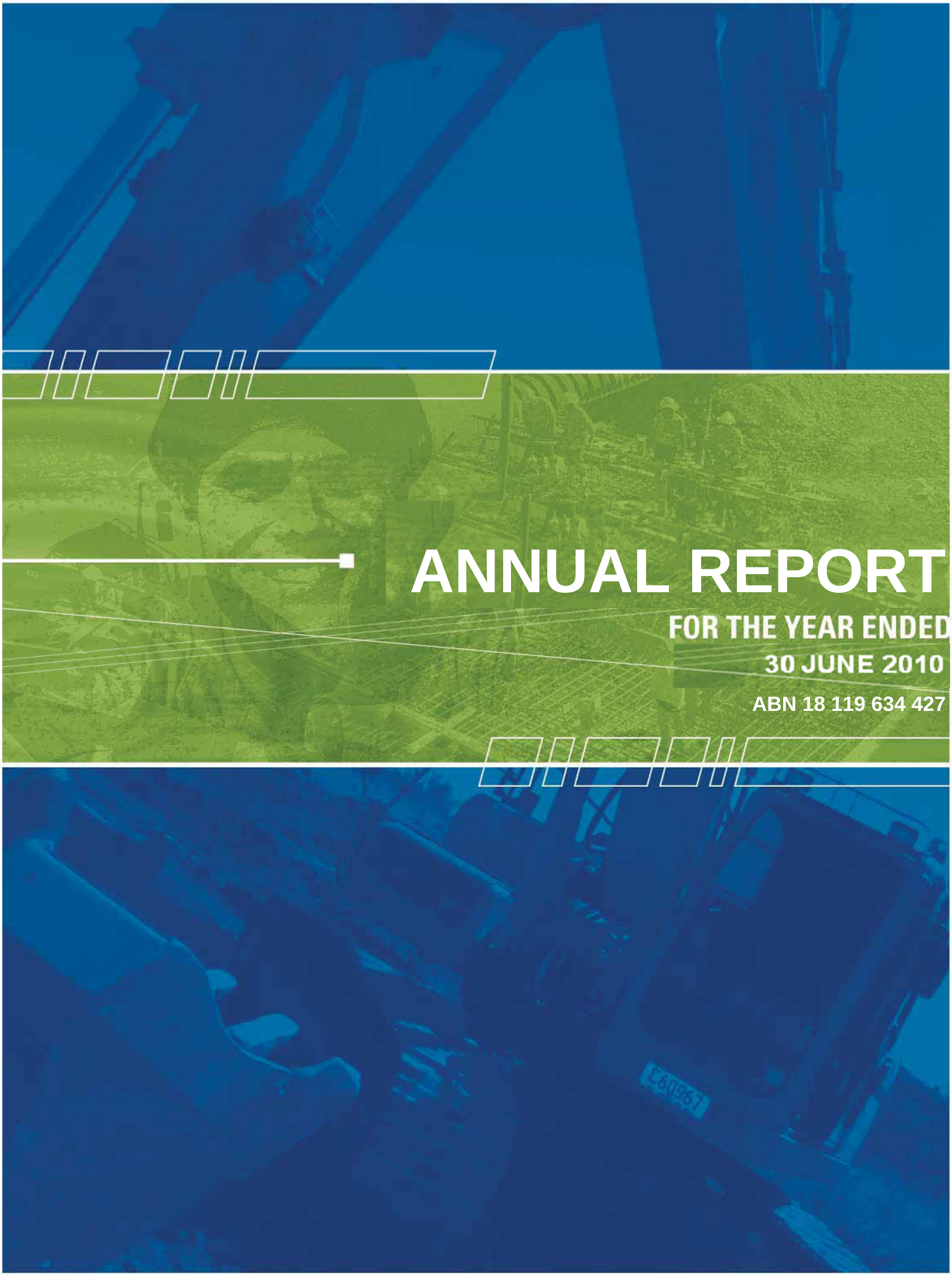
QUEENSLAND WATER INFRASTRUCTURE PTY LTD



ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

ABN 18 119 634 427

Contents

Directors' Report

For the year ended 30 June 2010

Your directors present their report on the company for the year ended 30 June 2010.

1. Directors

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

Names	Appointed
Robert McCarthy (Chairman)	28 June 2006
Thomas Fenwick	29 June 2006
Richard Parris	29 June 2006
John Gralton	29 June 2006
Kenneth Sedgwick	26 November 2009

Names	Cessation
Gerard Bradley	27 August 2009

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.

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.

Directors' Report
For the year ended 30 June 2010

John Gralton

John Gralton 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.

Kenneth Sedgwick

Kenneth Sedgwick is an Assistant under Treasurer in Queensland Treasury. In this role he has had extensive experience in the financial management and reform of a wide range of State Government departments and other Government bodies. He has also led projects involving the restructuring of Government entities into commercial businesses.

Management

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 led the planning and approval/process for power infrastructure at Stanwell Corporation. Graeme holds a Masters in Business Administration, majoring in project management, and is a Member of the Institute of Company Directors.

Phil Chipman is the Chief Operations Officer with over 24 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 is the Chief Financial Officer and Company Secretary for Queensland Water Infrastructure Pty Ltd. Frankie has over 18 years experience in financial management, including 10 years within the financial services industry. He has broad experience in the private/public 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

The number of Directors' and Committee meetings attended by each of the Directors of the company during the period ended 30 June 2010 are as follows:

	Board Meetings Held	Board Meetings Attended	F&AC Meetings Held	F&AC Meetings Attended
Robert McCarthy	11	9	5	3
Gerard Bradley	11	2	5	1
Thomas Fenwick	11	10	5	5
Richard Parris	11	9	5	4
John Gralton	11	11	5	5
Kenneth Sedgwick	11	8	5	3

Directors' Report

For the year ended 30 June 2010

2. Principal Activities

The company was registered on 28 June 2006 to carry out and complete the design, construction and commissioning of several major water infrastructure projects. The company's current project is the Wyaralong Dam and associated infrastructure. During the financial year the principal activities of the company were:

- construction works complete for the Wyaralong Dam Access Road;
- construction works complete on the Beaudesert-Boonah Road realignment with the new roadway opened to traffic on 9 June 2010;
- work progressing to schedule on the Wyaralong Dam Project with concrete placement for the dam underway, recreation trails and environmental corridors under construction; and
- transfer of land acquired for the Traveston Dam project to the Coordinator-General.

3. Business Review

(a) Operating Results

The profit of Queensland Water Infrastructure Pty Ltd after providing for income tax amounted to $2,237,551 (30 June 2009 loss: $4,356,158)

(b) Dividends paid or declared

No dividends were paid or declared during the financial period.

(c) 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 its governance framework and practices to ensure they meet the highest standard required by the shareholder.

4. Other items

(a) Significant Changes in State of Affairs

In December 2009, the Federal Government refused one of the controlling provisions and approved the other three provisions in relation to the proposed Traveston Crossing Dam. The consequence of refusal of one proposed action is that the proposed dam could not proceed. The decision resulted in Queensland Water Infrastructure Pty Ltd operations being focused on the construction and delivery of the Wyaralong Dam and associated infrastructure.

Directors' Report

For the year ended 30 June 2010

(b) Significant Events After the Balance Day

Other than matters noted in Note 21 in the Financial Report, no other matters or circumstances have arisen since 30 June 2010 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.

(c) Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out at page 6.

(d) Likely Development and Expected Results

The company continues to progress the construction of major water infrastructure projects in South East Queensland. 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 (Restructuring) Act 2007.

(e) Environmental Issues

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

5. Indemnifying Officers

The company has taken out appropriate Directors and Officers Liability insurance.

The Directors and Officers 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.

Directors' Report

For the year ended 30 June 2010

6. Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

7. Options

No options over issued shares or interests in the company were granted during or since the period ended 30 June 2010 and there were no options outstanding at the date of this report.

8. Auditor

Queensland Audit Office has been appointed auditor of the company for the financial year ended 30 June 2010 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

Director: ....
John Gralton

Dated this 27 th day of July 2010

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 lead auditor for the audit of Queensland Water Infrastructure Pty Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief there have been -

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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

M. T. Booth

DIRECTOR OF AUDIT
22 JUL 2010
QUEENSLAND AUDIT OFFICE

M T Booth FCPA

(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office

Brisbane

Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	30 June 2010 $	30 June 2009 $
Revenue from operations			
Other revenue	3	275,397,613	7,088,014
Total revenue from operations		275,397,613	7,088,014
Expenses from operations			
Non-recoverable expenses		(162,371,482)	(4,728,972)
Finance costs		(110,788,580)	(6,715,200)
Total expenses from operations		(273,160,062)	(11,444,172)
Profit from operations for the year		2,237,551	(4,356,158)
Profit for the year		2,237,551	(4,356,158)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,237,551	(4,356,158)

Statement of Financial Position

As at 30 June 2010

	Note	30 June 2010 $	30 June 2009 $
ASSETS			
Current assets			
Cash and cash equivalents	5	28,096,713	6,031,851
Trade and other receivables	6	12,990,599	11,967,477
Total current assets		41,087,312	17,999,328
Non-current assets			
Property, plant and equipment	8	250,371,685	772,561,355
Total non-current assets		250,371,685	772,561,355
TOTAL ASSETS		291,458,997	790,560,683
LIABILITIES			
Current liabilities			
Trade and other payables	9	30,171,810	34,373,481
Total current liabilities		30,171,810	34,373,481
Non-current liabilities			
Financial liabilities	10	261,287,186	758,424,752
Total non-current liabilities		261,287,186	758,424,752
TOTAL LIABILITIES		291,458,996	792,798,233
NET ASSETS		1	(2,237,550)
EQUITY			
Issued capital	11	1	1
Retained profits/(accumulated losses)		-	(2,237,551)
TOTAL EQUITY		1	(2,237,550)

Statement of Change in Equity

For the year ended 30 June 2010

	Note	Issued Capital $	Retained Profits/ (Accumulated Losses) $	Total $
As at 1 July 2009				
Balance at the beginning of the year	11	1	(2,237,551)	(2,237,550)
Comprehensive income		-	2,237,551	2,237,551
Balance at 30 June 2010		1	-	1

	Note	Issued Capital $	Retained Profits/ (Accumulated Losses) $	Total $
As at 1 July 2008				
Balance at the beginning of the year	11	1	2,118,607	2,118,608
Comprehensive income		-	(4,356,158)	(4,356,158)
Balance at 30 June 2009		1	(2,237,551)	(2,237,550)

Statement of Cash Flows

For the year ended 30 June 2010

	Note	30 June 2010 $	30 June 2009 $
Cash flows from operating activities:			
Receipts from operational activities		275,310,486	2,359,042
Interest paid		(46,596,720)	(46,778,049)
GST paid to suppliers		(12,954,796)	(9,741,079)
Receipts from GST claim		13,876,747	10,659,774
Net cash provided by/(used in) operating activities	18	229,635,717	(43,500,312)
Cash flows from investing activities:			
Payments for property, plant and equipment		(154,402,653)	(118,386,832)
Proceeds from sale of property, plant and equipment		449,469,365	70,359,488
Advance for working capital		(5,500,000)	(3,000,000)
Net cash provided by/(used in) investing activities		289,566,712	(51,027,344)
Cash flows from financing activities:			
Proceeds from borrowings		213,651,013	170,000,000
Repayment of borrowings		(710,788,580)	(76,846,603)
Net cash provided by/(used in) financing activities		(497,137,567)	93,153,397
Net increase/(decrease) in cash and cash equivalents		22,064,862	(1,374,259)
Cash and cash equivalents at beginning of the financial year		6,031,851	7,406,110
Cash and cash equivalents at end of financial year	5	28,096,713	6,031,851

Notes to the Financial Statements

For the year ended 30 June 2010

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Notes to the Financial Statements

For the year ended 30 June 2010

1. Statement of significant accounting policies

General Information

The financial report of Queensland Water Infrastructure Pty Ltd for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 27 July 2010.

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's sole purpose is the design, construction and commissioning of water infrastructure projects for the State of Queensland.

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

(a) Accounting standards not previously applied

The company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory for future periods. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

(i) Presentation of financial statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of the Income Statement with the Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard.

(b) 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.

(c) Functional and presentation currency

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

Notes to the Financial Statements

For the year ended 30 June 2010

(d) Revenue

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. Grants are non-reciprocal in nature and are recognised as revenue in the year in which the company obtains control over them.

(e) Taxation

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

(f) 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.

(g) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include 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) Trade and other receivables

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

(i) Impairment of assets

(i) Financial assets

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

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

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

All impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Notes to the Financial Statements

For the year ended 30 June 2010

(ii) Non-Financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the 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 reserve of the relevant class to the extent available.

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

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

(j) Property, plant and equipment

(i) Acquisition of assets

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.

(ii) Construction work in progress

Work in progress is stated at the aggregate of costs incurred to date. The capitalisation of costs is for Wyaralong Dam and associated infrastructure.

Notes to the Financial Statements

For the year ended 30 June 2010

(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) Financial liabilities

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

(m) Finance costs

Finance 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.

(n) 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 23 July 2010 (See Note 17).

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are presented in the Statement of Cash Flows 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 Australian Taxation Office, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

(p) 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 2010, but have not been applied in preparing this financial report.

(i) AASB 9: Financial instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - the objective of the entity's business model for managing the financial assets; and
  - the characteristics of the contractual cash flows.

(ii) AASB 124: Related party disclosures (applicable for annual reporting periods commencing on or after 1 January 2011). This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the company.

(iii) AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

(iv) AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. These amendments are not expected to materially impact the company.

Notes to the Financial Statements

For the year ended 30 June 2010

(q) Employee benefits

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

Wages, salaries and annual leave due but unpaid at 30 June 2010 are recognised in the Statement of Financial Position 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 the employee's nominated superannuation fund.

(iii) Key management personnel remuneration

The key management personnel disclosures in the Key Management Personnel note (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;
- bonuses;
- accrued leave;
- superannuation;
- motor vehicle benefits;
- car parking benefits;
- allowances;
- fringe benefits tax included in remuneration agreements; and
- performance pay received or due and receivable.

(r) Comparative figures

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

Notes to the Financial Statements

For the year ended 30 June 2010

2. Critical accounting 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 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 company has not made any other material estimates and assumptions concerning the balances as at 30 June 2010 or transactions during the period ended on that date.

Where circumstances change, management have the discretion to adjust their estimates and judgements accordingly in the period in which the estimate is revised and in any future periods affected. Management have applied this accounting policy in respect of note 20.

Notes to the Financial Statements

For the year ended 30 June 2010

3. Revenue

Revenue from operations:

	30 June 2010 $	30 June 2009 $
Other revenue		
Rental income	2,647,613	2,359,042
Operations costs recharged	-	4,728,972
Grant income	272,750,000	-
Total other revenue from operations:	275,397,613	7,088,014

4. Employee benefits and related expenses capitalised

	30 June 2010 $	30 June 2009 $
Employee benefits		
Wages and salaries	4,420,780	4,337,138
Employer superannuation contributions *	576,320	540,863
Other employee benefits	288,860	173,528
Total employee benefits	5,285,960	5,051,529
Employee related expenses		
Workers' compensation premium *	10,727	10,588
Payroll tax *	243,215	233,753
Other employee related expenses	96,592	63,886
Total employee related expenses	350,534	308,227
Total employee benefits and employee related expenses	5,636,494	5,359,756

* 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 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:

	30 June 2010	30 June 2009
Number of employees	41	45

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

Notes to the Financial Statements

For the year ended 30 June 2010

5. Cash and cash equivalents

	30 June 2010 $	30 June 2009 $
Cash at bank	28,096,213	6,031,351
Cash on hand	500	500
Total	28,096,713	6,031,851

Cash on hand is non-interest bearing. Cash at bank earned interest rates between 2.25% and 3.39%. (2009: 4.62% - 5.02%)

6. Trade and other receivables

	30 June 2010 $	30 June 2009 $
Advance working capital receivable*	11,500,000	6,000,000
Trade debtors	1,753,613	5,242,099
GST receivable	(288,032)	633,917
Sundry debtors	25,018	91,461
Total	12,990,599	11,967,477

*Bank guarantees are held as security for the working capital advance. The balance at 30 June 2010 is receivable within 12 months of this date.

7. Non-current assets held for transfer

	30 June 2010 $	30 June 2009 $
Movement reconciliation		
At the beginning of the year	-	68,067,865
Additions	-	4,079,135
Transfer	-	(72,147,000)
Carrying amount at 30 June 2010	-	-

Notes to the Financial Statements

For the year ended 30 June 2010

8. Property, plant and equipment

	30 June 2010 $	30 June 2009 $
Land		
At cost	-	111,681,562
Total land	-	111,681,562
Total work in progress	250,371,685	660,879,793
Total property, plant and equipment	250,371,685	772,561,355

Movement reconciliation	**Land $**	**Work in progress $**	**Total $**
2009			
At the beginning of the year	-	566,594,023	566,594,023
Additions	-	206,257,332	206,257,332
Disposals	-	(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
2010			
At the beginning of the year	111,681,562	660,879,793	772,561,355
Additions	-	172,661,870	172,661,870
Asset reclassified as land at cost	337,787,803	(337,787,803)	-
Disposals	(449,469,365)	(245,382,175)	(694,851,540)
Carrying amount at 30 June 2010	-	250,371,685	250,371,685

In December 2009, the Federal Government refused one of the controlling provisions and approved the other three provisions in relation to the proposed Traveston Crossing Dam. The consequence of refusal of the proposed action is that the Queensland Government decided not to proceed with the proposed Dam. The land purchased for the Dam was transferred to the Coordinator-General.

Due to legal restrictions, the title to a small number of properties has been retained by the Company with these properties being progressively transferred to the Coordinator-General over the next year. As the company will derive no future benefit from these properties, no asset has been recognised in the company's accounts.

9. Trade and other payables

	30 June 2010 $	30 June 2009 $
Trade payables	814,183	15,546,695
Accrued leave liabilities	297,732	312,253
Accrued expenses	28,968,697	18,416,385
Other payables	91,198	98,148
Total	30,171,810	34,373,481

Notes to the Financial Statements

For the year ended 30 June 2010

10. Financial liabilities

	30 June 2010 $	30 June 2009 $
Current - unsecured		
Construction debt facility	-	-
Capitalised interest	-	-
Total current borrowings	-	-

Non-current - unsecured	30 June 2010 $	30 June 2009 $
Construction debt facility	245,499,956	680,930,512
Capitalised interest	15,787,230	77,494,240
Total non-current borrowings	261,287,186	758,424,752

No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollar denominated amounts and carried at amortised cost, interest being 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 rate of 6.28% 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 of 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 2010, as notified by the Queensland Treasury Corporation, was $268,443,809 (2009: $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.

11. Issued capital

	30 June 2010 $	30 June 2009 $
Share capital		
Ordinary shares		
Fully paid	1	1
Total issued capital	1	1

Notes to the Financial Statements
For the year ended 30 June 2010

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

	30 June 2010 $	30 June 2009 $
Queensland Audit Office		
Audit and review of financial reports	69,000	83,667
Total audit services	69,000	83,667

13. Key management personnel disclosures

(a) Key management personnel

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

Directors:	*Executives:*
Robert McCarthy , Chairman	Graeme Newton, Chief Executive Officer
Gerard Bradley	Phillip Chipman, Chief Operations Office
Thomas Fenwick	Frankie Carroll, Chief Financial Officer/Company Secretary
Richard Parris	
John Gralton	
Kenneth Sedgwick	

(b) Key management personnel compensation

Key management personnel, including directors received the following compensation:

	30 June 2010 $	30 June 2009 $
Directors		
Short term benefits	191,889	127,200
Executives		
Short term benefits	835,816	781,488
Total	1,027,705	908,688

Notes to the Financial Statements

For the year ended 30 June 2010

There have been no other transactions with key management personnel during the period ended 30 June 2010 or outstanding balances owing to/from the directors as at 30 June 2010.

14. Contingent liabilities and contingent assets

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

15. Capital and leasing commitments

(a) Capital expenditure commitments

Capital expenditure contracted for at the reporting date but no recognised as liabilities is as follows:

	30 June 2010 $	30 June 2009 $
Property, plant and equipment:		
Payable:		
Within one year	-	7,634,025
Total capital commitment	-	7,634,025

(b) Lease commitments – non-cancellable operating leases

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

	30 June 2010 $	30 June 2009 $
Within one year	671,801	656,911
Later than one year but not later than five years	42,175	633,234
Total	713,976	1,290,145

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 2010

16. Related party transactions

(a) Guarantees

The State of Queensland has provided guarantees in respect of loans provided by Queensland Treasury Corporation (refer 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 2010 owns 100% of the issued ordinary shares of Queensland Water Infrastructure Pty Ltd (2009: 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:

	30 June 2010 $	30 June 2009 $
Transactions with parent entity		
Department of Infrastructure and Planning	(721,878,805)	9,991,361
Total	(721,878,805)	9,991,361
Transactions with other related parties		
Queensland Treasury Corporation	(497,137,566)	140,544,290
Queensland Bulk Water Supply Authority	9,686	77,305,462
Qfleet	36,347	84,830
Department of Education and Training	-	1,411
Department of Employment, Economic Development and Innovation	101,937	117,883
Department of Transport and Main Roads (Receivable)	(35,602)	-
Department of Environment and Resource Management	415,707	519,723
Department of Public Works	410,128	392,015
Department of Premier and Cabinet	75,371	136,058
Energex Limited	606,981	189,106
Office of State Revenue	2,242,807	1,345,198
Queensland Police Service	-	30,000

Notes to the Financial Statements

For the year ended 30 June 2010

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	30 June 2010 $	30 June 2009 $
Queensland Treasury Corporation	(261,287,186)	(758,424,752)
Department of Infrastructure and Planning (Receivable)	743,798	(324,724)
Queensland Bulk Water Supply Authority	-	5,198,932
Department of Transport and Main Roads (Receivable)	35,602	-
Department of Employment, Economic Development and Innovation	(5,000)	-
Office of State Revenue	(17,413)	-
Energex Limited	-	(33,000)

17. Economic dependence

The company depends on the provision of financial support from the State of Queensland through Queensland Treasury Corporation to carry out and complete the design, construction, completion and commissioning of 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 the Queensland Treasurer was received on 23 July 2010 confirming this support. See also Note 1 (n).

18. Reconciliation of cash flows from operating activities

	30 June 2010 $	30 June 2009 $
Net profit/(loss) for the year	2,237,551	(4,356,158)
Add/(Less):		
Capitalised interest	(8,087,896)	(40,062,849)
Non-recoverable expenses write off	234,651,237	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(224,288)	-
(Increase)/decrease in other assets	(87,127)	481,419
Increase/(decrease) in other liabilities	1,146,240	437,276
Increase/(decrease) in tax provision	-	-
Cashflows from operating activities	229,635,717	(43,500,312)

Notes to the Financial Statements
For the year ended 30 June 2010

19. Non-cash investing and financing activities

	30 June 2010 $	30 June 2009 $
Acquisition of property, plant and equipment	49,081,569	35,976,090

20. Financial instruments

Categorisation of financial instruments

The company has categorised the financial assets and financial liabilities held as:

Financial assets	Category
Cash and cash equivalents	Held at fair value through profit and loss
Trade and other receivables	Held at amortised cost
Financial liabilities	
Trade and other payables	Held at amortised cost
Interest bearing liabilities	Held at amortised cost

(a) Credit risk

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 company.

The following table represents the company's maximum exposure to credit risk:

	30 June 2010 $	30 June 2009 $
Trade and other receivables	12,990,599	11,967,477
Cash and cash equivalents	28,096,713	6,031,851
Total	41,087,312	17,999,328

Past due but not impaired receivables:

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 amounts indicated.

The following table represents an analysis of the age of the company's financial assets as at 30 June 2010:

	2010		2009	
	30 June Gross $	30 June Impairment $	30 June Gross $	30 June Impairment $
Not past due	41,050,314	-	12,757,228	-
Past due 0 - 30 days	35,601	-	5,199,803	-
Past due 31 - 120 days	1,397	-	42,297	-
Past due 121 to one year	-	-	-	-
More than one year	-	-	-	-
Total	41,087,312	-	17,999,328	-

Notes to the Financial Statements

For the year ended 30 June 2010

(b) Market risk

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

(c) Interest rate risk

Sensitivity analysis:

If interest rates had been 100 basis points lower or higher on any interest bearing account in the current and prior year, the impact to the company would be $199,137. However, there would have been no impact on the Statement of Comprehensive Income as interest charged and earned on any of these accounts has been capitalised to construction work in progress in accordance with company policy and accounting standards.

(d) 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 following table sets out liquidity risk of the financial liabilities 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 calculations.

	0 to 1 year $	1 - 5 years $	Over 5 years $	Total $
Current year				
Financial assets				
Non-interest bearing	16,663,515	-	-	16,663,515
Interest bearing	24,423,797	-	-	24,423,797
	41,087,312	-	-	41,087,312
Financial liabilities				
Non-interest bearing	30,167,178	-	-	30,167,178
Interest bearing	4,632	347,647,641	-	347,652,273
	30,171,810	347,647,641	-	377,819,451

Notes to the Financial Statements

For the year ended 30 June 2010

	0 to 1 year $	1 - 5 years $	Over 5 years $	Total $
Prior year				
Financial assets				
Non-interest bearing	11,967,977	-	-	11,967,977
Interest bearing	6,031,351	-	-	6,031,351
	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
	34,373,481	119,200,890	889,633,852	1,043,208,223

The amounts disclosed under the contractual cash flows above represent the total principal and interest repayments to be made to the date of maturity on an undiscounted basis.

(e) Fair values

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 interest bearing liabilities is disclosed below:

	30 June 2010		30 June 2009	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial liabilities at amortised cost				
Construction debt facility	261,287,186	268,443,809	758,424,752	765,735,601
Total	261,287,186	268,443,809	758,424,752	765,735,601

Notes to the Financial Statements

For the year ended 30 June 2010

21. Subsequent Events

No other matters or circumstances have arisen since 30 June 2010 that will significantly affect, or may significantly affect the company's operations in future financial years, the results of those operations in future financial years or the company's state of affairs in future financial years.

Directors' Declaration
For the year ended 30 June 2010

The Directors of the company declares that:

1. The financial statements and notes, as set out on pages 11 to 30, are in accordance with the *Corporations Act 2001* and:

   (a) comply with the Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance as represented by the results of its operations, changes in equity and its cash flows for the year ended on that date of the company.

2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Bob McCarthy

Director

....

Dated 22 July 2010

John Gralton

Director

....

Independent Auditor's Report

To the Members of Queensland Water Infrastructure Pty Ltd

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 2010 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.

Report on the Financial Report

I have audited the accompanying financial report of Queensland Water Infrastructure Pty Ltd which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 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. 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 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 s ignificant.

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 22 July 2010, 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 -

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 2010 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 2009.

m. T. Booth

DIRECTOR OF AUDIT
28 JUL 2010
QUEENSLAND

M T BOOTH FCPA
as Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane