



SEQ Water Grid Manager Annual Report

2012–13

*Secure and efficient water
through partnership and innovation*

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<http://www.parliament.qld.gov.au/view/legislativeAssembly/tabledPapers/home.asp>

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Letter of transmission

2 May 2013

The Honourable Mark McArdle
Minister for Energy and Water Supply
Level 13, Mineral House
14 George Street
BRISBANE QLD 4000

Dear Minister

SEQ Water Grid Manager Annual Report 2012–13

This Annual Report outlines the activities and achievements of the former SEQ Water Grid Manager and was prepared from records and information available at the end of its operations. The functions for the SEQ Water Grid Manager were transferred to Seqwater on 1 January 2013 under the Queensland Government's policy to reduce the cost of supplying drinking water across the region.

This has been completed with reference to the following:

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

A checklist outlining the annual reporting requirements can be accessed from www.seqwater.com.au.

Yours sincerely

A handwritten signature in dark ink, appearing to be 'Terri Benson', with a long horizontal stroke extending to the right.

Terri Benson
Chief Executive Officer
Seqwater

About this report

The SEQ Water Grid Manager 2012–13 Annual Report has been produced according to the standards detailed in the following Queensland legislation and Government guidelines:

- *Financial Accountability Act 2009*
- Financial and Performance Management Standard 2009
- *South East Queensland Water (Restructuring) Act 2007*
- Annual report requirements for Queensland Government agencies – requirements for the 2012–13 reporting period.

The Annual Report is an essential part of the SEQ Water Grid Manager's corporate governance standards.

Contact us

For information about the SEQ Water Grid Manager, or for copies of this report, please contact:

Seqwater
PO Box 16146
CITY EAST QLD 4002

You can also download electronic copies of this report at: www.seqwater.com.au

Translating and interpreting assistance

The Queensland Government is committed to providing accessible services to Queenslanders from culturally and linguistically diverse backgrounds. If you need an interpreter, please call the Translating and Interpreting Service (TIS National) on 131 450 and have them contact Seqwater on +61 7 3035 5600 between 8am and 5pm, Monday to Friday (except public holidays).

Our business

Our vision

To deliver world class water security and value to our customers

Our mission

Safe, secure and efficient bulk water services for South East Queensland through partnership and innovation.

Our values

Our values are:

- innovative
- deliver value
- motivated
- adaptable
- professional.

About us

The SEQ Water Grid Manager started operation on 1 July 2008. It is a statutory body established under the *South East Queensland Water (Restructuring) Act 2007* responsible for strategically operating the SEQ Water Grid.

Our primary functions to strategically operate the SEQ Water Grid, under legislation, are to:

- purchase water services and sell water as outlined by the *South East Queensland Water (Restructuring) Act 2007*
- deliver levels of service under the System Operating Plan, with reference to the *Water Act 2000*
- ensure financial and corporate governance compliance applicable to statutory bodies (*Financial Accountability Act 2009, State Water Authorities Governance Framework 2008 and Statutory Bodies Financial Arrangements Act 1982*)
- comply with *The Market Rules SEQ Water Market*, with reference to the *Water Act 2000*.

We do not own infrastructure assets but hold the urban water entitlements for South East Queensland. This means we can make strategic and operational decisions to produce and move water where it is needed most, at the least possible cost, rather than an interest in infrastructure assets.

Machinery-of-Government changes

On 29 November 2012, the *South East Queensland Water (Restructuring) and Other Legislation Amendment Act 2012* was passed in the Queensland Parliament to provide for the merger of the SEQ bulk water businesses – SEQ Water Grid Manager, LinkWater and Seqwater – into a new bulk water supply authority. The merger took effect on 1 January 2013 and will help reduce the cost of supplying drinking water across the region through efficiencies gained from the reduction of board and executive costs and enable the new business to rationalise administrative and corporate costs.

Operational performance

This is the final Annual Report for the SEQ Water Grid Manager and outlines its operations from 1 July to 31 December 2012.

In its five years of operation, the SEQ Water Grid Manager strategically operated the SEQ Water Grid, through partnering with State and local government organisations to deliver a safe and reliable drinking water to the South East Queensland community. Our organisation also delivered economic stewardship for the State-owned bulk water authorities, ensuring our bulk water services deliver value-for-money and are provided cost effectively.

During 2012–13, the South East Queensland region continued to have a high-level of water security. Consequently, our operating focus for the SEQ Water Grid has been to improve efficiency and reduce operating costs for the SEQ Water Grid. The key priorities for our organisation during 2012–13 have been:

- be prepared for the next wet season
- be an efficient, effective and low cost operator
- contribute to the bulk water authority merger and transition process
- build stakeholders' understanding of the Water Grid and the SEQ Water Grid Manager.

Priority area 1 – operations

About this priority area

A key role for the SEQ Water Grid Manager is to direct the SEQ Water Grid operations to ensure a safe, secure and efficient water supply to South East Queensland. During 2012–13 our operational focus was to direct the operation of the SEQ Water Grid and specify SEQ Water Grid asset service performance optimally to put downward pressure on costs and ensure contract compliance.

Performance

Business strategy	Key priority	Performance
Prepare accurate short to medium term demand forecasts for operational and financial purposes.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> Upgraded short and medium term demand forecast model by December 2012. The demand forecasting function transferred to Seqwater on 1 January 2013. Demand forecasts for the connected area of the Water Grid are within +/- 10% of actual demand.
Fully utilise existing bulk water services to supply bulk water to our Grid Customers in an efficient and cost effective manner.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> Updated and submitted the Annual Operations Plan to the Queensland Water Commission by 30 November 2012. Managed the SEQ Water Grid against the risk criteria in the five year South East Queensland Operating Plan, to deliver: <ul style="list-style-type: none"> a less than 0.1% probability of key Water Grid storages reaching 40% in five years a less than 0.01% probability of key Water Grid storages reaching 30% in five years. Grid Service Providers complied with Grid Instructions. Used the Decision Support System for operational planning and capital planning assessment.
Timely identification for implementation of additional or upgraded bulk water services needed to supply our Grid Customers	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> Provided a submission to the Queensland Competition Authority regarding Grid Service Charges for 2012–13. Provided strategic advice to the Minister regarding the capital expenditure greater than \$2 million.
To manage water quality across the Water Grid to meet our contractual obligations to our Grid Customers, and to facilitate the identification of improvements from a whole-of-Grid perspective.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> Published the Customer Confidence Report (Bulk Water) on the bulk water supply water quality. Achieved 100% against water quality metrics including nil detections of <i>Escherichia coli</i> (E. Coli). Water quality improvement projects were put on-hold due to merger activities and will be considered as part of Seqwater's strategic planning process.

Priority area 2 – risk and technology

About this priority area

The SEQ Water Grid Manager through planning, development and implementation of practical tools and business processes:

- manages SEQ Water Grid Manager risks and emergencies
- maintains a framework for the management of SEQ Water Grid risks
- leverages best practice technological solutions to support the effective management of our business and the efficient operation SEQ Water Grid.

Performance

Business strategy	Key priority	Performance
Risk management that: <ul style="list-style-type: none"> • makes transparent and promotes the management of whole-of-Grid risks by those best placed to manage them • is embedded in all business-as-usual processes and decision making. 	Be prepared for the next wet season.	<ul style="list-style-type: none"> • Developed a revised SEQ Water Grid Risk Management Plan and this was approved by the Rules Administrator on 9 November 2012.
Facilitate integrated critical infrastructure planning across the Water Grid in line with national security standards.	Be prepared for the next wet season.	<ul style="list-style-type: none"> • Updated processes to outline the procedure to engage with the Queensland Police regarding critical infrastructure incidents.
Emergency management that: <ul style="list-style-type: none"> • integrates with relevant emergency management frameworks outside of the Water Grid • is sustainable through robust training, processes and procedures. 	Be prepared for the next wet season.	<ul style="list-style-type: none"> • Updated the SEQ Water Grid Emergency Response Plan (version 4) and this was approved on 4 September 2012. • Conducted a test emergency exercise to practice and validate emergency management arrangements.
Implement and maintain an information and communication technology capability that: <ul style="list-style-type: none"> • supports the delivery of our business strategies and processes • improves the operation of the Water Grid and our ability to deliver operational efficiencies. 	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> • Due to the merger activities, activities in this area were delivered to maintain business services and improvement projects were put on-hold.

Priority area 3 – governance and regulatory compliance

About this priority area

This priority area focuses on delivering a service that meets our customers' expectations. A significant component of our customer service role is to deliver on the statutory obligations, to a high standard, using best practice governance processes.

Performance highlights

Business strategy	Key priority	What we did
Proactive governance and compliance to ensure the efficient and effective performance of our statutory obligations.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> Met all required governance and compliance actions outlined in our statutory obligations.
To be accountable to, and transparent with, our customers about the services we provide through contract management and timely reporting.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> Conducted quarterly Grid Customer and Grid Service Provider reviews.
Facilitate the supply of PRW for commercial and industrial use.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> This strategy was put on-hold and is being considered as part of the Queensland Government's review of the Western Corridor Recycled Water Scheme.
Support all levels within the SEQ Water Grid Manager by providing timely and accurate legal advice that is practical and relevant to the way the SEQ Water Grid Manager operates.	Contribute to the bulk water authority merger and transition process.	<ul style="list-style-type: none"> Staff participated in the consultation and review process regarding the development of the relevant legislation required to enact the merger of the bulk water authorities.

Priority area 4 – finance and corporate services

About this priority area

The SEQ Water Grid Manager is responsible for buying water services and selling wholesale water products in South East Queensland; and to optimise, where possible, its balance sheet.

This priority area focuses on ensuring our organisation is an efficient, effective and low cost operator. Our people make this a reality. Through implementing effective policies, systems and processes, we ensure that our organisation is able to attract and maintain talented professionals to work in our organisation.

Performance highlights

Business strategy	Key priority	What we did
Implementation of effective debt management and cash flow strategies.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> Achieved required financial targets.
Ensure our long term financial forecasting is as accurate as possible.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> Enhanced our financial modelling capabilities.
Improve our team effectiveness and performance through well documented, automated business processes and performance management to meet business objectives.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> This strategy was put on-hold and is being progressed as part of the merger of the bulk water authorities.
Maintain a team culture in-line with the values and behaviours important to the staff.	Contribute to the bulk water authority merger and transition process	<ul style="list-style-type: none"> This strategy was put on-hold and is being progressed as part of the merger of the bulk water authorities.

Priority area 5 –Water Grid communications

About this priority area

In 2010, the responsible Minister for the SEQ Water Grid centralised the coordination of communications with the public, media, Government, customers and stakeholders to provide a cohesive response to all matters relating to the SEQ Water Grid. The SEQ Water Grid Manager hosted the central communications function on behalf of the SEQ Water Grid bulk water authorities.

Performance highlights

Business strategy	Key priority	What we did
Ensure that the objectives of the SEQ Water Grid Communications Unit (Communications Unit) are underpinned by an overarching and achievable communications strategy which is adjusted and evaluated formatively.	Be an efficient, effective and low cost operator.	<ul style="list-style-type: none"> This strategy was put on-hold and the responsibility for these actions were progressed as part of the merger of the bulk water authorities. Actively contributed to the development of the new bulk water authority's communication strategy.
Through the utility of the Customer Confidence Report, the websites and by other proactive means, we will continue to highlight how the Water Grid helps to underpin	Build stakeholders' understanding of the Water Grid and the SEQ Water Grid Manager.	<ul style="list-style-type: none"> Published the Customer Confidence Report, updated the website and responded to reactive media enquiries.

Business strategy	Key priority	What we did
the growth and prosperity of the region.		
Implement proactive communications with our Government stakeholders by providing advice on the optimal operations and benefits of the Water Grid.	Build stakeholders' understanding of the Water Grid and the SEQ Water Grid Manager.	<ul style="list-style-type: none"> • This strategy was put on-hold and the responsibility for these actions were progressed as part of the merger of the bulk water authorities. • Provided communication and government relations services to the Program SEQ Bulk Water – the project office managing the merger process.
Increase our customers' and stakeholders' knowledge and understanding of our organisation.	Build stakeholders' understanding of the Water Grid and the SEQ Water Grid Manager.	<ul style="list-style-type: none"> • This strategy was put on-hold and the responsibility for these actions were progressed as part of the merger of the bulk water authorities.

Corporate governance

Planning and reporting framework

The SEQ Water Grid Manager is a statutory body established under the *South East Queensland Water (Restructuring) Act 2007*. We are governed by a Board of Directors reporting to our responsible Ministers:

- Minister for Energy and Water Supply, Mark McArdle MP
- Treasurer and Minister for Trade, Tim Nicholls MP.

To guide our business activity, we prepare a five year Strategic Plan and an annual Operational Plan, which details our business strategy and operational priorities. These plans are a performance contract with our responsible Ministers. To ensure compliance with our statutory responsibilities, we undertake a rigorous reporting regime. We report on our operations to our stakeholders through a range of publications, including:

- this Annual Report
- Annual Market Rules Review
- quarterly and annual System Operating Plan reports
- quarterly report against the strategic and operational plans
- quarterly report against the State Borrowing Program.

Our Board and committees

The SEQ Water Grid Manager's board strategically guides our organisation on the opportunities to strengthen the operation of the SEQ Water Grid. It accomplishes this through planning and continuing to monitor and evaluate the operations of the Water Grid Manager. Our Board is responsible for:

- determining our strategic direction
- determining our organisation's operational, administrative and financial policies
- ensuring we deliver the objectives under our strategic and operational plans
- reporting the performance outcomes to the responsible Ministers
- reviewing the performance of the Chief Executive Officer.

Attendance

The Board met six times during 2012–13.

Member	Meetings held	Meetings attended
Gary Humphrys	6	6
Gordon Jardine	6	5
Dr David Cunliffe	6	6
Teresa Dyson	6	6

Our Board members

Our Board members bring to the Water Grid Manager, extensive experience and knowledge in the water and energy supply industry. The Board members are:

- Gary Humphrys, Chair
- Gordon Jardine, Deputy Chair
- Dr David Culiffe, Member
- Teresa Dyson, Member.

Gary Humphrys – Chair

Gary has a strong background in finance and spent a large part of his career in the mining and energy industries. In 1998, he took the position of Chief Financial Officer of Stanwell Ltd and ultimately became its Chief Executive Officer. Gary has held a number of board appointments to corporations within the energy, water, mining and health industries. He is a member of the Ergon Energy Board and a member of the Australian Institute of Chartered Accountants and the Australian Institute of Company Directors.

Gordon Jardine – Deputy Chair

Gordon Jardine is the Chairman of ElectraNet SA, the South Australian electricity transmission utility. He was formerly (1995 – 2011) the Chief Executive of Powerlink Queensland, which owns, develops and operates the \$5.5 billion high voltage electricity grid in Queensland. Gordon brings to our Board a strong background in the regulated utility sector, management of capital-intensive assets and in implementing industry reforms. He holds bachelor degrees in engineering and commerce, and a masters degree in environmental science. In addition, he is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Australian Academy of Technological Sciences and Engineering.

Dr David Cunliffe – Member

Dr David Cunliffe is the Director of the Environmental Health Service with the South Australian Department of Human Services. David is a highly respected scientist and academic in the water industry. He was a National Health and Medical Research Council representative on the Rural and Remote Water Quality Steering Group, and on the Northern Territory's Remote Community Water Management Project Reference Group.

Teresa Dyson – Member

Teresa Dyson is a partner with Blake Dawson. Teresa is a leading practitioner in taxation law, particularly in relation to the taxation of financial arrangements, infrastructure and Public Private Partnership developments, leasing, and debt/equity rules. Teresa is a member of the Board's Audit and Risk Management Committee. Teresa holds tertiary qualifications in arts, law, taxation and applied finance and brings a wealth of knowledge from the financial, government and not-for-profit, sectors to our Board.

Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in discharging its financial and risk governance responsibilities. It oversees the financial reporting processes that ensure the accuracy, transparency and integrity of reported financial information. The members of the committee are:

- Teresa Dyson, Chair
- Gary Humphrys, Member.

The Committee is responsible for reviewing and monitoring the following:

- the effectiveness of our organisation's internal control and risk management systems once established
- the effectiveness and outputs of the internal audit function, including reports and recommendations
- the preparation of the annual financial statements
- the independent audit process, undertaken by the Queensland Audit Office
- our organisation's process for monitoring compliance with laws, regulations, internal standards and policies
- the development of the risk framework.

Attendance

The Audit and Risk Management Committee met three times during 2012–13.

Member	Meetings held	Meetings attended
Teresa Dyson	3	3
Gary Humphrys	3	3

Risk management and accountability

We are committed to developing an organisational culture that delivers effective business risk management. The function of risk management is to support the achievement of our corporate objectives. The scope of our risk management program includes financial, operational, communications, stakeholder and customer relations and legal aspects. We have developed a robust risk management and governance framework to ensure we meet the accountability measures required under the following legislation:

- *South East Queensland Water (Restructuring) Act 2007*
- *Water Act 2000*
- *Financial Accountability Act 2009*
- *Statutory Bodies Financial Arrangements Act 198.*

Each month the board receives a Monthly Performance Report outlining the organisation's progress and performance against the 2012 Operational Plan — the performance contract it has with its responsible Ministers.

Internal audit

Internal audit is a key function we undertake to manage our organisational risk. The Executive Management Group, with the Board, develops strategic and annual internal audit plans. During 2012–13, all internal audit activities were undertaken in accordance with these plans.

Operational governance

As a statutory body we comply with a number of State Government operational governance requirements in the way we:

- make decisions through ethical behaviour
- protect whistleblowers
- engage consultants
- undertake overseas travel
- manage our information systems and keep records
- manage our waste.

Further information on how we have complied with these requirements is detailed below.

Public Sector Ethics Act 1994

Our organisation values and actively supports a fair, safe and ethical work environment. Our Code of Conduct aligns with the requirements under the Public Sector Ethics Act 1994. It provides staff with a guide to the ethical standards and behaviour we expect in our workplace.

Information systems and recordkeeping

As a knowledge-based business, the SEQ Water Grid Manager recognises the importance of good record keeping, ensuring that our decisions are accountable to the community. We have continued to comply with the Public Records Act 2002, Information Standard 40: Recordkeeping; and Information Standard 31: Retention and Disposal of Public Records.

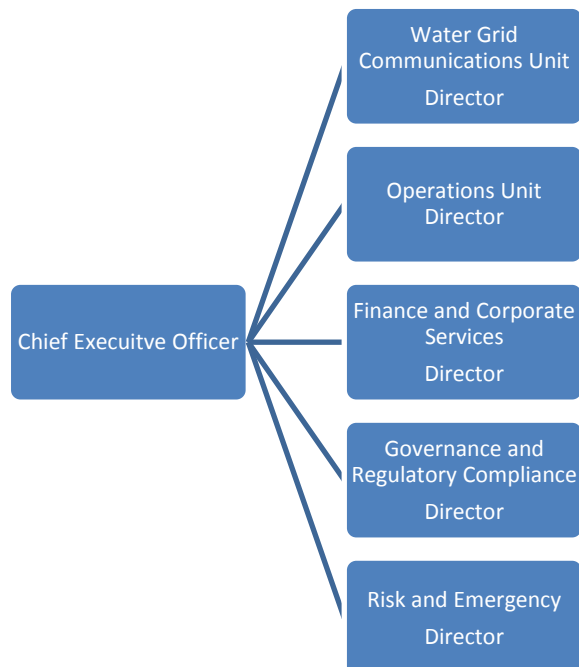
Our people

Organisational structure

The SEQ Water Grid Manager has a team of 28 full-time equivalent staff with extensive experience in water operations and business management. Our core skills set include:

- water operations
- hydraulic and hydrology modelling
- financial management
- emergency management planning
- water quality
- system reliability engineering
- risk management
- business development and contract negotiation
- communications and stakeholder management
- information technology.

The organisational structure for 2012–13 is outlined below.



Executive management group

The Executive Management Group is responsible for implementing the Board's strategic vision for the organisation. The team consists of the Chief Executive Officer and five directors who provide leadership in the areas of:

- Water Grid operations
- risk and technology management
- governance and regulatory compliance
- finance and corporate services
- Water Grid communications.

Barry Dennien, Chief Executive Officer

Formerly the Executive Director of Regional Planning and Policy for the Queensland Water Commission, Barry was responsible for the Water for today, water for tomorrow – South East Queensland Water Strategy, draft 2008 and system operation plans for the SEQ Water Grid.

Barry has 25 years' experience in water industry operations and planning, and a successful track record of managing commercial enterprises in the tourism, construction and primary industry sectors.

Dan Spiller, Director of Operations

Dan joined the SEQ Water Grid Manager team as the Director of Operations in July 2010, from his previous role as the acting Executive Director of the Queensland Water Commission. Dan was the principal author of the South East Queensland Water Strategy and was directly responsible for policy and communications regarding the development and use of purified recycled water schemes in South East Queensland.

Dan has previously been involved in infrastructure planning and assessment at Brisbane City Council, the Queensland Competition Authority and the Office of Urban Management. He holds a Master of Professional Economics, Master of Urban and Regional Planning and Bachelor of Built Environment.

Elaina Smouha, Director of Governance and Regulatory Compliance

Elaina joined the SEQ Water Grid Manager in August 2009. Her previous roles have given her a broad range of legal experience having worked as a solicitor in private practice in the areas of water, construction, mining, government, professional negligence and personal injury. Elaina holds a Bachelor of Laws and a Bachelor of International Business from Griffith University.

Michael Lyons, Director of SEQ Water Grid Communications

Michael has wide experience in corporate affairs management and strategic communication both here in Australia and internationally. A former national award winning journalist, Michael also has post graduate qualifications in business and has served on a number of advisory Boards.

Michael joined the SEQ Water Grid in August 2010 after working for one of Australia's biggest mining, engineering and water infrastructure companies.

Joanne Collins, Director of Finance and Corporate Services

Joanne joined the SEQ Water Grid Manager in November 2010 bringing 20 years management experience in business consulting, corporate governance and financial management from a range of industries. Joanne has received a commendation from the Auditor-General for financial reform of local government, and was also recognised as Qld CPA of the Year for the corporatisation of Wide Bay Water Corporation, Queensland's first local government owned water corporation. Joanne has been a university lecturer and provided specialist advice on corporatisation and financial reform nationally and internationally.

Scott Denner, Director of Risk and Technology

Scott joined the SEQ Water Grid Manager team in July 2009. His previous roles, including Head of Department (Security, Risk and Compliance) for G4S in London, have seen him gain extensive knowledge across areas including risk management, business continuity management and business process improvement. Scott is a Graduate of the Royal Military College and is a Certified Practising Risk Manager. Scott holds a Bachelor of Management and Professional Studies and an Associate Diploma of Personnel Administration.

Employment conditions

We employ our staff under the *South East Queensland Water (Restructuring) Act 2007* and their conditions of employment are outlined in the *Queensland Public Service Award 2003* and the *State government departments certified agreement 2009*.

Financial statements

SEQ Water Grid Manager financial statements for the six month period ended 1 January 2013

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Notes to and forming part of the financial statements

Management certificate

General information

These are the final financial statements on the financial activities of the SEQ Water Grid Manager.

The SEQ Water Grid Manager was a not-for-profit Queensland Government statutory body established under the *South East Queensland Water (Restructuring) Act 2007*.

On 1 January 2013, in accordance with the *South East Queensland Water (Restructuring) and Other Legislation Amendment Regulation (No. 1) 2012* made under the *South East Queensland Water (Restructuring) and Other Legislation Amendment Act 2012*, the SEQ Water Grid Manager was divested of all assets and liabilities. These assets and liabilities were transferred to the Queensland Bulk Water Supply Authority, trading as Seqwater (Seqwater) and the SEQ Water Grid Manager was dissolved immediately after transfer.

The head office and principal place of business of the SEQ Water Grid Manager was:

Level 15
53 Albert Street
Brisbane QLD 4000

A description of the nature of the SEQ Water Grid Manager's operations and its primary activities are included in the notes to the financial statements.

SEQ Water Grid Manager
Statement of comprehensive income
For the period 1 July 2012 to 1 January 2013

	Notes	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
Income from continuing operations			
User charges		255,725	506,568
Grants and other contributions		11,981	24,180
Other revenue	2	258	766
Total income from continuing operations		267,964	531,514
Expenses from continuing operations			
Employee expenses	3	1,851	4,311
Supplies and services	5	472,437	882,563
Depreciation and amortisation	6	167	323
Finance/borrowing costs	7	47,194	77,494
Other expenses	8	893	628
Total expenses from continuing operations		522,542	965,319
Operating result from continuing operations before income tax equivalent			
Operating result before income tax equivalent		(254,578)	(433,805)
Income tax equivalent expense	9	-	-
Total comprehensive income after income tax equivalent		(254,578)	(433,805)

The accompanying notes form part of these financial statements.

SEQ Water Grid Manager
Statement of financial position
As at 1 January 2013

	Notes	1 January 2013 \$'000	30 June 2012 \$'000
Current assets			
Cash and cash equivalents	10	-	14,857
Trade and other receivables	11	-	80,256
Other current assets	12	-	91
Total current assets		-	95,204
Non-current assets			
Property, plant and equipment	13	-	958
Intangible assets	14	-	105
Total non-current assets		-	1,063
Total assets		-	96,267
Current liabilities			
Trade and other payables	15	-	51,357
Accrued employee benefits	16	-	787
Other financial liabilities	17	-	10
Other liabilities	18	-	207
Total current liabilities		-	52,361
Non-current liabilities			
Accrued employee benefits	16	-	101
Other financial liabilities	17	-	1,554,525
Other liabilities	18	-	847
Total non-current liabilities		-	1,555,473
Total liabilities		-	1,607,834
Net assets (liabilities)		-	(1,511,567)
Equity			
Retained surplus/(accumulated deficit)		-	(1,511,567)
Total equity		-	(1,511,567)

The accompanying notes form part of these financial statements.

SEQ Water Grid Manager
Statement of changes in equity
For the period 1 July 2012 to 1 January 2013

	Notes	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
Accumulated deficit			
Balance as at 1 July		(1,511,567)	(1,077,762)
Operating result from continuing operations after income tax equivalent		(254,578)	(433,805)
Distribution to Seqwater	22	1,766,145	-
Balance as at end of period		-	(1,511,567)

The accompanying notes form part of these financial statements.

SEQ Water Grid Manager
Statement of cash flows
For the period 1 July 2012 to 1 January 2013

	Notes	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
Cash flows from operating activities			
Inflows:			
User charges		285,841	510,232
Grants and other contributions		11,981	24,829
Interest received		241	759
GST input tax credits received from ATO		45,210	78,869
Outflows:			
Employee expenses		(2,507)	(4,152)
Supplies, services and other		(494,433)	(927,014)
GST remitted to ATO		(1,541)	(3,423)
Other			
Net cash flows provided by/(used in) operating activities	19	(155,208)	(319,900)
Cash flows from investing activities			
Outflows:			
Payment for property, plant and equipment		-	(136)
Net cash flows provided by/(used in) investing activities		-	(136)
Cash flows from financing activities			
Inflows:			
Proceeds from borrowings		168,000	333,808
Net cash flows provided by/(used in) financing activities		168,000	333,808
Net increase (decrease) in cash and cash equivalents		12,792	13,772
Cash and cash equivalents at beginning of period		14,857	1,085
Transfer of cash to Seqwater	22	(27,649)	-
Cash and cash equivalents at end of period	10	-	14,857

The accompanying notes form part of these financial statements.

SEQ Water Grid Manager**Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013****Objectives and principal activities of the SEQ Water Grid Manager**

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Note 15	Trade and other payables
Note 16	Accrued employee benefits
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Note 18	Other liabilities
Note 19	Reconciliation of operating surplus/(deficit) to net cash from operating activities
Note 20	Financial instruments
Note 21	Commitments
Note 22	Schedule of transfer of assets and liabilities to Seqwater

SEQ Water Grid Manager

Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

Objectives and principal activities of the SEQ Water Grid Manager

The SEQ Water Grid Manager's key objective was to manage the operation of the SEQ Water Grid in the most efficient manner; consistent with the *South East Queensland System Operating Plan*, *The Market Rules SEQ Water Market*, and associated legislative and regulatory requirements. The SEQ Water Grid Manager was involved in the purchase of bulk water services and the sale of bulk water.

The SEQ Water Grid Manager managed the strategic operation of the SEQ Water Grid in the most efficient and effective manner consistent with applicable legislation and regulatory instruments. SEQ Water Grid Manager owned the urban water entitlements in South East Queensland, purchased water services from our Grid Services Providers (storage, treatment, transportation and manufactured water) and sold water to our Grid Customers. The SEQ Water Grid Manager did not own infrastructure assets.

On 1 January 2013, in accordance with the *South East Queensland Water (Restructuring) and Other Legislation Amendment Regulation (No.1) 2012* made under the *South East Queensland Water (Restructuring) and other Legislation Amendment Act 2012*, all assets and liabilities of SEQ Water Grid Manager were transferred to Queensland Bulk Water Supply Authority, trading as Seqwater (Seqwater) at their carrying values in accordance with APG 9 *Accounting for Contributions by Owners and Distributions to Owners* as issued by Queensland Treasury and Trade. The value of net liabilities transferred to Seqwater was \$1,766 million (refer to Note 22).

As the result of the above transfer, there are no reported assets and liabilities in the Financial Statements as at 1 January 2013.

1. Summary of significant accounting policies

(a) Reporting entity

The SEQ Water Grid Manager is a not-for-profit Queensland Government statutory body established under the *South East Queensland Water (Restructuring) Act 2007* and became a separate legal entity on 2 May 2008. The SEQ Water Grid Manager is controlled by the State of Queensland which is the ultimate parent.

On 1 January 2013, in accordance with the *South East Queensland Water (Restructuring) and Other Legislation Amendment Regulation (No.1) 2012*, all matters related to the SEQ Water Grid Manager were transferred to the Seqwater, and the SEQ Water Grid Manager was dissolved immediately thereafter.

As a consequence of the above events, these financial statements of SEQ Water Grid Manager have been prepared for the period 1 July 2012 to 1 January 2013. The 2011-12 comparative information is for the period 1 July 2011 – 30 June 2012.

SEQ Water Grid Manager

Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

1. Summary of significant accounting policies (continued)

(b) Statement of compliance

The SEQ Water Grid Manager has prepared these final financial statements in compliance with section 48 of the *Financial and Performance Management Standard 2009*.

The financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with the Queensland Treasurer's Minimum Reporting Requirements, and other authoritative pronouncements.

These financial statements constitute a general purpose financial report. With respect to compliance with Australian Accounting Standards and Interpretations, the SEQ Water Grid Manager has applied those requirements applicable to not-for-profit entities. Except where stated, the historical cost convention is used.

(c) Going concern

In accordance with the provisions of the *South East Queensland Water (Restructuring) and Other Legislation Amendment Regulation (No.1) 2012* (the Regulation), the SEQ Water Grid Manager was dissolved on 1 January 2013. In accordance with the Regulation, all assets and liabilities were transferred to Seqwater at their existing book values at the time of transfer (refer to Note 22). Accordingly, while the SEQ Water Grid Manager is not a going concern, these balances were determined on a basis which is consistent with the going concern basis of preparation. This is considered appropriate as the functions and services provided by the SEQ Water Grid Manager have been transferred to Seqwater.

(d) User charges

User charges and fees controlled by the SEQ Water Grid Manager were recognised as revenue after services were delivered. User charges and fees were controlled by the SEQ Water Grid Manager where they could be deployed for the achievement of the SEQ Water Grid Manager's objectives. User charges shown in these financial statements represent the revenue derived through selling bulk water to South East Queensland local water retailers, Local Government Councils, power stations and other industrial and rural customers.

(e) Grants and other contributions

Grants, contributions, donations and gifts that were non-reciprocal in nature were recognised as revenue in the year in which the SEQ Water Grid Manager obtained control over them. Where grants were received that were reciprocal in nature, revenue was accrued over the term of the funding arrangements.

The SEQ Water Grid Manager received grants from Queensland Treasury and Trade for Competitive Neutrality Fees (CNF) that had been paid by the Grid Service Providers (LinkWater and Seqwater).

(f) Cash and cash equivalents

For the purpose of the Statement of financial position and Statement of cash flows, cash assets include all cash and cheques receipted but not banked as at 1 January 2013 as well as deposits at call with financial institutions.

1. Summary of significant accounting policies (continued)

(g) Trade and other receivables

Trade debtors were recognised at the amounts due at the time of sale or service delivery. Settlement of these amounts is required within 20 business days from invoice date. The collectability of receivables was assessed periodically and a provision has been made for impairment.

(h) Acquisitions of assets

The actual cost of the asset was used for the initial recording of all non-current physical and intangible asset acquisitions. Cost was determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use. Any training costs were expensed as incurred.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, were recognised at fair value at the date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(i) Property, plant and equipment

Items of property, plant and equipment with a cost or equivalent value in excess of \$5,000 were recognised in the year of acquisition. Items with a lesser value were expensed as incurred. Items of property, plant and equipment were measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of replacing part of an item of property, plant and equipment was recognised in the carrying amount of the item if it was probable that future economic benefits embodied within the part would flow to the SEQ Water Grid Manager and could be reliably measured. The cost of day-to-day maintenance of property, plant and equipment was recognised in the statement of comprehensive income as incurred.

(j) Intangibles

Intangible assets with a cost or other value greater than \$100,000 were recognised in the financial statements. Items with a lesser value were expensed as incurred. Each intangible asset was amortised over its estimated useful life to the SEQ Water Grid Manager, less any anticipated residual value. The residual value was zero for all the SEQ Water Grid Manager's intangible assets.

It was determined that there was no active market for any of the SEQ Water Grid Manager's intangible assets. As such, the assets were recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

(k) Amortisation and depreciation of intangibles and property, plant and equipment

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

Intangible assets under construction (work-in-progress) were not amortised until they reached service delivery capacity.

Any expenditure that increased the original assessed capacity of the service potential of an asset was capitalised and the new depreciable amount was depreciated over the remaining useful life of the asset to the SEQ Water Grid Manager.

1. Summary of significant accounting policies (continued)

For each class of depreciable asset the following depreciation and amortisation rates were used:

<i>Class</i>	<i>Rate %</i>
Property plant and equipment	
Computers and communications	33.33
Furniture, fixtures and fittings	15
Leasehold improvements	12-16
Office equipment	30

Amortisation

Amortisation was recognised on a straight-line basis over the estimated useful life of the asset less any anticipated residual value from the date the intangible was available for use. The residual value for the SEQ Water Grid Manager's intangible assets was zero.

<i>Class</i>	<i>Rate %</i>
Intangible assets	
Internally generated software	20

(l) Impairment of non-current assets

All non-current physical and intangible assets were assessed for indicators of impairment on an annual basis. If an indicator of possible impairment existed, the SEQ Water Grid Manager determined the asset's recoverable amount. Any amount by which the asset's carrying amount exceeded the recoverable amount was recorded as an impairment loss.

The asset's recoverable amount was determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss was recognised immediately in the Statement of comprehensive income.

(m) Trade and other payables

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

(n) Financial instruments

Recognition

Financial assets and financial liabilities were recognised in the Statement of financial position when the SEQ Water Grid Manager became party to the contractual provisions of the financial instrument.

Classification

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

Any borrowing costs were added to the carrying amount of the borrowing to the extent they were not settled in the period in which they arose. All interest incurred on the SEQ Water Grid Manager's borrowings was capitalised.

1. Summary of significant accounting policies (continued)

The SEQ Water Grid Manager did not enter into transactions for speculative or hedging purposes.

All disclosures relating to the measurement basis and financial risk management or other financial instruments held by the SEQ Water Grid Manager were included in note 20.

All impairment losses were recognised in the Statement of comprehensive income.

(o) Employee benefits

Wages, salaries, recreation leave and sick leave

Wages, salaries and recreation leave due but unpaid at the reporting date represent present obligations resulting from employees' services and were 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 were a consequence of employing employees, but were not counted in an employee's total remuneration package. They were not employee benefits and were recognised separately as employee related expenses. Employer superannuation contributions, annual leave and long service leave accruals were regarded as employee benefits.

For unpaid entitlements expected to be paid within 12 months, the liabilities were recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities were classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of likely settlement.

Prior history indicates that on average, sick leave taken each reporting period was less than the entitlement accrued. Accordingly, it was unlikely that existing accumulated entitlements would be used by employees and no liability for unused sick leave entitlements was recognised.

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

Long service leave

The SEQ Water Grid Manager provides for long service leave liability for all employees on the following basis:

- employee with 2 years service, long service leave recognised at 10% of the total liability.
- employee with 3 years service, long service leave recognised at 20% of the total liability.
- employee with 4 years service, long service leave recognised at 50% of the total liability.
- employee with 5-7 years service, long service leave recognised at 95% of the total liability.
- employee with greater than 7 years service, long service leave recognised at 100% of the total liability.

The SEQ Water Grid Manager's net obligation in respect of long service leave was the amount of future benefit that employees have earned in return for their service in the current and prior periods.

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

SEQ Water Grid Manager

Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

1. Summary of significant accounting policies (continued)

Superannuation

Employee superannuation contributions were paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Government. Contributions were expensed in the period in which they were paid or payable. The SEQ Water Grid Manager's obligation with regard to employees was limited to its contributions to QSuper.

Board members superannuation contributions were paid to their nominated fund. Contributions were expensed in the period in which they were paid or payable. The SEQ Water Grid Manager's obligation with regard to board members was limited to its contributions to the nominated fund.

Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. Refer to note 4 for the disclosures on key executive management personnel and remuneration.

(p) Finance/borrowing costs

Finance costs were recognised as an expense in the period in which they were incurred. Finance costs include interest on bank overdrafts, finance lease charges and ancillary administration charges.

Borrowing costs were capitalised into the base level of the loan. Borrowing costs include long term borrowings and working capital facilities provided by the Queensland Treasury Corporation.

(q) Insurance

The SEQ Water Grid Manager's non-current physical assets and other risks were insured through the private insurance market with premiums being paid on a risk assessment basis. In addition, the SEQ Water Grid Manager paid premiums to WorkCover Queensland in respect of its obligations for employee compensation and provided Directors' and Officers' insurance to the SEQ Water Grid Manager's board members and officers.

(r) Leases

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

Incentives received on entering into operating leases were recognised as liabilities. Lease payments were allocated between rental expense and reduction of the liability.

(s) Taxation

The SEQ Water Grid Manager paid Fringe Benefits Tax and Goods and Services Tax as required by Commonwealth legislation.

i) Tax equivalents

The Entity made tax equivalent payments on its taxable income to the Queensland Government. These taxation payments were made pursuant to Section 155(4) of the Government Owned Corporations Act 1993. These payments are administered by the Australian Taxation Office (ATO) under the National Tax Equivalent Regime (NTER). The NTER broadly utilises the provisions of the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997* and associated legislation, as well as Rulings and other pronouncements by the ATO, in order to determine the tax payable by the entity. The entity was not required to maintain a franking account.

1. Summary of significant accounting policies (continued)

ii) Income tax equivalent

Income tax expense comprised current and deferred tax. Income tax expense was recognised in profit or loss except to the extent that it related to items directly in equity, in which case it was recognised in equity.

Current tax equivalents was the expected tax equivalents payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment in respect of previous years.

Deferred tax assets and liabilities were recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax was not recognised for temporary differences occurring from the initial recognition of assets or liabilities in a transaction that was not a business combination and that affected neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it was probable that they would not reverse in the foreseeable future. In addition, deferred tax was not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax was measured at the rates that were expected to be applied to temporary differences when they reversed, based on the laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets and liabilities were offset if there was a legally enforceable right to offset current tax liabilities and assets, and they related to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intended to settle current tax liabilities and assets on a net basis or their tax assets and liabilities would be released simultaneously.

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

When the entity had a history of recent losses, the entity recognised a deferred tax asset arising from unused tax losses or tax credits only to the extent that the entity had sufficient taxable temporary differences or there was convincing other evidence that sufficient taxable profit would be available against which the unused tax losses or unused tax credits could be utilised by the entity.

(t) Issuance of financial statements

The financial statements were authorised for issue by the former Chairman of the SEQ Water Grid Manager and Chief Financial Officer of Seqwater at the date of signing the Management Certificate.

(u) Judgements and assumptions

The preparation of the financial statements required management to make judgements and assumptions that affected the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses within the next financial year. Estimates and underlying assumptions were reviewed on an ongoing basis. Revisions to accounting estimates were recognised in the period in which the estimate was revised and in any future period affected.

The SEQ Water Grid Manager has made no judgements or assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities transferred to Seqwater.

SEQ Water Grid Manager**Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013****(v) Rounding and comparatives**

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

(w) New and revised accounting standards

The SEQ Water Grid Manager did not voluntarily change any of its accounting policies during the period 1 July 2012 to 1 January 2013. Australian accounting standard changes applicable for the first time for this period have had minimal effect on the SEQ Water Grid Manager's financial statements, as explained below.

As the SEQ Water Grid Manager has been dissolved and these are the final financial statements, no new or amended standards have been early adopted.

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
2. Other revenue		
Interest	225	241
Other	33	525
Total	258	766
3. Employee expenses		
Employee benefits		
Wages and salaries	1,152	2,942
Annual leave*	76	316
Employer superannuation contributions*	175	383
Long service leave*	(8)	20
Other employee benefits	381	207
Employee related expenses		
Workers' compensation premium*	19	15
Payroll tax*	49	349
Other employee related expenses	7	79
Total	1,851	4,311

*Refer to note 1 (o)

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

	As at 1 Jan 2013	As at 30 Jun 2012
Number of employees:	-	28

The number of employees that transitioned to Seqwater was 18.

SEQ Water Grid Manager

Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

4 . Key executive management personnel and remuneration

(a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the organisation during the reporting period. Further information on these positions can be found in the body of the annual report under the section relating to Corporate Governance.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed (date ceased) in position
Chief Executive Officer	Chief Executive Officer was responsible for managing the organisation's affairs under the <i>South East Queensland Water (Restructuring) Act 2007</i> and other relevant legislation, and the Board's policies.	Common law contract. <i>South East Queensland Water (Restructuring) Act 2007</i> ; State Water Authorities Governance Arrangements for Chief and Senior Executives.	Appointed 3 December 2008. Ceased 31 December 2012.
Director, Risk and Technology	Director, Risk and Technology was responsible for providing strategic leadership to ensure the risk and emergency management and technology goals of the organisation were met.	Common law contract. <i>South East Queensland Water (Restructuring) Act 2007</i> ; State Water Authorities Governance Arrangements for Chief and Senior Executives.	Appointed 5 July 2010. Transferred to Seqwater 1 January 2013.
Director, Operations	Director, Operations was responsible for the planning and management functions of water grid demand and supply, water quality and systems operations.	Common law contract. <i>South East Queensland Water (Restructuring) Act 2007</i> ; State Water Authorities Governance Arrangements for Chief and Senior Executives.	Appointed 5 July 2010. Transferred to Seqwater 1 January 2013.
Director, Communications	Director, SEQ Water Grid Communications was responsible for management of all media and stakeholder relationships on behalf of the SEQ Water Grid entities.	Common law contract. <i>South East Queensland Water (Restructuring) Act 2007</i> ; State Water Authorities Governance Arrangements for Chief and Senior Executives.	Appointed 9 August 2010. Ceased 31 December 2012.
Director, Finance and Corporate Services	Director, Finance and Corporate Services was responsible for the financial management of the organisation and providing corporate services in the areas of knowledge management and human resources.	Common law contract. <i>South East Queensland Water (Restructuring) Act 2007</i> ; State Water Authorities Governance Arrangements for Chief and Senior Executives.	Appointed 1 November 2010. Ceased 31 December 2012.
Director, Governance and Regulatory Compliance	Director, Governance and Regulatory Compliance was responsible for supporting the Board and the organisation to ensure all legal and regulatory compliance obligations were met.	SO3 equivalent.	Appointed 1 November 2010. Ceased 31 December 2012.

(b) Remuneration

Remuneration policy for the agency's key executive management personnel was set by the board of SEQ Water Grid Manager as provided for under the State Water Authorities Governance Arrangements for Chief and Senior Executives. The remuneration and other terms of employment for the key executive management personnel were specified in employment contracts. The contracts provided for the provision of performance-related cash payments and other benefits.

For the period 1 July 2012 to 31 December 2012, remuneration of key executive management personnel increased in accordance with employment contracts.

SEQ Water Grid Manager

Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

4 . Key executive management personnel and remuneration (continued)

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

- Short term employee benefits which include:
 - o Base – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
 - o Non-monetary benefits – consisting of provision of car park together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance payments may be paid or payable annually depending upon satisfaction of key criteria. Performance payments of the key executive management are capped at 15% of total fixed remuneration. The amounts payable are tied to the achievement of pre-determined organisation and individual performance targets as agreed by the board.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

1 July 2012–31 December 2012						
Position	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total
	Salary	Non-Monetary Benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	197	6	8	25	129	365
Director, Operations #	117	6	5	15	0	143
Director, Finance and Corporate Services	108	6	4	13	61	192
Director, Communications	109	6	4	14	55	188
Director, Risk and Technology*#	14	1	8	2	0	25
Director, Governance and Regulatory Compliance	87	6	3	11	43	150
Total	632	31	32	80	288	1,063
1 July 2011–30 June 2012						
Position	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total
	Salary	Non-Monetary Benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Chief Executive Officer	337	12	8	41	0	398
Director, Operations	223	12	5	26	0	266
Director, Finance and Corporate Services	178	12	4	19	0	213
Director, Communications	175	12	4	20	0	211
Director, Risk and Technology*	76	5	2	10	0	93
Director, Governance and Regulatory Compliance	159	12	3	16	0	190
Total	1,148	65	26	132	0	1,371

* Absent on approved leave without pay from 28 December 2011 to 30 November 2012 while on active service in defence force overseas.

Personnel transferred to the employment of Seqwater.

4 . Key executive management personnel and remuneration (continued)

(c) Performance payments

The basis for performance payments paid or payable in the reporting period is set out below:

1 July 2012 to 31 December 2012 performance payments		
Position	Date paid	Basis for payment
Chief Executive Officer	Dec 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets on a pro rata basis for the period. The performance payment paid equated to 6% as compared to the maximum of 7.5% pro rata fixed remuneration payable.
Director, Finance and Corporate Services	Dec 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets on a pro rata basis for the period. The performance payment paid equated to 6% as compared to the maximum of 7.5% pro rata fixed remuneration payable.
Director, Communications	Dec 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets on a pro rata basis for the period. The performance payment paid equated to 6% as compared to the maximum of 7.5% pro rata fixed remuneration payable.
Director, Governance and Regulatory Compliance	Dec 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets on a pro rata basis for the period. The performance payment paid equated to 6.25% as compared to the maximum of 7.5% pro rata fixed remuneration payable.

1 July 2011 to 30 June 2012 performance payments		
Position	Date paid	Basis for payment
Chief Executive Officer	August 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets. The performance payment paid equated to 9.8% as compared to the maximum of 15% total fixed remuneration payable.
Director, Operations	August 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets. The performance payment paid equated to 9.8% as compared to the maximum of total 15% fixed remuneration payable.
Director, Finance and Corporate Services	August 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets. The performance payment paid equated to 11.3% as compared to the maximum of 15% total fixed remuneration payable.
Director, Communications	August 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets. The performance payment paid equated to 9.8% as compared to the maximum of 15% total fixed remuneration payable.
Director, Governance and Regulatory Compliance	August 2012	The cash performance payment was calculated by reference to the weighted achievement of predetermined performance targets. The performance payment paid equated to 11.3% as compared to the maximum of 15% total fixed remuneration payable.

The aggregate performance payments paid to or provided for all key executive management personnel were as follows:

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
Key executive management personnel	56	112

SEQ Water Grid Manager

Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

4. Key executive management personnel and remuneration (continued)

(d) Board members and remuneration

Remuneration of board and board committee members was as follows:

1 July 2012–31 December 2012					
Board members	Position	Directors fees \$'000	Superannuation \$'000	Other \$'000	Total \$'000
Gary Humphrys	Chairman	35	3	-	38
Gordon Jardine	Deputy Chairman	20	2	-	22
David Cunliffe	Director	20	3	2	25
Teresa Dyson	Director	20	-	-	20
Jamie Quinn#	Director	-	-	-	-

1 July 2011–30 June 2012					
Board members	Position	Directors fees \$'000	Superannuation \$'000	Other \$'000	Total \$'000
Gary Humphrys	Chairman	70	6	-	76
Gordon Jardine	Deputy Chairman	40	3	-	43
David Cunliffe	Director	40	5	5*	50
Teresa Dyson	Director	40	-	-	40
Jamie Quinn	Director	40	5	1	46

* Other remuneration relates to air travel to attend board meetings.

Jamie Quinn resigned as a Member of the Board in July 2012.

In accordance with the *South East Queensland Water (Restructuring) and Other Legislation Amendment Regulation (No.1) 2012*, the SEQ Water Grid Manager was dissolved on 1 January 2013 and the board members ceased to hold office.

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
5. Supplies and services		
Water services purchases*	471,297	876,929
Consultants and contractors	459	3,410
Service providers	458	922
Travel and accommodation	4	17
Supplies and consumables	4	922
Other	215	363
Total	472,437	882,563

*Under the *South East Queensland Water (Restructuring) Act 2007*, the SEQ Water Grid Manager was responsible for the efficient operation of the SEQ Water Grid. In undertaking these duties, the SEQ Water Grid Manager contracted with other State Government water entities for the storage, treatment, transportation and manufacture of water.

6. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

Property, plant and equipment	27	43
Leasehold improvements	92	184
Internally generated software	48	96
Total	167	323

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
7. Finance/borrowing costs		
Interest	46,365	76,193
Administration charges	829	1,301
Total	47,194	77,494
8. Other expenses		
External audit fees*	41	42
Internal audit fees	-	90
Insurance	526	232
Board expenses	107	266
Receivables impairment expense/(recovery)	219	(4)
Loss on disposal of assets	-	2
Total	893	628

*Total external audit fees relating to the period were estimated to be \$48,000 (2012: \$28,000). There were no non-audit services included in this amount.

9. Income tax equivalent

Current tax expense

Current period	-	-
Adjustment for prior periods	-	-

Deferred tax expense

Origination and reversal of temporary differences		
Reduction in tax rate	-	-
Change in unrecognised deductible temporary differences	-	-
Recognition of previously unrecognised tax losses	-	-
Total income tax expense	-	-

Numerical reconciliation between tax expense and pre-tax operating result:

Operating result before income tax equivalent	(254,578)	(433,805)
Prima facie income tax effect using tax rate of 30% (2012: 30%)	(76,373)	(130,141)
Tax effect of current year tax losses for which no deferred tax asset was recognised	76,373	130,141
Under/(over) provided in prior periods	-	-
Total	-	-

SEQ Water Grid Manager
Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
9. Income tax equivalent (continued)		
Deferred tax liabilities:		
Taxable temporary differences	1,848	1,870
Offset of deferred tax assets	(1,848)	(1,870)
Total	-	-
Deferred tax assets:		
Deductible temporary differences	498	517
Tax effect of current year tax losses	531,223	454,852
Offset of deferred tax liabilities	(1,848)	(1,870)
Total	529,873	453,499

	Assets		Liabilities		Net	
	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
Accruals	9	8	-	-	9	8
Accrued Income	-	-	(12)	(7)	(12)	(7)
Intangibles	-	-	-	-	-	-
Lease Asset/Liability	226	253	(226)	(253)	-	-
Prepayments	-	-	-	-	-	-
Provisions	206	198	-	-	206	198
Fixed Assets	57	58	-	-	57	58
Grants Receivable	-	-	(1,610)	(1,610)	(1,610)	(1,610)
Tax Losses	531,223	454,852	-	-	531,223	454,852
	531,721	455,369	(1,848)	(1,870)	529,873	453,499
Set-off of tax	(1,848)	(1,870)	1,848	1,870	-	-
Deferred tax asset not recognised	529,873	453,499	-	-	529,873	453,499
Net tax assets/(liabilities)	-	-	-	-	-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these because it is not probable that future taxable profit will be available against which the SEQ Water Grid Manager can utilise the benefits therefrom. The aggregate amount of deferred tax assets not recognised at 1 January 2013 was \$529,873,000 (2012: \$453,499,000).

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
10. Cash and cash equivalents		
Imprest accounts	-	1
Cash at bank	-	14,856
Total	-	14,857
Cash held during the period earned between 2.85% and 3.35%.		
11. Trade and other receivables		
Trade debtors	-	67,531
Less: allowance for impairment loss	-	-
	-	67,531
GST receivable	-	7,333
Interest receivable	-	24
Grants receivable	-	5,368
Total	-	80,256
Movements in the allowance for impairment loss		
Balance at 1 July	-	18
Amounts written off during the year	-	(14)
Amounts recovered during the year	-	(4)
Increase/decrease in allowance recognised in the operating result	-	-
Balance at end of period	-	-
12. Other current assets		
Prepayments	-	91
Total	-	91

1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
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13. Property, plant and equipment

Plant and equipment at cost	-	1,516
Less: accumulated depreciation	-	(558)
Total	-	958

2013 Property, plant and equipment reconciliation			
	Plant and equipment	Leasehold improvement	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2012	113	845	958
Acquisitions	-	-	-
Disposals	-	-	-
Depreciation	(27)	(92)	(119)
Transferred to Seqwater	(86)	(753)	(839)
Carrying amount at 1 January 2013	-	-	-

2012 Property, plant and equipment reconciliation			
	Plant and equipment	Leasehold improvement	Total
	\$'000	\$'000	\$'000
Carrying amount at 1 July 2011	21	1,028	1,049
Acquisitions	137	-	137
Disposals	(2)	-	(2)
Depreciation	(43)	(183)	(226)
Carrying amount at 30 June 2012	113	845	958

SEQ Water Grid Manager

Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
14. Intangible assets		
Internally generated software at cost	-	445
Less: accumulated amortisation	-	(340)
Total	-	105

The SEQ Water Grid Manager developed a contracts and settlements system to assist in the management of its Grid Contracts. This system was developed in-house and the costs associated with the development of the system were capitalised and were reported as an intangible asset. This system was in use since August 2008 and has been amortised during the current period. This asset was amortised on a straight-line basis over the period of expected benefit to the SEQ Water Grid Manager and its successor entity Seqwater, namely five years.

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

The water entitlements received by the SEQ Water Grid Manager on 1 July 2008 represented an intangible asset under the requirements of AASB 138 *Intangible Assets*. The restructure of water arrangements in South East Queensland resulted in the transfer of the water entitlements from existing holders to the SEQ Water Grid Manager on 1 July 2008 which represented a contribution under the requirements of AASB 1004 *Contributions*. AASB 1004 requires a contribution to be recognised by a not-for-profit entity as income at the fair value of the contribution received or receivable. The water entitlements have a fair value of nil.

Intangible asset reconciliation

Internally generated software		
Carrying amount at 1 July 2012	105	201
Amortisation	(48)	(96)
Transferred to Seqwater	(57)	-
Carrying amount at 1 January 2013	-	105

SEQ Water Grid Manager

Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
15. Trade and other payables		
Trade creditors	-	51,374
GST payable	-	(17)
Total	-	51,357
16. Accrued employee benefits		
Current		
Salaries	-	229
Annual leave	-	349
Long service leave	-	209
Total	-	787
Non-current		
Long service leave	-	101
Total	-	101
17. Other financial liabilities		
Current		
Security deposit	-	10
Total	-	10
Non-current		
Queensland Treasury Corporation borrowings	-	1,554,525
Total	-	1,554,525

No assets have been pledged as security for any liabilities.

A working capital facility and a long-term debt facility were established with the Queensland Treasury Corporation. The working capital facility of \$70 million (2012: \$70 million) was available during the year along with a long-term debt facility of \$438 million (2012: \$501 million) for the period to meet the operating costs of the SEQ Water Grid Manager.

All borrowings are denominated in Australian dollars and carried at amortised cost.

Pursuant to section 21 of the *Statutory Bodies Financial Arrangements Act 1982*, debt raised by the SEQ Water Grid Manager through Queensland Treasury Corporation in accordance with the approval granted under that Act obtained the benefit of a State guarantee.

SEQ Water Grid Manager**Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013****17. Other financial liabilities (continued)**

The working capital facility interest rate applied during the period was 3.05% to 3.6% (2012: 3.55% to 4.8%). The fair value of the SEQ Water Grid Manager's borrowings at 31 December 2012, as notified by the Queensland Treasury Corporation, was \$1,944,304,236 (2012: \$1,702,974,799). The Queensland Treasurer approved a borrowing allocation of \$438 million for the SEQ Water Grid Manager under the 2012–13 State Borrowing Program. The fair value of the borrowings was transferred to Seqwater on 1 January 2013.

	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
18. Other liabilities		
Current		
Leasehold improvement	-	184
Lease incentive	-	23
Total	-	207
Non-current		
Leasehold improvement	-	661
Lease incentive	-	186
Total	-	847

19. Reconciliation of operating deficit to net cash from operating activities

Operating loss	(254,578)	(433,805)
Depreciation and amortisation expense	167	323
Lease incentive received/(expensed)	(9)	(10)
Leasehold improvement expensed	(77)	(184)
Queensland Treasury Corporation loan interest and borrowing expense (capitalised)	47,024	77,494
Change in assets and liabilities:		
(Increase)/decrease in trade debtors	28,575	257
(Increase)/decrease in GST input tax credits receivable	370	(2,431)
(Increase)/decrease in interest receivable	(17)	(6)
(Increase)/decrease in grant receivable	-	648
(Increase)/decrease in prepayments/other	(80)	(42)
Increase/(decrease) in trade creditors	23,869	37,731
Increase/(decrease) in accrued employee benefits	(469)	202
Increase/(decrease) in GST payable	17	(77)
Increase/(decrease) in other payables	-	-
Net cash outflow operating activities	(155,208)	(319,900)

20. Financial instruments**(a) Categorisation of financial instruments**

The SEQ Water Grid Manager has the following categories of financial assets and financial liabilities:

Category	Notes	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
Financial assets			
Cash and cash equivalents	10	-	14,857
Trade and other receivables	11	-	80,256
Other current assets	12	-	91
Total		-	95,204
Financial liabilities			
Trade and other payables	15	-	51,357
Other financial liabilities	17	-	1,554,535
Other liabilities	18	-	1,054
Total		-	1,606,946

(b) Financial risk management

The SEQ Water Grid Manager's activities exposed it to financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk was managed pursuant to Government and the SEQ Water Grid Manager's financial policies. These policies sought to minimise potential adverse effects on the financial performance of the SEQ Water Grid Manager.

All financial risk was managed by the Chief Executive Officer under policies approved by the board.

The SEQ Water Grid Manager measured risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Maturity analysis
Market risk	Interest rate sensitivity analysis

(c) Credit risk exposure

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

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

On 1 January 2013, all financial assets were transferred to Seqwater and the SEQ Water Grid Manager's exposure to credit risk was nil.

20. Financial instruments (continued)

Maximum exposure to credit risk

Category	Notes	1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
Financial assets			
Cash and cash equivalents	10	-	14,857
Trade and other receivables	11	-	80,256
Other current assets	12	-	91
Total		-	95,204

No collateral is held as security and no credit enhancements relate to financial assets held by the SEQ Water Grid Manager.

No financial assets or financial liabilities have been offset and presented net in the statement of financial position.

The method for calculating any provisional impairment for risk was based on past experience, current and expected changes in economic conditions and changes in client credit ratings. There was no impairment loss to be recognised for the period.

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

Ageing of past due but not impaired financial assets are disclosed in the following table:

1 January 2013 financial assets due but not impaired**Contractual repricing/maturity date**

	Not overdue	Less than 30 days	30 – 60 days	61 – 90 days	More than 90 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Trade and other receivables	-	-	-	-	-	-
Total	-	-	-	-	-	-

30 June 2012 financial assets due but not impaired**Contractual repricing/maturity date**

	Not overdue	Less than 30 days	30 – 60 days	61 – 90 days	More than 90 days	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Trade and other receivables	50,826	29,211	-	-	219	80,256
Total	50,826	29,211	-	-	219	80,256

20. Financial instruments (continued)**(d) Liquidity risk**

Liquidity risk refers to the situation where the SEQ Water Grid Manager encountered difficulty in meeting obligations associated with financial liabilities.

The SEQ Water Grid Manager was exposed to liquidity risk in respect of its payables and borrowings from the Queensland Treasury Corporation for operational funding. Borrowings were accessed through a Queensland Treasury Corporation Client Specific Pool Facility and Working Capital Facility.

The SEQ Water Grid Manager managed its liquidity risk through the use of a liquidity management strategy. This strategy aimed to reduce the exposure to liquidity risk by ensuring the SEQ Water Grid Manager had sufficient funds available to meet employee and supplier obligations as they fell due. This was achieved by ensuring appropriate levels of cash were held in the bank account so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the SEQ Water Grid Manager. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

On 1 January 2013, all financial liabilities were transferred to Seqwater and the SEQ Water Grid Manager's exposure to liquidity risk was nil.

Financial liabilities	Notes	1 January 2013 Payable in			Total
		< 1 year	1 – 5 years	> 5 years	
		\$'000	\$'000	\$'000	\$'000
Trade and other payables	15	-	-	-	-
Queensland Treasury Corporation borrowings					
Client specific pool*	17	-	-	-	-
Working capital	17	-	-	-	-
Other liabilities	18	-	-	-	-
Total		-	-	-	-

Financial liabilities	Notes	30 June 2012 Payable in			Total
		< 1 year	1 – 5 years	> 5 years	
		\$'000	\$'000	\$'000	\$'000
Trade and other payables	15	51,357	-	-	51,357
Queensland Treasury Corporation borrowings					
Client specific pool*	17	-	-	2,084,443	2,084,443
Working capital	17	-	-	-	-
Other liabilities	18	207	847	-	1,054
Total		51,564	847	2,084,443	2,136,854

*Contractual undiscounted cashflows on Queensland Treasury Corporation borrowings. No repayments have been being made on this debt and all interest was capitalised. The weighted average borrowings rate for Queensland Treasury Corporation borrowings was 5.66% (2012: 5.86%).

20. Financial instruments (continued)**(e) Market risk**

The SEQ Water Grid Manager did not trade in foreign currency and was not materially exposed to commodity price changes. The SEQ Water Grid Manager was exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation and cash deposited in an interest bearing account. The SEQ Water Grid Manager did not undertake any hedging in relation to interest rate risk and managed its risk as per the liquidity management strategy.

Interest rate sensitivity analysis

The following interest rate sensitivity analysis depicts the outcome to profit and loss if interest rates had changed by +/- 1 per cent from the year-end rates applicable to the SEQ Water Grid Manager's financial assets and liabilities. With all other variables held constant, the SEQ Water Grid Manager would have had a deficit and equity increase/(decrease) of nil (2012: \$651,000). This is mainly attributable to the SEQ Water Grid Manager's exposure to variable interest rates on its borrowings from the Queensland Treasury Corporation.

On 1 January 2013, all financial instruments were transferred to Seqwater and the SEQ Water Grid Manager's exposure to interest rate risk was nil.

Financial instruments	Carrying amount	1 January 2013 Interest rate risk			
		-1%		+1%	
		Deficit	Equity	Deficit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	-	-	-
Queensland Treasury Corporation borrowings					
Client specific pool*	-	-	-	-	-
Working capital	-	-	-	-	-
Overall effect	-	-	-	-	-

Financial instruments	Carrying amount	30 June 2012 Interest rate risk			
		-1%		+1%	
		Deficit	Equity	Deficit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	14,857	149	149	(149)	(149)
Queensland Treasury Corporation borrowings					
Client specific pool*	1,554,525	(670)	(670)	670	670
Working capital	-	-	-	-	-
Overall effect		(521)	(521)	521	521

*The results of this sensitivity analysis are based on a portfolio modified duration of five years. The analysis has been performed on a net debt basis. The increase/decrease in interest cost is the result of periodic rebalancing over the year.

20. Financial instruments (continued)**(f) Fair value**

The fair value of monetary financial assets and financial liabilities, other than borrowings, is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of trade receivables and payables is assumed to approximate their nominal value less estimated credit adjustments.

The carrying amounts of all financial assets and financial liabilities, except the borrowings from the Queensland Treasury Corporation are representative of their fair value.

The fair value of borrowings is determined by reference to published price quotations in an active market and reflects the value of the debt if the SEQ Water Grid Manager repaid it in full at balance date. It is calculated using discounted cash flow analysis and the effective interest rate and is disclosed below.

On 1 January 2013, all financial liabilities were transferred to Seqwater and the fair value of SEQ Water Grid Manager's financial liabilities was nil.

Financial liabilities	1 January 2013		30 June 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Financial liabilities at amortised cost:				
Queensland Treasury Corporation borrowings				
Client specific pool*	-	-	1,554,525	1,702,975
Working capital	-	-	-	-
Total	-	-	1,554,525	1,702,975

*The book value of Queensland Treasury Corporation borrowings as at 31 December 2012 before transfer to Seqwater was \$1,769,549,207 (30 June 2012: \$1,554,525,049). The fair value of borrowings as at 31 December 2012 before transfer to Seqwater was \$1,944,304,236 (30 June 2012: \$1,702,974,799) as advised by the Queensland Treasury Corporation. The fair value represents the true value of a debt at a relevant time and hence the repayment amount that would be required at that time to extinguish the debt.

1 July 2012 to 1 January 2013 (six months) \$'000	1 July 2011 to 30 June 2012 (12 months) \$'000
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21. Commitments**Non-cancellable operating lease**

Commitments under operating leases at the reporting date were inclusive of anticipated GST and were payable as follows:

Not later than one year	-	806
Later than one year and not later than five years	-	3,157
Later than five years	-	-
Total	-	3,963

Operating leases entered into as a means of acquiring access to office accommodation. Lease payments were generally fixed, but with inflation escalation clauses on which contingent rentals were determined. The existing lease was transferred to Seqwater on 1 January 2013.

Contractual commitments

The SEQ Water Grid Manager had in place Grid Contracts with other State Government water entities for the provision of storage, treatment, transportation and manufacture of water. The SEQ Water Grid Manager was required to pay for services provided under these contracts for charges on capital assets, fixed operating costs, fixed corporate costs, variable operating costs and other allowable costs.

All existing contracts were transferred to Seqwater on 1 January 2013.

SEQ Water Grid Manager**Notes to and forming part of the financial statements for the period 1 July 2012 to 1 January 2013****22. Schedule of transfer of assets and liabilities to Seqwater**

As detailed in Note 1 (a), pursuant to the *South East Queensland Water (Restructuring) and Other Legislation Amendment Regulation (No.1) 2012*, the SEQ Water Grid Manager has been dissolved and all its assets and liabilities have been transferred to Seqwater on 1 January 2013.

On 1 January 2013, the value of the assets and liabilities that was transferred to Seqwater as follows:

	Balance as at 31 December 2012 \$'000	Amount transferred to Seqwater \$'000	Balance as at 1 January 2013 \$'000
Assets			
Cash and cash equivalents	27,649	27,649	-
Trade and other receivables	51,328	51,328	-
Other current assets	171	171	-
Property, plant and equipment	839	839	-
Intangible assets	57	57	-
Total assets	80,044	80,044	-
Liabilities			
Trade and other payables	75,243	75,243	-
Accrued employee benefits	419	419	-
Other financial liabilities	1,769,559	1,769,559	-
Other liabilities	968	968	-
Total liabilities	1,846,189	1,846,189	-
Net liabilities	1,766,145	1,766,145	-

The above transfer of net liabilities has been effected via the following entry within the Statement of Changes in Equity:

	\$'000
Distribution of accumulated deficit to Seqwater	1,766,145

The transfer of assets and liabilities above are made in accordance with the requirements of Queensland Treasury and Trade's *APG 9 Accounting for Contributions by Owners and Distribution to Owners* and the principles embodied in *interpretation 1038 Contribution by Owners Made to Wholly-Owned Public Sector Entities*.

Management certificate of the SEQ Water Grid Manager

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

- (a) The prescribed requirements for establishing and keeping the accounts have been complied with in all material respects.
- (b) The final financial statements have been drawn up to present a true and fair view, in accordance with prescribed Accounting Standards, of the transactions of the SEQ Water Grid Manager for the period 1 July 2012 to 1 January 2013 and the financial position of the SEQ Water Grid Manager as at 1 January 2013.



Peter Scott
Chief Financial Officer
Queensland Bulk Water Supply Authority*

Date

25 March 2013



Gary Humphrys
Former Chairman
SEQ Water Grid Manager

Date

27/3/2013.

*The Chief Financial Officer of the Queensland Bulk Water Supply Authority has been approved by the Treasurer to certify the final financial report of the former SEQ Water Grid Manager in accordance with section 48(4) of the *Financial and Performance Management Standard 2009* in the capacity of former responsible person.

INDEPENDENT AUDITOR'S REPORT

To the former Minister of SEQ Water Grid Manager

Report on the Final Financial Report

I have audited the accompanying final financial report of the former SEQ Water Grid Manager, which comprises the statements of financial position as at 1 January 2013, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the final period then ended, notes comprising a summary of significant accounting policies and other explanatory information given by the former Chairman and Chief Financial Officer, Queensland Bulk Water Supply Authority in the capacity of former responsible person as approved by the Treasurer in accordance with section 48(4) of the Financial and Performance Management Standard 2009.

The Former Board's Responsibility for the Final Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the final financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the former SEQ Water Grid Manager for the final period 1 July 2012 to 1 January 2013 and of the financial position as at the end of that final period.

Emphasis of Matter – Dissolution of SEQ Water Grid Manager

Without modifying my opinion, attention is drawn to Notes 1(a), 1(c) and 22 in the final financial report which identify that pursuant to the *South East Queensland Water (Restructuring) and Other Legislation Amendment Regulation (No. 1) 2012*, the former SEQ Water Grid Manager was dissolved on 1 January 2013. Assets and liabilities of the former SEQ Water Grid Manager were transferred to the Queensland Bulk Water Supply Authority immediately before the dissolution of SEQ Water Grid Manager on 1 January 2013, at their existing book values. These balances were determined on a basis that is consistent with a going concern basis.

Other Matters – Electronic Presentation of the Audited Financial Report

This auditor's report relates to the final financial report of the SEQ Water Grid Manager for the period ended 1 January 2013. Where the final financial report is included on a website, the relevant agency is responsible for the integrity of the website and I have not been engaged to report on the integrity of the website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report. These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



N GEORGE CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

