)
Queensland Bulk Water Storage Authority	5,198,932	-
Energex Limited	(33,000)	-

17 Economic Dependency

The company depends on the provision of financial support from the State of Queensland through Queensland Treasury to carry out and complete the design, construction, completion and commissioning of the Traveston Crossing Dam and the Wyaralong Dam. This support is documented in the Funding Deed between the State of Queensland and Queensland Water Infrastructure Pty Ltd. A letter from Queensland Treasurer was received on 15 July 2009 confirming this support. See also Note 1 (o).

18 Segment Information

The company operates predominantly in one business segment, being the design, construction, completion and commissioning of the Traveston Crossing Dam and Wyaralong Dam. All operations of the company are carried on within Australia.

19 Reconciliation of Profit/Loss to Net Cash Inflow from Operating Activities

	2009 \$	2008 \$
Profit/(loss) for the year	(4,356,158)	1,757,854
Increase in other liabilities	437,276	34,073
(Increase)/decrease in other assets	481,489	(367,502)
Net cash inflow/(outflow) from operating activities	(3,437,463)	1,424,425

20 Non-cash Investing and Financing Activities

	2009 \$	2008 \$
Acquisition of property, plant and equipment by means of capitalised interest	35,976,090	31,731,778

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

21 Financial Instruments

Liquidity risk

The company is exposed to liquidity risk through its borrowings from Queensland Treasury Corporation for capital works.

The company reduces the exposure to liquidity risk by ensuring the company has sufficient funds available to meet employee and supplier obligations at all times. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The contract maturity analysis is disclosed in the Credit, Liquidity and Interest Risk table at the end of this note.

Market risk

The company does not trade in foreign currency and is not materially exposed to commodity price changes, apart from normal cost increases related to construction activities. The company is exposed to interest rate risk through its borrowings from Queensland Treasury Corporation (QTC) and cash deposited in interest bearing accounts. In accordance with the QTC Facility Letter, management of interest rate risk or variation in the market value of the debt is the sole responsibility of QTC and Treasury.

Sensitivity Analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to the Income Statement should there be a 100 basis points movement in interest rates. It assumes that the rate would be held constant over the financial year, with the change occurring at the beginning of the financial year.

At reporting date if the interest rates had been 100 basis points lower or higher on the Queensland Treasury Term Debt, the impact to the company would be \$643,341. It should be further noted that the majority of interest is capitalised as part of construction work-in-progress.

Fair value

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately below.
- The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation, therefore they are not disclosed separately below.

The company has not offset any assets and liabilities.

The carrying amounts of all financial assets and most financial liabilities are representative of their fair value. The fair value of borrowings is disclosed below.

Financial Instruments

Financial Liabilities - 2008	Carrying Amount \$	Fair Value \$
Financial liabilities at amortised costs		
Borrowings	617,880,462	604,706,749
Total	617,880,462	604,706,749
Financial Liabilities - 2009		
Financial liabilities at amortised costs		
Borrowings	758,424,752	765,735,601
Total	758,424,752	765,735,601

**Notes to the Financial Statements
For the Year Ended 30 June 2009**

21 Financial Instruments (Continued)

The following table sets out the credit, liquidity and interest risks of financial instruments held by the company in a format as it might be provided to management. The maturity amounts relate to the actual contractual payments before net present value calculation.

2008 Credit, Liquidity and Interest Rate Risk Tables

Maturity Date:

	0 to 1 year	1 to 5 years	Over 5 years	Total
Financial Assets				
Non-interest bearing	12,050,182	-	-	12,050,182
Interest bearing	68,067,865	-	-	68,067,865
Total	80,118,047	-	-	80,118,047
Financial Liabilities				
Non-interest bearing	26,701,104	-	-	26,701,104
Interest bearing	68,861,655	712,775,282	-	781,636,937
Total	95,562,759	712,775,282	-	808,338,041

2009 Credit, Liquidity and Interest Rate Risk Tables

Maturity Date:

	0 to 1 year	1 to 5 years	Over 5 years	Total
Financial Assets				
Non-interest bearing	17,999,328	-	-	17,999,328
Interest bearing	-	-	-	-
Total	17,999,328	-	-	17,999,328
Financial Liabilities				
Non-interest bearing	34,370,224	-	-	34,370,224
Interest bearing	3,257	119,200,890	889,633,852	1,008,837,999
Total	34,373,481	119,200,890	889,633,852	1,043,208,223

22 Matters Subsequent to the End of the Financial Year

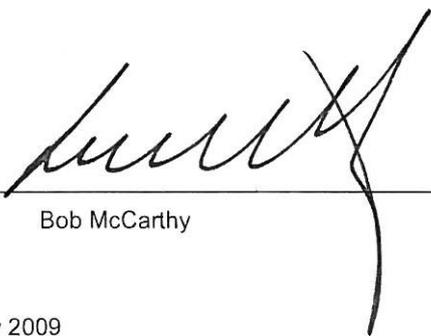
No matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect the company's operation, the results of those operations or the company's state of affairs in future financial years.

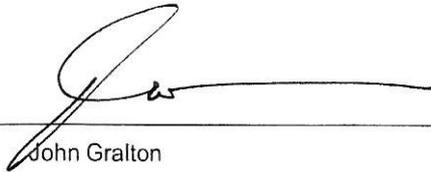
**Directors' Declaration
For the Year Ended 30 June 2009**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 28 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director 
Bob McCarthy

Director 
John Galton

Brisbane

Dated: 30 July 2009

Independent Auditor's Report For the Year Ended 30 June 2009

Matters Relating to the Electronic Presentation of the Audited Financial Report

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

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

To the Members of Queensland Water Infrastructure Pty Ltd

Report on the Financial Report

I have audited the accompanying financial report of Queensland Water Infrastructure Pty Ltd which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

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



Independence

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

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

In conducting the audit, the independence requirements of the *Corporations Act 2001* have been complied with. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Queensland Water Infrastructure Pty Ltd on 30 July 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion.

In my opinion -

(a) the financial report of Queensland Water Infrastructure Pty Ltd is in accordance with the *Corporations Act 2001*, including –

- (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

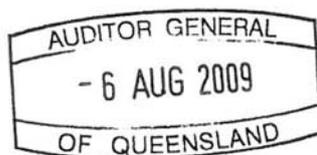
Emphasis of Matter - Significant uncertainty regarding the assessment that the Environmental Impact Statement conditions will be met.

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

As indicated in Note 2 and Note 8 to the financial statements, Queensland Water Infrastructure Pty Ltd discloses that construction work in progress is stated at the aggregate of costs incurred to date for the dam construction projects. All costs incurred prior to the commencement of the actual construction of the dams and water storage facilities have been capitalised as construction work in progress. The capitalisation of costs for the projects assumes that the company will meet the conditions set out in the environmental approval for the project as per Note 2. If this assumption cannot be met, the costs will have to be expensed to the Income Statement and the impact will be \$168,821,000.



G G POOLE FCPA
Auditor-General of Queensland



Queensland Audit Office
Brisbane