



ENRICHING QUALITY OF LIFE

2017/18 ANNUAL REPORT



OUR PURPOSE

Enrich quality of life

OUR VISION

**We will be recognised
for excellence in water
and sewerage services
that meet the evolving
needs of our customers and
enhance our communities**



OUR VALUES

PARTICIPATION

Activate. Collaborate. Accelerate.

CUSTOMERS AND COMMUNITY

Listen. Understand. Respond.

ACCOUNTABILITY

See it. Own it. Solve it.

SAFETY

Everyone. Everywhere. Every day.

DELIVER VALUE

Define it. Create it. Deliver it.

CREATIVITY

Initiate. Create. Inspire.



WELCOME

We are pleased to present Queensland Urban Utilities' Annual Report for 2017/18.

It details our performance between 1 July 2017 and 30 June 2018 and documents our progress against the outcomes specified in our *2017-22 Corporate Plan* and *2017/18 Master Plan*.

Our integrated corporate reporting approach means we are able to bring together material information about our operating environment, business strategy, governance, and financial and non-financial performance to demonstrate how we deliver value for our customers and shareholders.

This report has been prepared in accordance with the *Annual report requirements for Queensland Government agencies*, issued by the Queensland Government in May 2018.

The letter of compliance and the compliance checklist can be found on pages 184 and 185.

READERSHIP

The annual report is intended to provide important information to a broad range of stakeholders including: our customers, current and future employees, our shareholders, government departments and agencies, non-government organisations, and our partners.

ACCESSING THIS REPORT

This report is available on our website:
[urbanutilities.com.au/about-us/
corporateinformation/performance-reports](http://urbanutilities.com.au/about-us/corporateinformation/performance-reports)

INTERPRETER SERVICE STATEMENT

We are committed to providing accessible services to our customers and stakeholders from culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, please contact us on 13 14 50 and we will arrange an interpreter to communicate the report to you effectively.



当您需口译员时，请致电 13 14 50。

اتصل على الرقم 13 14 50 عندما تكون بحاجة إلى مترجم فوري.

Khi bạn cần thông ngôn, xin gọi số 13 14 50

통역사가 필요하시면 13 14 50 으로 연락하십시오

Cuando necesite un intérprete llame al 13 14 50

TELL US WHAT YOU THINK ABOUT THIS REPORT

Visit us at our Head Office:

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Fortitude Valley QLD 4006
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Phone us on:

13 26 57 (7am – 7pm weekdays)

Email us at:

customerservice@urbanutilities.com.au

ISSN: 1838-5575



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ACKNOWLEDGEMENT

We acknowledge the Traditional Owners of the lands on which we operate and recognise their continuing connection to land, waters and community. We pay our respects to them and their cultures, and to elders both past and present.

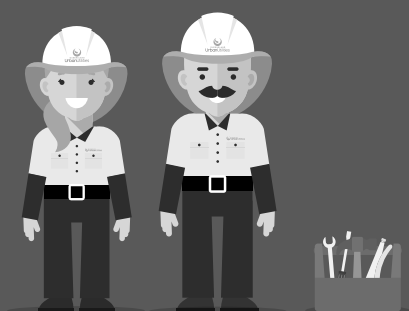


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CHAPTER 1: ABOUT US

There's more to providing quality water and sewerage services than you might think.



On 1 July 2010, the Central SEQ Distributor-Retailer Authority, trading as Queensland Urban Utilities, was established as a statutory body under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* and a service provider under the *Water Supply (Safety and Reliability) Act 2008*.

Our shareholders are the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset, and we are governed by an independent Board (see page 99). We operate in a unique environment where we serve the same customers and communities as our shareholders.

We are responsible for delivering drinking water, recycled water and sewerage services to over 1.4 million customers in South East Queensland.

We deliver these services via our \$5.6 billion infrastructure network, the components of which can be seen on page 59.

To enable our core services, we undertake a number of related functions, including:

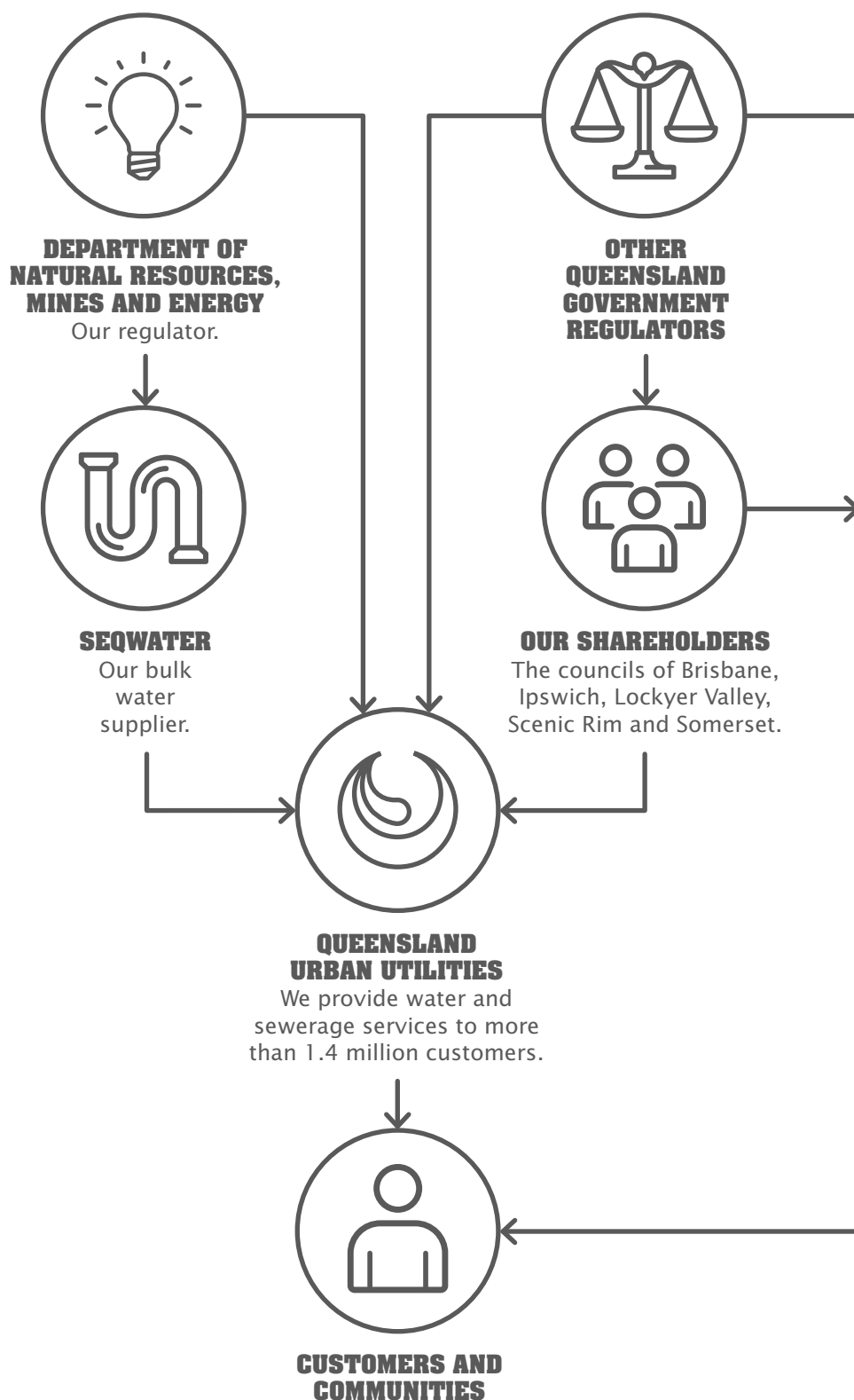
- asset planning and management,
- water meter management,
- development assessments and approvals,
- waste management (including trade waste), and
- research and development.

We also operate the Scientific Analytical Services Laboratory, which is responsible for providing water sampling services and chemical and microbiological analysis to a range of industries.

A snapshot of our business can be seen on page 14.

OUR KEY PARTNERS

Our key partners in the South East Queensland water and sewerage industry are shown below.



OUR PROUD HISTORY

1863



The *Brisbane Water Works Act* was introduced to bring order and improvement to the quality of South East Queensland's metropolitan water supply.

1866



The Enoggera Dam was constructed – the foundation of Brisbane's first safe water supply scheme.

1878



Ipswich Municipal Council became the first council in the state to manage a government-built water supply.

1890



Construction began on the Mount Crosby pumping station, reservoir, and pipeline. This was an important step to help solve Brisbane's limited water supply problem.

1920



Sewering of the Brisbane metropolitan district commenced – the first sewer system with true environmental credentials.

1922

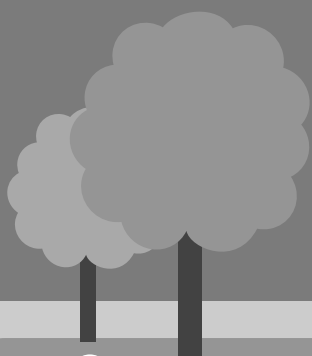


Ipswich City Council began purchasing bulk water from the Mount Crosby scheme.

1928



The Metropolitan Water Supply and Sewerage Board was dissolved and the water supply system was transferred to Brisbane City Council.



1930



Water services were established in the Lockyer Valley, Scenic Rim and Somerset.

Sewering commenced in Ipswich CBD.

1959



Construction of Somerset Dam was completed.

1984



Construction of Wivenhoe Dam was completed.

1990



Brisbane City Council introduced its first integrated data and telemetry system to control all of its water and sewerage assets via computer.

2000



South East Queensland endured its worst drought in recorded history.

2010



The water and sewerage business units of five councils were amalgamated and Queensland Urban Utilities was formed.

2014



Distributor-retailers in South-East Queensland became responsible for the connection, disconnection and alteration to water and sewerage networks.

NOW AND INTO THE FUTURE

The water and sewerage industry will continue to innovate and enrich quality of life.



WHERE WE OPERATE

Our 14,384km² geographic area is made up of five local government areas: Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset.





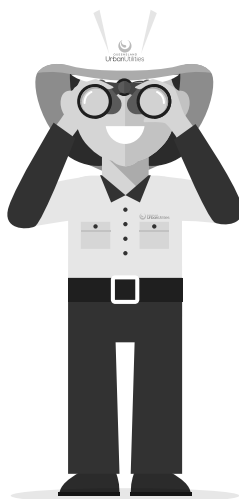
OUR STRATEGIC DIRECTION

As detailed in our *2017-22 Corporate Plan*, our strategic direction outlines where we want to be and how we plan to get there.



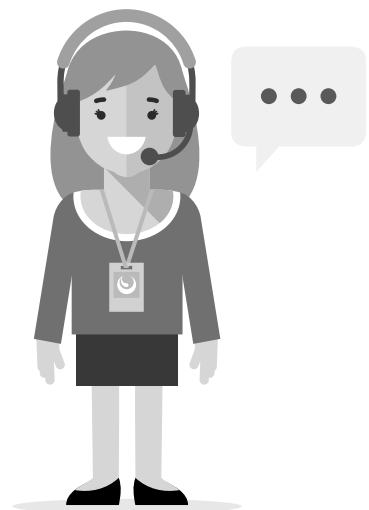
OUR PURPOSE

Enrich quality of life.



OUR VISION

We will be recognised for our excellence in water and sewerage services that meet the evolving needs of our customers and enhance our communities.



OUR STRATEGIC PILLARS

Our strategic pillars enable us to focus our day-to-day activities and strategic priorities to ensure we are on track to achieve our purpose and vision.

Pillar 1: Customers and Communities

We are easy to deal with, understand our customers and communities, and deliver services that meet their evolving needs.

Pillar 2: Shareholders and Strategic Stakeholders

We partner with our shareholders and strategic stakeholders to achieve mutually beneficial outcomes for our shared customers and communities.

Pillar 3: Operational Excellence

Through innovation and a constant drive to work more effectively and efficiently, we provide services that meet the evolving needs of our customers and communities.

Pillar 4: People

We are safe, adaptable and capable, and committed to living our values and achieving our purpose and vision.

OUR VALUES

**Our values are the foundation of how we work.
To achieve our purpose and vision, we must
embrace our values in all that we do.**



PARTICIPATION

Activate. Collaborate. Accelerate.



ACCOUNTABILITY

See it. Own it. Solve it.



DELIVER VALUE

Define it. Create it. Deliver it.



CUSTOMERS & COMMUNITY

Listen. Understand. Respond.



SAFETY

Everyone. Everywhere. Every day.



CREATIVITY

Initiate. Create. Inspire.

A SNAPSHOT OF OUR BUSINESS IN 2017/18

1.4 MILLION
CUSTOMERS

128,200ML OF DRINKING
WATER SUPPLIED

125,300ML OF
SEWAGE COLLECTED,
TRANSPORTED AND
TREATED

9,700ML OF RECYCLED
WATER SUPPLIED



1,020
EMPLOYEES

\$5.6 BILLION
ASSET BASE

9,391 KM OF
WATER MAINS

9,594 KM OF
SEWERAGE MAINS

**15,000 NEW WATER
CONNECTIONS**

**523,000 UNIQUE
WEBSITE USERS**

**245,000 PHONE CALLS
ANSWERED**

**22,000 FOLLOWERS ON
SOCIAL MEDIA**



**2 MILLION WATER
METER READINGS**

**114,000 DRINKING
WATER QUALITY TESTS**

**2,950 DEVELOPMENT
APPLICATIONS PROCESSED**

**13,400MWH ENERGY
GENERATED FROM WASTE**

CHAPTER 2: YEAR IN REVIEW

This year, we achieved a number of impressive milestones, but not without facing a handful of challenges.



Our commitment to building an innovative, sustainable and customer-centric business is evident in our performance results for the year ending 30 June 2018. It was a productive year, and we are proud to have achieved the majority of our goals listed in our *2017-22 Corporate Plan*.

This chapter provides an overview of the year that was and includes a snapshot of our performance against our four strategic pillars – each showing some of our achievements and challenges, and whether we achieved our strategic success measures.

It also contains a list of our state, national and global accolades, an easy-to-understand breakdown of our financial activity, an outline of our busy events calendar, and messages from our Chairman and Chief Executive Officer.

For more detailed information on our performance against our strategic direction, refer to Chapter 3 (page 28). Also in Chapter 3 is an explanation of our strategic success measures and how they are measured.

For an in-depth look at our 2017/18 financial performance, see Chapter 5 (page 118).



AWARDS AND RECOGNITION

WINNER

2018 Australasian Reporting Awards

Gold Award for our 2016/17 Annual Report

2017 University of Queensland Partners in Research Excellence Awards

Outstanding research achievements and industry partnership with the University of Queensland's Advanced Water Management Centre

2017 WaterAid Water Innovators Challenge

Best Community Approach – Asia Pacific

2017 PRIA Golden Target Awards

Queensland – Best Experiential Campaign for our poo-powered car

2017 Australian Water Association (Queensland) Awards

Water Professional of the Year: Colin Hester (Manager Commercial Water & Trade Waste)

2018 Mumbrella CommsCon Awards

National PR Professional of the Year (In-house): Michelle Cull (Public Relations and Media Manager)

FINALIST

2018 International Water Association Awards

Project Innovation Award for our Innovation Precinct

2018 Australasian Reporting Awards

Report of the Year for our 2016/17 Annual Report

2017 Australian Water Association (Queensland) Awards

Program Innovation Award for our poo-powered car

Student Water Prize Award: Raymond Cheung

HIGHLY COMMENDED

2017 PRIA Golden Target Awards

Queensland – Best Integrated Marketing & Communications Campaign for our Don't Flush That campaign

2017 IAP2 Core Values Awards Australasia

Organisation of the Year

PERFORMANCE SNAPSHOT



PILLAR 1: CUSTOMERS AND COMMUNITIES (PAGES 30-45)

HIGHLIGHTS

- Customer awareness of sewerage services
- Water hackathon
- Educational school performances
- History preservation
- Home visits for hardship customers
- Customer commendations
- Customer Engagement Plan

CHALLENGES

- Take-up of leak-related products

SUCCESS MEASURES

Brand index	Achieved ✓
Customer experience	Not achieved ✗
First call resolution	Achieved ✓
Water services reliability	Achieved ✓
Sewerage services reliability	Achieved ✓



PILLAR 2: SHAREHOLDERS AND STRATEGIC STAKEHOLDERS (PAGES 46-57)

HIGHLIGHTS

- International delegations
- Nutrient offsets
- International research and development collaboration

CHALLENGES

- Odour minimisation trials
- Drought preparedness

SUCCESS MEASURES

Shareholder satisfaction	Achieved ✓
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PILLAR 3: OPERATIONAL EXCELLENCE (PAGES 58-73)

HIGHLIGHTS

- Infrastructure investment
- Generation of renewable energy
- ICT system enhancements
- Catering for population growth
- Innovative sewage treatment processes

CHALLENGES

- Water quality incidents

SUCCESS MEASURES

Operating cost	Achieved ✓
Return on assets	Achieved ✓
Capital Infrastructure Program delivery	Achieved ✓
Greenhouse gas emissions	Achieved ✓
Water quality incidents	Not achieved ✗
R&D investment	Achieved ✓



PILLAR 4: PEOPLE (PAGES 74-95)

HIGHLIGHTS

- Diversity and inclusion
- Leadership development
- Engineering Graduate Program
- Mentor program
- Health and fitness for work
- Safety mindset
- Development of young professionals

CHALLENGES

- Total and lost time injuries
- Employee Effectiveness Survey results
- Enterprise Agreement negotiations

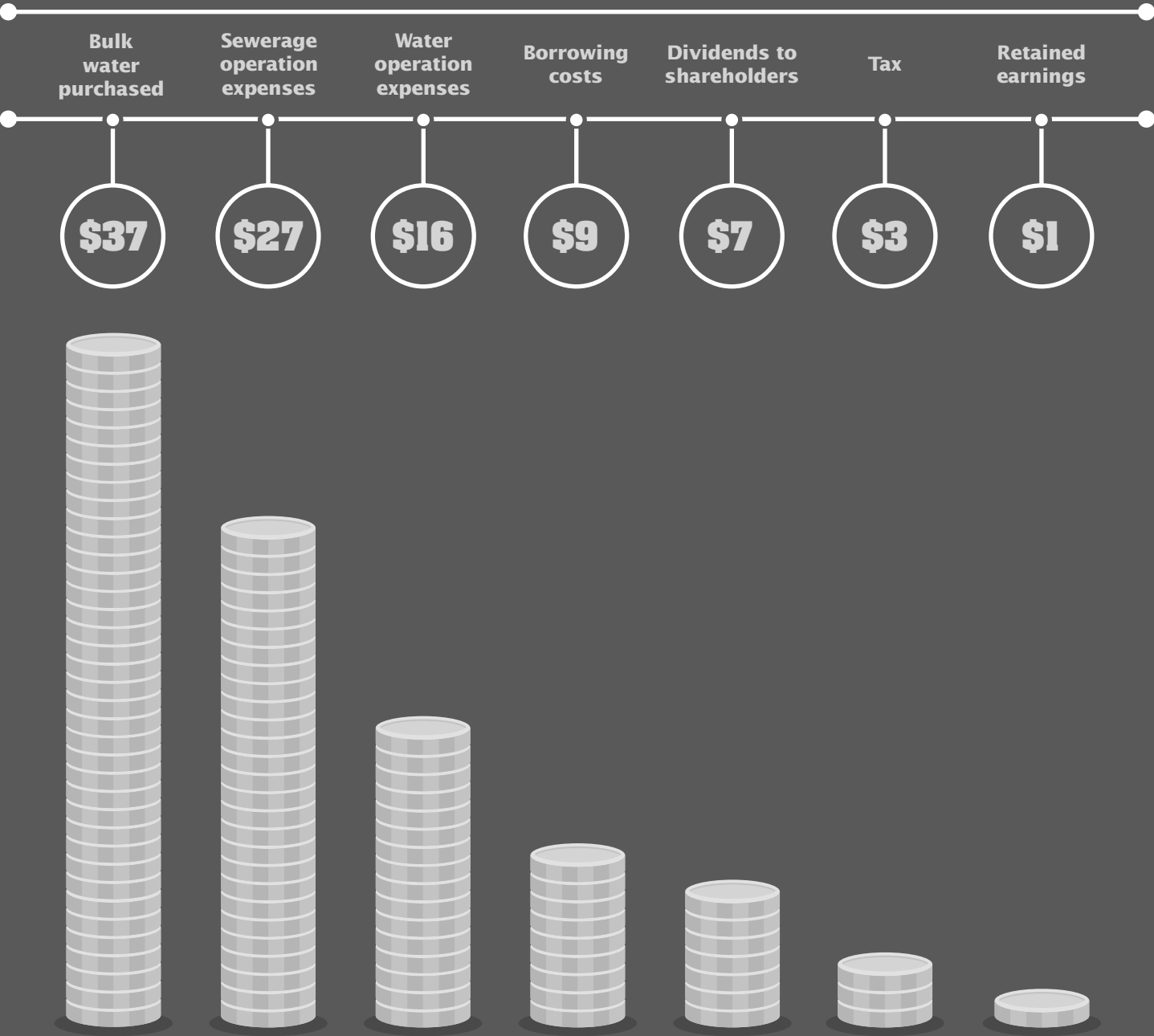
SUCCESS MEASURES

Lost time injury frequency	Not achieved ✗
Total reportable injury frequency	Not achieved ✗
Employee engagement	Achieved ✓

FINANCIAL SUMMARY

Where your \$100 went...

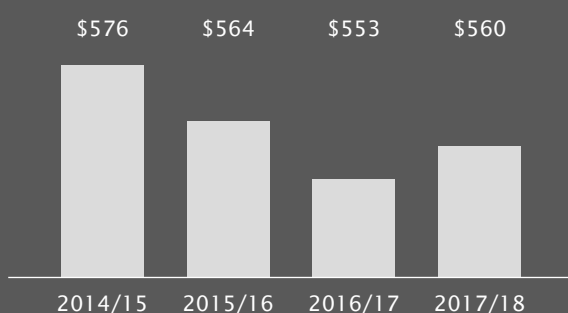
The majority of revenue we received from customers was directly applied to the water and sewerage services we provided to them. For every \$100 we received from our customers for utility charges¹, here's how we used it in 2017/18².



¹ Utility charges represent the ongoing charges and sundry fees relating to our water and sewerage services. It excludes contributions received from developers that finance part of our Capital Infrastructure Program.

² The Statement of Comprehensive Income on page 125 represents our total revenues and expenses. The representation shown above is an approximation of total costs allocated against utility charges to demonstrate how this revenue is used.

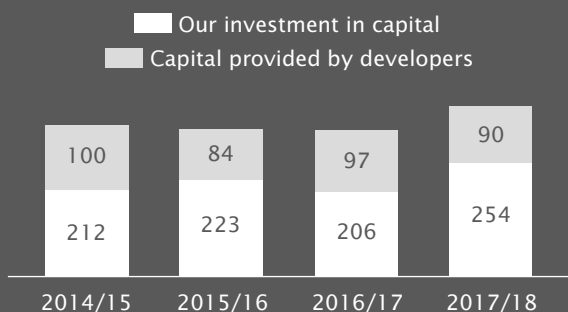
Operating cost per property



LIMITING THE PRICE BURDEN ON CUSTOMERS

This year, our operating cost per property increased by 1%, which was primarily due to a higher investment in infrastructure maintenance. We remain committed to keeping our prices as low as possible, while balancing the need for a reliable and sustainable water and sewerage network.

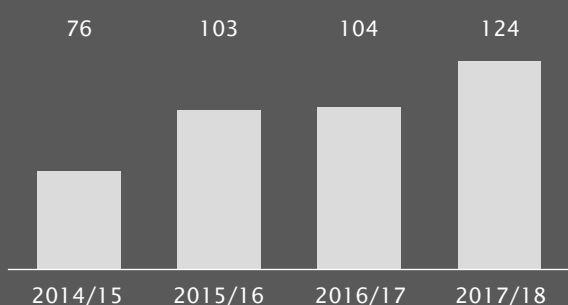
Capital investment (\$m)



INVESTING IN THE FUTURE

We continue to invest in infrastructure and systems to ensure we can meet the evolving needs of our customers and enhance our growing communities. While we experienced a slight decline in developer contributions, we invested an additional \$48 million in our Capital Investment Program.

Operating profit before tax and capital revenues (\$m)



BUILDING A SUSTAINABLE BUSINESS

Our prudent and efficient method of operating means we are able to support the needs of our customers and communities while remaining a sustainable and profitable business. This year, we increased our operating profit by 19%.

CALENDAR OF EVENTS

This year, we championed a range of community events and initiatives through participation, sponsorship or in-kind donations. The following is a snapshot of the events we supported in 2017/18.

JULY 2017

- Supported the 2017 Healthy Land and Water Awards by sponsoring the Environmental Stewardship Award category.
- Attended the RACQ Motorfest where we showcased our Poo Car (an electric vehicle that runs on energy generated from sewage) and distributed free Turn to Tap water bottles to motoring enthusiasts.
- Supported the Somerset Rail Trail Fun Run by distributing drinking water and reusable water bottles.
- Sponsored AECOM's CityHack17 Hackathon where participants devised creative solutions to city- and business-related challenges.

AUGUST 2017

- Hosted a stand at the EKKA where visitors played our 'Don't Flush That' mobile app, took selfies with The Rolls family, viewed our flush simulator and got up close with the Poo Car.

SEPTEMBER 2017

- Supported the biannual Green Heart Fair (Brisbane's leading sustainability event) in Carindale where we promoted our Don't Flush That campaign and distributed reusable water bottles.

OCTOBER 2017

- Joined other utilities and government agencies at the Get Ready Queensland event to help residents prepare for severe weather conditions.
- Supported the Department of Education and Training at the 2017 Showcase Awards for Excellence in Schools Gala Dinner.
- Sponsored the Product Innovation Category at the 2017 Lord Mayor's Business Awards.
- Had a presence at the Turning Canungra Pink event in the Scenic Rim to raise funds for breast cancer research.

NOVEMBER 2017

- Hosted our annual WaterAid Golf Day to raise money for projects that help improve sanitation, hygiene and access to clean water in third world countries.
- Supported the inaugural Lego League Hydro Challenge at the QUT Cube, which focused on solving problems and creating innovative solutions related to water.
- Hosted a tour of our Innovation Precinct for All Hallows' School students. The girls learned about the urban water cycle and how we are innovating to improve the sewage treatment process.



DECEMBER 2017

- Raised \$4,000 for the Smith Family Christmas Appeal through our staff 'Christmas Spirit' initiative.
- Had a presence at the 2017 TEDxBrisbane event where we shared our innovative projects, such as the Poo Car, with 250+ attendees.

FEBRUARY 2018

- Hosted our fourth consecutive Queensland WaterAid Ball Breakfast to highlight the vital work performed by WaterAid and encourage industry participants to purchase tickets to the ball in June.
- Partnered with Brisbane City Council to promote its Bush Neighbours program, which is designed to educate students about caring for their local environment.

MARCH 2018

- In collaboration with Tangalooma EcoMarines, we supported Clean Up Australia Day by sharing our Turn to Tap messaging and distributing free reusable water bottles.

APRIL 2018

- Supported Ipswich Festival's 'Unmasked' exhibition by judging artwork from 14 schools. The creations were based on the theme of 'Waterways and the Fate of the Sea'.

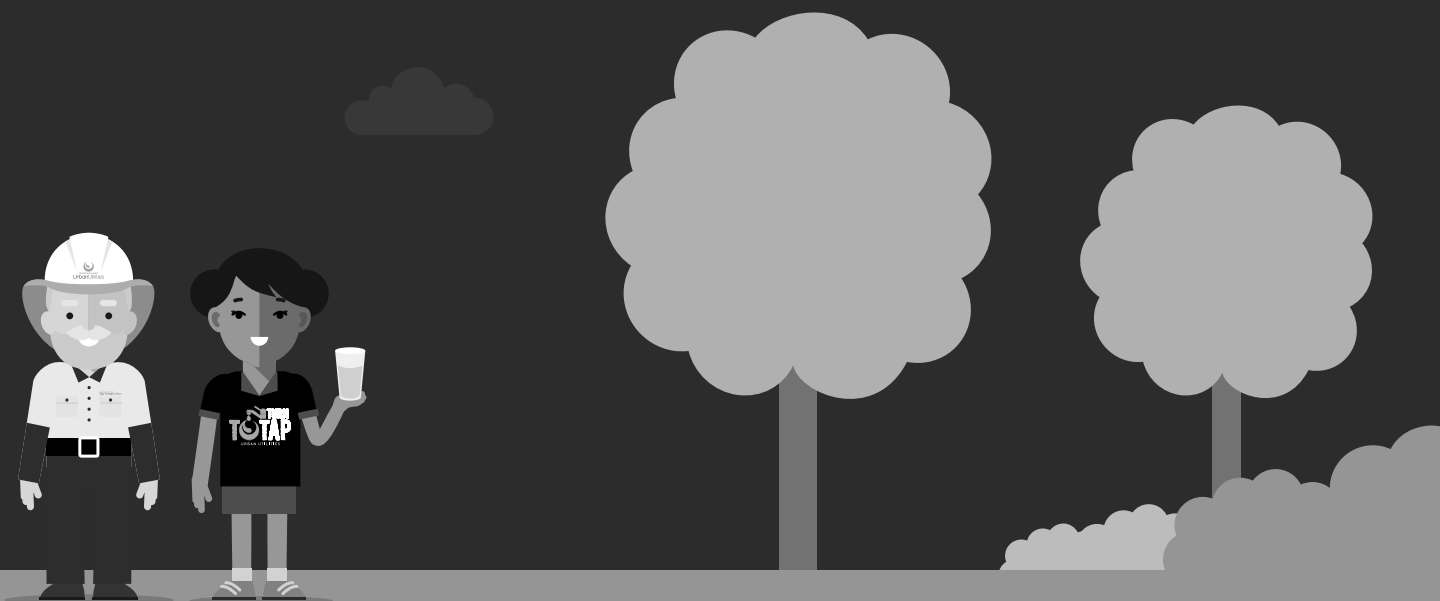
MAY 2018

- Sponsored and had significant staff involvement in OzWater'18 – the Australian Water Association's international water conference and trade exhibition.

- Promoted our Turn to Tap campaign by distributing free drinking water and reusable water bottles to participants in the Mother's Day Classic fun run.
- Sponsored the Red Shield Appeal in Ipswich to help those experiencing homelessness, addiction and family crisis.

JUNE 2018

- Had a presence at the Green Heart Fair in Chermside where we showcased the Poo Car, distributed reusable water bottles and promoted our Don't Flush That campaign through activities such as badge making and a toilet bowl game.
- Hosted our first community tour of the Innovation Precinct, including our newly established Looseum.



A MESSAGE FROM OUR CHAIRMAN



Building on our core business success, we are transitioning from being primarily a service delivery organisation to being a key player in our region's growth and prosperity.

DEMONSTRATING ENVIRONMENTAL LEADERSHIP

As the demand for our services steadily increases, we must continue to explore environmentally sustainable methods of operating.

This year, we were pleased to complete our Laidley Nutrient Offsets Project, which involved restoring and stabilising two-kilometres of eroded riverbank along Laidley Creek. The regenerative works – which included planting 14,000 native trees – will prevent thousands of kilograms of sediment and nutrients from entering the creek system, and, as a result, have deferred a costly upgrade to our neighbouring sewage treatment plant. You can read more about this innovative 'green infrastructure' solution on page 53.

INVESTING IN INFRASTRUCTURE TO SUPPORT POPULATION GROWTH

One of our core capabilities is to plan and invest in infrastructure to support the evolving needs of our customers and communities. In 2017/18, we invested \$219.6 million in new and upgraded infrastructure across our five service regions (see page 64). A major milestone was the completion of our \$20 million Murarrie-Pinkenba Cross River Water Pipeline project – our largest water project to date. We also made progress on our \$76.6 million S1 Main Sewer rehabilitation project, which involves upgrading Brisbane's oldest sewer main.

Over the next 10 years, we will invest a further \$3.3 billion in infrastructure across our service territory to ensure ongoing reliability and sustainability of our water and sewerage network.



PROACTIVELY ENGAGING WITH SHAREHOLDERS

We are committed to proactively engaging with our shareholders to ensure they receive relevant business insights in a timely and convenient manner. Each year, we conduct a shareholder satisfaction survey to ascertain shareholders' contentment with our interactions and engagement.

This year, we were pleased to achieve a strong shareholder satisfaction score of 81%, which is a testament to the effort we invest in regular, proactive and meaningful two-way communication.

MINIMISING PRESSURE ON HOUSEHOLD BUDGETS

Cognisant of the financial pressures on our residential customers, we managed to keep our price increases to a minimum, while still allowing for continued infrastructure investment.

This year, we limited our price increase to a weighted average of 2.0% – just slightly above the national CPI increase of 1.9%.

We are proud to deliver quality drinking water to a customer's home for less than 1c per litre, and remove, treat and dispose of a household's sewage for less than \$1.70 per day.

REFRESHING OUR STRATEGIC DIRECTION

Building on our core business success, we are now entering a new phase in Queensland Urban Utilities' history. No longer are we solely a service delivery organisation to our customers. We now play a significant role in the prosperity of the region and the wellbeing of our communities.

To reflect this, we have set a revised strategic direction for 2023. While we have retained our purpose, we have refreshed our vision to encapsulate the social, economic and environmental value we provide to customers, communities and shareholders. From 2018/19, our new vision will be: We play a valued role in enhancing the liveability of our communities.

We have also developed new strategic goals and objectives to reflect where we need to focus our efforts over the next five years. You can read more about our 2023 strategic direction on page 111.

ACKNOWLEDGEMENTS

On behalf of the Board, I convey my thanks to our shareholders for their ongoing support.

I would also like to thank Louise Dudley, the Executive Leadership Team and Queensland Urban Utilities' employees for their continued dedication to ensuring that we remain an industry-leading water utility.

Geoff Harley
Chairman

A MESSAGE FROM OUR CEO



In 2017/18, we saw a marked improvement in our workplace culture, with our productivity and performance following suit.

DELIVERING A STRONG OPERATIONAL PERFORMANCE

This year, we were pleased to meet all 10 of our Customer Service Standards (see page 37), reflecting our commitment to delivering a high standard of water and sewerage services to our customers.

We also met or surpassed 11 of our 15 strategic success measures (see page 18), which included improvements in our brand index score, first call resolution, sewerage services reliability and employee engagement. While our customer experience satisfaction score fell slightly below target, the cause was identified as an isolated occurrence, with preventative measures now in place (see page 32). Despite this performance challenge, we were delighted to achieve our highest number of customer commendations to date.

BUILDING A CONSTRUCTIVE CULTURE

We continued to build a constructive, values-driven culture that supports our people to be the best they can be.

This year, we launched our new leadership program, Strive, which is designed to enhance our leaders' resilience, self-awareness and ability to coach and communicate with their team members. We also continued to offer professional development opportunities through our new mentoring program, and remained focused on rolling out initiatives guided by our Diversity and Inclusion Strategy. You can read more about how we are investing in our people, starting on page 82.

I am pleased to report that our investment in culture is yielding results, with 89% of employees believing the business is becoming a more constructive and positive place to work (up 18 percentage points on last year).



INNOVATING FOR A SUSTAINABLE FUTURE

As exemplified throughout this report, we are committed to finding smarter, more sustainable ways of working. Of particular note is the world-first technology we are currently trialling at our Innovation Precinct. The power- and chemical-free technology, known as UGold, removes and recovers nutrients from urine at the source (the toilet), and has the potential to significantly reduce our electricity costs.

We are also testing the viability of using microalgae to feed on nutrients in wastewater – a natural process that will potentially reduce our use of chemicals and lower our carbon footprint (see page 71).

These are just two of our ground-breaking research projects that continue to attract attention on a global scale. This year, we were proud to host a record number of international delegates at our Innovation Precinct (see page 54), where we showcased over \$10 million worth of collaborative research pilots and trials.

INVOLVING CUSTOMERS IN OUR DECISION-MAKING

Through our ongoing Customer Engagement Program, 'Let's Talk Water', we are seeking to better understand our customers and give them a voice in our business planning decisions. This year, we launched our Let's Talk Water Engagement Plan, which details how we will engage with each customer segment in meaningful ways about the issues that matter most to them (page 43). We will continue to seek our customers' views, aspirations and concerns about a variety of topics and use these insights to evolve our processes and enhance our service delivery.

This year, we delivered a number of initiatives to improve the customer experience. For example, we began trialling a Facebook Messenger chat bot, which, if successful, will give us a 24/7 customer service presence. We also launched a home-visit initiative to assist our particularly vulnerable hardship customers.

ACKNOWLEDGEMENTS

The achievements contained in this report would not have been possible without the continued commitment of our workforce, so I extend a heartfelt thanks to each and every employee for playing a valued role in our united team. I must also convey my gratitude to the Board for its ongoing support and guidance.

I look forward to the future with confidence as we continue to enrich quality of life for our customers and communities.

Louise Dudley
Chief Executive Officer

CHAPTER 3: PERFORMANCE AGAINST OUR STRATEGIC DIRECTION

To help us achieve our vision, we focus our efforts on four areas that are vital to the success of our business. We refer to these areas as our strategic pillars.

1

Pillar 1: Customers and Communities

We are easy to deal with, understand our customers and communities, and deliver services that meet their evolving needs.

2

Pillar 2: Shareholders and Strategic Stakeholders

We partner with our shareholders and strategic stakeholders to achieve mutually beneficial outcomes for our shared customers and communities.

3

Pillar 3: Operational Excellence

Through innovation and a constant drive to work more effectively and efficiently, we provide services that meet the evolving needs of our customers and communities.

4

Pillar 4: People

We are safe, adaptable and capable, and committed to living our values and achieving our purpose and vision.

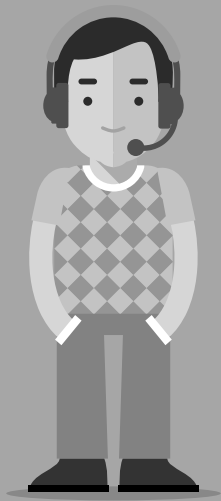


WHAT'S INCLUDED IN THIS CHAPTER?

This section of the Annual Report summarises our performance against the work program we committed to in our *2017/18 Master Plan*, which supports our *2017–22 Corporate Plan*.

This chapter is broken down by strategic pillar. Under each pillar, you will find:

- Year-on-year reporting against our **strategic success measures**. These measures reflect the outcomes we want to achieve, and by setting annual targets, we are able to continually check that we are on the right track.
- Reporting against our **strategic priorities** (our improvement areas)
 - specifically, the status of work we focused on in 2017/18 under our multi-year strategic program.
- Detailed performance **highlights and challenges**, including a selection of case studies.



PILLAR I: CUSTOMERS AND COMMUNITIES

HIGHLIGHTS

- Increased customer awareness of our sewerage services through our Don't Flush That campaign.
- Hosted Australia's first water hackathon, WaterHack18.
- Introduced a trio of performers, known as Water Warriors, to share our education messages with school children.
- Launched Australia's first 'Looseum' – a mini museum of restored outhouses and related memorabilia.
- Commenced a home visit initiative for our most vulnerable hardship customers.
- Achieved our highest number of customer commendations to date.
- Published our *Customer Engagement Plan*, which highlights our ongoing commitment to our customers.

CHALLENGES

- Take-up of our concealed leak insurance and leak detection system lower than anticipated.

To see our strategic focus areas for 2018/19, turn to page III.

114%
**INCREASE IN
PAPERLESS
BILLING
CUSTOMERS**

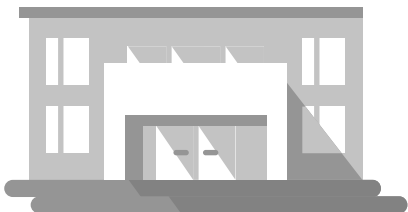
22%
**INCREASE IN
SOCIAL
MEDIA
FOLLOWERS**

FACTS AND FIGURES

1.4M
CUSTOMERS



577,000
RESIDENTIAL
PROPERTIES



37,000
COMMERCIAL
PROPERTIES



9,000
FOLLOWERS ON
FACEBOOK

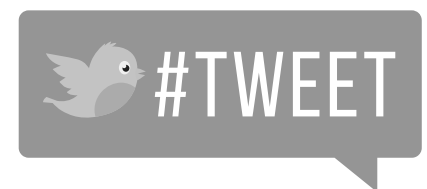


27
COMMUNITY
EVENTS

4,400
ONLINE CHAT
SESSIONS

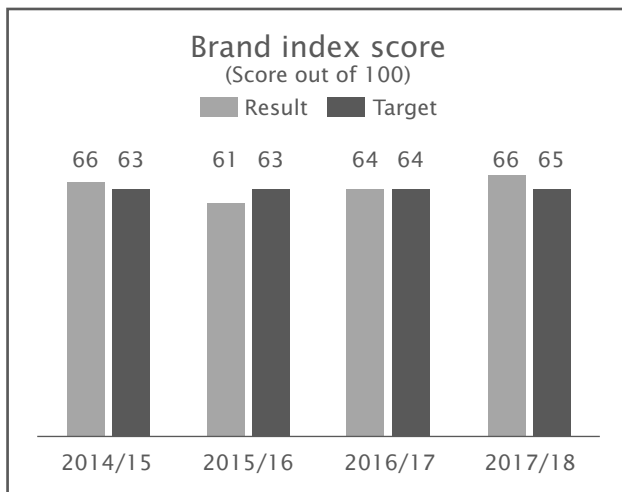


245,000
CONTACT
CENTRE CALLS



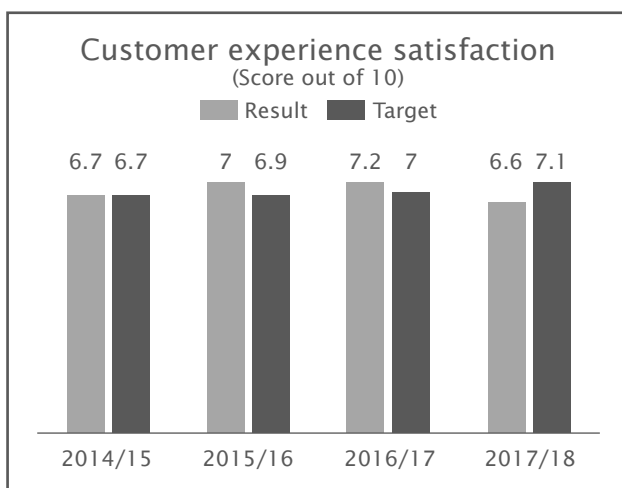
2,900
FOLLOWERS
ON TWITTER

PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



STATUS: ACHIEVED

Our brand index score is a measure of our overall brand health based on customers' perceptions of performance against our key brand drivers: value; transparency; customer focus; and reliability.

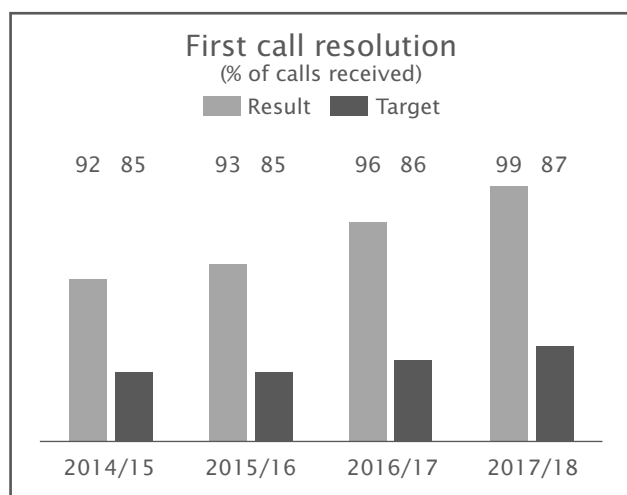


STATUS: NOT ACHIEVED

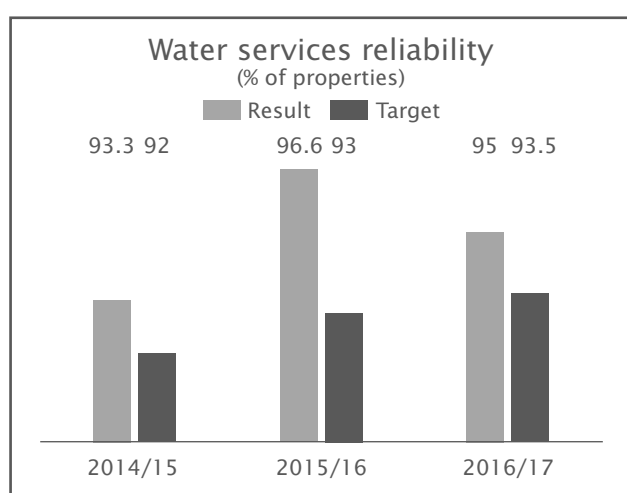
Our customer experience score is a measure of our customers' satisfaction following a recent interaction with us. Interactions can include a call to the Contact Centre, engaging with workers in the field or using our website.

OUR PERFORMANCE CHALLENGE

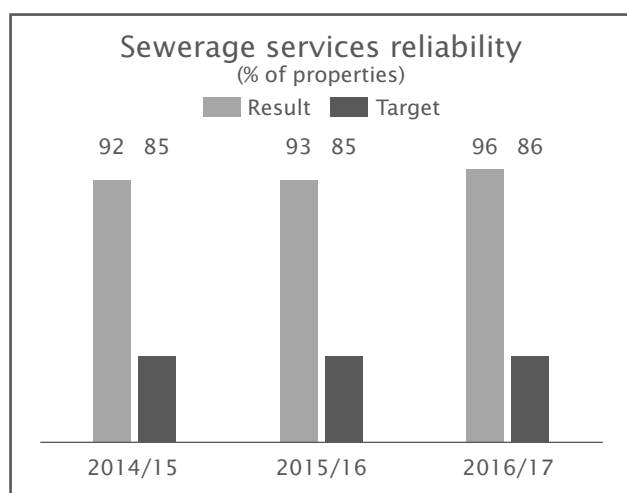
Between April and June 2018, our Contact Centre experienced a significant increase in billing-related phone calls. This increase was predominantly due to changes in the Account Summary section of the bill, which generated a number of customer enquiries. This was compounded by the launch of the new bill design in April, which triggered a greater interest in the detailed elements of the bill. The subsequent influx of calls resulted in longer-than-average wait times, ultimately impacting customer satisfaction. A collaborative program of work is now underway to reduce the baseline number of billing calls. Despite our lower-than-expected customer satisfaction result, we were proud to achieve our highest number of customer commendations to date (385), demonstrating our commitment to excellence in customer service.

**STATUS: ACHIEVED**

Our first call resolution performance refers to the effectiveness of our Contact Centre to resolve calls to our General Enquiries number at the first point of contact. This is our best result since formation.

**STATUS: ACHIEVED**

Our water services reliability is a measure of the reliability of water services we provide to our customers every minute of every day. It measures the percentage of our customers who do not experience an unplanned interruption, or if they do, are interrupted for less than five hours.

**STATUS: ACHIEVED**

Our sewerage services reliability is a measure of the reliability of sewerage services we provide to our customers every minute of every day. It measures the percentage of our customers who do not experience an unplanned interruption to their sewerage service.

PERFORMANCE AGAINST STRATEGIC PRIORITIES

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Data analytics Enhance the way we collect and analyse data to improve our understanding of our customers and the services they receive, and inform decisions about the services we provide in the future.	Improve our data analytics capability.	On schedule	<ul style="list-style-type: none"> Established a data analytics capability to function as a centre of excellence for analytics across the organisation. Delivered increased data accessibility and high priority business analytics use cases. Implemented Power BI (a suite of business analytics tools) as a self-service data visualisation tool to empower users to find insights easily and to collaborate with others.
Strategic customer engagement Engage with our customers and communities to help us make strategic decisions about the products and services we provide, and identify opportunities to enrich their quality of life.	Improve engagement with customers on strategic matters.	On schedule	<ul style="list-style-type: none"> Published our <i>'Let's Talk Water' Customer Engagement Plan</i>, which highlights our ongoing commitment to engaging with our customers and involving them in our decision making. Commenced work on our Customer Engagement Roadmap, which will inform our engagement activities for the next three years.
	Increase customer awareness of the services we provide.	On schedule	<ul style="list-style-type: none"> Established a 'Looseum' at our Luggage Point Sewage Treatment Plant to preserve the history of the outdoor lavatory for future generations. Hosted WaterHack18 – Australia's first water hackathon, which saw 100 bright minds devise solutions to industry challenges. Launched our Don't Flush That app to increase awareness of what should and shouldn't be flushed. Introduced a performance trio, known as Water Warriors, to share our Turn to Tap, Don't Flush That and water conservation messages with school children.

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Customer journeys Transition from focusing on individual customer transactions to understanding and improving their experiences across all of their interactions with us.	Develop a Customer Transformation Strategy to inform the next phase of our customer experience maturity.	Behind schedule	<ul style="list-style-type: none"> Completed the key components of our Customer Transformation Strategy with finalisation of the strategy and roadmap to occur in early 2018/19.
	Design a customer-focused solution to how we manage concealed leaks.	On schedule	<ul style="list-style-type: none"> Implemented a negotiation approach to concealed leak claims, resolving over 150 cases with extenuating circumstances. Adopted a design-thinking approach to improve the experience for customers who encounter a concealed leak. This involved conducting 35 face-to-face interviews to gain valuable customer insights.
	Commence the transition to a seven-day billing cycle for a more timely and accurate billing experience.	Behind schedule	<ul style="list-style-type: none"> Progressed our transition to seven-day billing (bill issued within seven days of meter read, as opposed to quarterly), with all technical aspects prepared. Our focus is now on conducting research and engaging with customers to identify the most widely beneficial approach to transitioning to seven-day billing.
	Improve the way we identify and manage customers experiencing financial hardship.	On schedule	<ul style="list-style-type: none"> Implemented our revised Hardship Program, including a home visit initiative for customers who are particularly vulnerable.
	Provide the right systems and processes to enable exemplary customer service.	On schedule	<ul style="list-style-type: none"> Achieved our highest number of customer commendations to date (385).
Segment management Continue to evolve our customer segments and how we manage them so we can build stronger relationships and deliver the products and services they require.	Bolster support provided to key developer customers.	On schedule	<ul style="list-style-type: none"> Continued to engage key developers through a variety of channels, with issues identified to be considered in the review of our development assessment and approval processes. Conducted our first developer intentions survey, providing valuable insights that will enable a more collaborative approach in long-term planning for communities. Surpassed our developer customer satisfaction target, achieving 6.6/10. This was a 20% increase on our starting measurement in November 2014.
	Execute commercial customer service agreements.	On schedule	<ul style="list-style-type: none"> Developed and implemented our Commercial Customer Agreement Framework. This enabled us to achieve our 2017/18 target for the execution of collaborative agreements with commercial customers.

PERFORMANCE AGAINST STRATEGIC PRIORITIES (CONTINUED)

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Digital services Continue to use technology to enhance the products and services our customers receive and how they receive them.	Increase flexibility for customers to receive and pay their accounts.	On schedule	<ul style="list-style-type: none"> More than doubled the number of customers who have transitioned to paperless billing, which can largely be attributed to our successful marketing campaigns. Increased the accessibility of MyAccount (our online customer portal) to include customers with multiple properties. To date, close to 34,000 customers have registered.
	Increase the convenience with which customers can contact us.	On schedule	<ul style="list-style-type: none"> Developed a Facebook Messenger chat bot to automate customer service. Launched a website satisfaction tool, allowing customers to provide real-time feedback on our website.



PERFORMANCE AGAINST CUSTOMER SERVICE STANDARDS

Specific to this pillar are our Customer Service Standards, which inform our customers of the level of service they can expect to receive from us. To reflect changes made to the *South East Queensland Water and Wastewater Code* in 2016/17, minor amendments were made to our Customer Service Standards, effective 1 July 2017.

The following table shows how we have performed against these standards over the past five years.

Indicator	Service standard	2013/14 result	2014/15 result	2015/16 result	2016/17 result	2017/18 result	Achieved?
Water quality							
Annual chemical compliance with <i>Australian Drinking Water Guidelines</i> health limits	All relevant schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	Yes
Bacteriological compliance with the <i>Public Health Act 2005</i>	All relevant schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	12/12 schemes compliant	Yes
Chemical compliance with the <i>Public Health Act 2005</i>	All relevant schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	Yes
Water quality complaints	≤6 per 1,000 properties	2.7	2.5	1.7	1.75	2.42*	Yes
Water service reliability							
Number of unplanned water supply interruptions	≤100 per 1000 properties per annum	95	91	67	69	78	Yes
Water main breaks	≤39 breaks per 100 km of water main per year	Not measured	27.9	26.2	23.1	22.5	Yes
Responding to unplanned water and sewerage interruptions							
Urgent water & sewerage	≥80% within 1 hour	83%	80%	80%	91%	89%	Yes
Non-urgent water & sewerage	≥80% within 24 hours	69%	76%	67%	73%	85%	Yes
Restoration of supply after unplanned water and sewerage interruptions							
Restoration of water supply	≥90% unplanned interruptions restored within 5 hours	90%	93%	95%	97%	96%	Yes

PERFORMANCE AGAINST CUSTOMER SERVICE STANDARDS (CONTINUED)

Indicator	Service standard	2013/14 result	2014/15 result	2015/16 result	2016/17 result	2017/18 result	Achieved?
Sewerage service reliability							
Sewerage main breaks and chokes	≤30 breaks per 100 km of sewerage main per year	Not measured	30	29.8	25.8	20.9	Yes
Water pressure and flow							
Water pressure	Urban area ≥21 metres head of water Trickle feed areas (and private booster) ≥10 metres head of water	Queensland Urban Utilities undertakes ongoing electronic and manual monitoring of the water network to ensure water supply pressure and volume standards are met. Where an issue is detected or a complaint received, it is investigated and corrective action is undertaken.					
Water flow	Urban areas ≥25 L/min Trickle feed areas ≥3.2 L/min						

* From 1 July 2010 to 30 June 2018, Queensland Urban Utilities classified all water quality related enquiries from our customers as 'complaints'. This is inconsistent with the definition of a 'complaint' under the Australian/International Standard 10002-2006 *Customer satisfaction – guidelines for complaints handling in organizations*. In 2018/19, we will be changing the way we classify and report water quality complaints to ensure alignment with the Australian Standard and consistency with other water utilities. While this change in reporting will see a significant decrease in the reported water quality complaints, it does not change our commitment to investigate instances where our service or product fails to meet customer expectations or our service standards. We value all customer feedback as it helps us to identify any trends and possible areas of improvement in the operation, maintenance and management of Queensland Urban Utilities' water networks.

HIGHLIGHTS

Customer education

Encouraging positive behaviour change

We continued to inform our customers about how flushing wet wipes – amongst other things – can damage both our sewerage network and private household plumbing. This year, through our Don't Flush That campaign, we delivered a number of initiatives to encourage customers to only flush the three P's: pee, poo and paper. For example:

- Following the success of Season 1, we launched Season 2 of 'The Rolls' – a series of light-hearted and entertaining videos that promote our Don't Flush That messages via a family of talking toilet rolls. Over its three-month run, the social media campaign attracted over 720,000 views.
- We launched our Don't Flush That app – an iOS game that requires users to race against the clock to bin the un-flushables (rubber ducks, cotton tips, wet wipes) and only flush the three P's. By promoting the app on billboards, in shopping centre advertising and at local community events, it generated 16.3 million views in just three months.

Our Don't Flush That campaign continues to deliver positive outcomes, with customer awareness of our sewerage services now at 66% – an increase of 4% in 12 months. Since the campaign launched in December 2015, we have seen an impressive 26% increase in customer awareness of our sewerage services, which, in turn, has improved both the perceived value of our services and the strength of our brand (see page 32).

We also continued to promote our Turn to Tap program, which encourages customers to swap bottled water for tap water to help protect the environment. Throughout the year, we shared our Turn to Tap messages at a number of community and sponsor-aligned events by giving away thousands of reusable water bottles and offering free water from our Hydration Station (see page 22).

HIGHLIGHTS (CONTINUED)

Taking our education messages to the stage

We continued to build on our Education Program, which aims to empower young people to become community-focused global citizens who understand and appreciate the importance of water and sewerage services.

This year, we introduced Water Warriors, a trio of costumed entertainers who share our Don't Flush That, Turn to Tap and water conservation messages through song, movement and humour.

Throughout the year, the talented triad – comprising Enviro, Lucy Loo and Drip Drop (below) – visited 10 primary schools across our service territory where they captivated students with their 20-minute performance, encouraging them to adopt 'water warrior' behaviour at home and at school.

Based on the success of this year's performances, Water Warriors will continue to perform for primary school students in 2018/19.

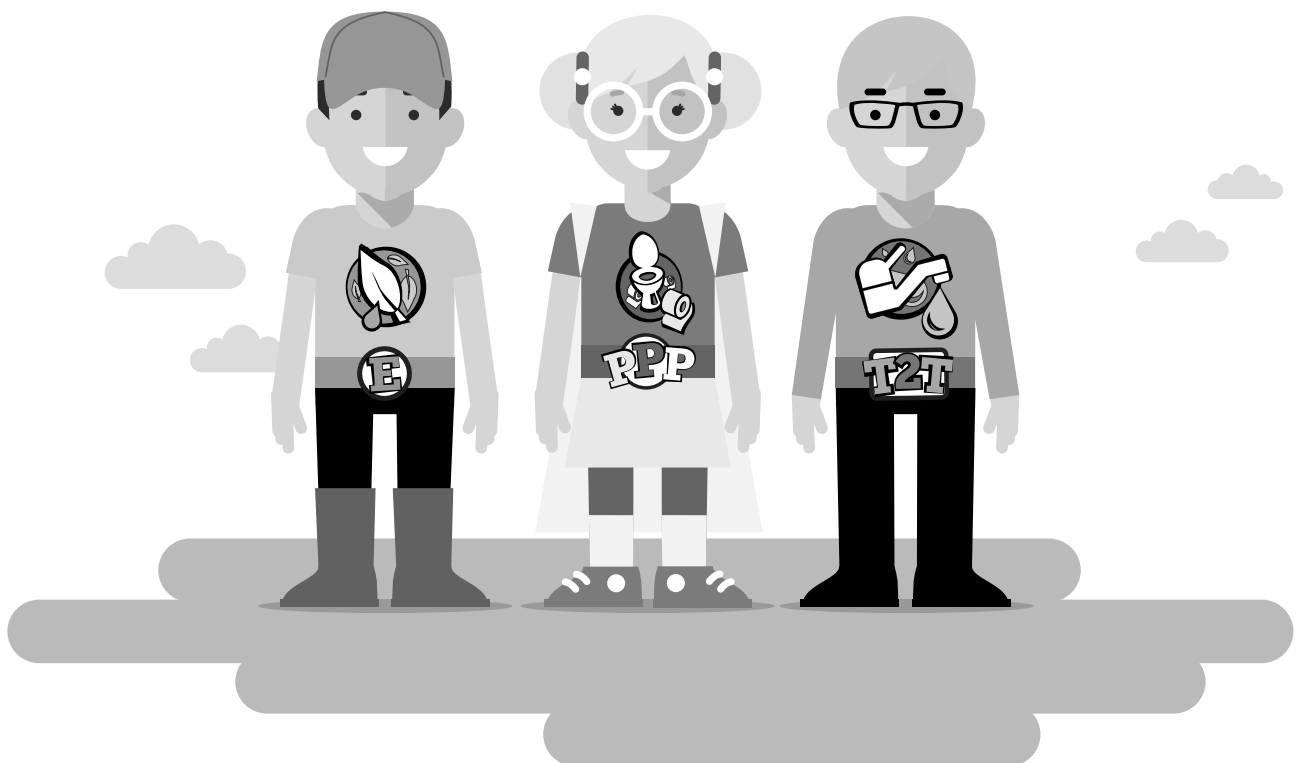
WHAT ATTENDEES SAID ABOUT THE WATER WARRIORS SHOW:

"It was amazing. I had a cheek-ache from laughing so much."

"I just wanted to congratulate you on the Water Warriors show. The way they work key messages into the most memorable parts of the performance is fantastic."

"It was lots of fun and a great introduction to Queensland Urban Utilities."

"We were so impressed with it!"



Preserving our history for future generations

To pay homage to the iconic backyard dunny, we opened Australia's first 'Looseum' at our Innovation Precinct, located onsite at our Luggage Point Sewage Treatment Plant.

The one-of-a-kind mini-museum features three thunderboxes that were rescued from around South East Queensland and restored to their former glory by Wynnum Manly and Districts Men's Shed.

The Looseum also features photos and stories received through our Great Backyard Dunny Search – a national quest to track down Australia's last remaining thunderboxes before they disappeared. We received more than 200 submissions and uncovered more than 120 dunnies still standing in backyards across the country.

These days, sewerage is a hidden service that people don't tend to think about, so this permanent exhibition is a quirky but important reminder of how far the network has come since the early 1900s.

Due to popular demand, we hosted our first 'VIPee' tour of the Looseum in June, which saw 80 members of the public enjoy a guided tour of the precinct.

Customer service improvements**Improving our customers' billing experience**

This year, we made significant progress on the delivery of our Billing Program, which aims to provide a more customer-focused billing experience.

A major milestone was the introduction of a new-look bill. Based on feedback from our customers, the redesigned bill features a streamlined layout, simplified explanations, and improvements to the way key information is presented, such as the amount due and due date. Results from our brand tracking research in May 2018 indicated that the new design was widely preferred over the previous design.

We also made strong progress on our goal to move customers to paperless billing. As at 30 June 2018, over 105,000 households (18% of our customer base) had chosen to receive their bill via email or BpayView. Paperless billing not only increases customer convenience and security, but also reduces our carbon footprint and cost to serve. Year on year, our paperless billing customers more than doubled – a result largely attributed to the incentivised competitions we ran throughout 2017/18.

Assisting our financially vulnerable customers

As a socially responsible organisation, we strive to do the right thing by our customers and communities. One of the ways we achieve this is through our Hardship Program, the purpose of which is to improve the way we identify and manage customers experiencing financial difficulty.

Since the program's launch in mid-2017, we have increased our known hardship customers by 40%. This strong focus on identifying hardship customers has assisted us to stabilise and maintain our current debt position.

As part of the program, we introduced a home visit initiative to provide valuable face-to-face contact with some of our most vulnerable customers who are struggling to pay their accounts. The majority of individuals we visited were both appreciative of and responsive to the personal interaction, and in most cases, we were able to negotiate manageable payment schedules. Where necessary, we offered additional support, either by providing information about government subsidies or referring the customer to a social worker.

To increase community awareness of our hardship services, we promoted our Hardship Program at a series of water and financial literacy events throughout the year.

HIGHLIGHTS (CONTINUED)

Improving our digital capability

We continued to roll out our Customer Digital Strategy, which aims to leverage the potential of digital technologies to enhance the customer experience and improve the efficiency and digital acumen of our workforce.

In 2017/18, we delivered a number of initiatives that were guided by this strategy. For example, we:

- Adopted web chat as a permanent communication channel, making it easier for customers to contact us while they are on our website. This platform has improved our call centre efficiency as agents can chat to up to five customers simultaneously, versus one-on-one via telephone. Overall, 84% of customers who used web chat rated their experience five stars.
- Expanded access to our customer portal, MyAccount, to include residential customers with multiple properties (previously only available to customers with one property).
- Launched a new website satisfaction tool, which allows customers to provide real-time feedback on our website and attach screenshots to help us diagnose and resolve issues.
- Continued to trial digital collaboration software tools to enable a more agile workforce and encourage teamwork across the business.
- Developed and began trialling a Facebook chat bot as an initial pilot into the artificial intelligence and bot space. For the first time, this will give us a 24/7 customer service presence.

In 2018/19, we will continue to integrate these initiatives into the organisation, commence new digital trials and explore budding opportunities in the market.

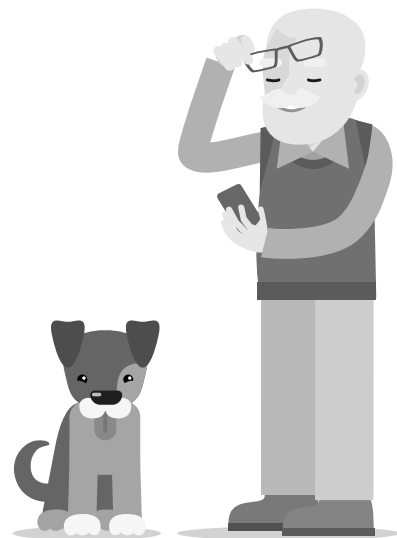
WHAT CUSTOMERS SAID ABOUT THEIR WEB CHAT EXPERIENCE:

"Honest and helpful."

"Queries were answered promptly."

"Helpful, friendly and speedy response."

"Quick response – spot on what I needed to know."



Customer engagement and collaboration

Involving customers in our decision-making process

We understand that the decisions we make today have a direct impact on the communities of tomorrow. Through our Customer Engagement Program, 'Let's Talk Water', we are seeking to better understand our customers and give them a voice in our business planning decisions.

During Phase 1 of Let's Talk Water (May – August 2017), we engaged around 350 customers across our residential, commercial and development sectors to better understand their respective expectations and priorities, and to gauge their desired level of involvement in our decision-making.

We used these valuable insights to develop our *Let's Talk Water Engagement Plan*, which was publically released in February 2018. The plan details how we will engage with each customer segment in meaningful ways about the issues that matter most to them.

We are currently preparing our roadmap for ongoing engagement on priority topics, including environmental leadership, asset performance, drought management and the way we charge for water and sewerage services.

Let's Talk Water is an ongoing program. We will continue to seek our customers' views, aspirations and concerns about a variety of topics and use these insights to evolve our processes and enhance our service delivery.

Creating shared value through commercial service agreements

In 2017/18, our Key Commercial Accounts (KCA) team made significant progress on the development and execution of individual service agreements with our largest commercial customers.

By agreeing to a tailored contract, these customers may benefit from increased price certainty and earlier notification of price paths, flexible trade waste conditions, product and service assurance, access to smart meters, and opportunities to partner in non-standard offerings that create shared value, such as infrastructure co-investment.

This year, we were pleased to execute a number of individual service agreements, with the KCA team achieving its target.

Customers understand that this is our first step in formalising relationships and that future iterations of agreements will provide even greater certainty around product and service delivery and pricing.

We expect this initiative will support our revenue resilience as we will be better placed to meet the challenges of increasing supplier competition in the water sector.

Reflecting the significant progress our KCA team made this year, our commercial customer satisfaction score increased from 7.1/10 to 7.6/10 – above our target of 7.2

SPOTLIGHT ON...

Engaging bright minds to solve water industry challenges

Demonstrating our commitment to fostering innovative ideas, Queensland Urban Utilities was proud to host Australia's first water hackathon, WaterHack18.

Taking place over February 23-25, WaterHack18 saw 100 of Brisbane's brightest tech minds come together to hack challenges facing the water industry, with topics including sustainability in a digital age, investing in smart networks and the role of Blockchain and cryptocurrencies.

To help hackers on their journey, they were given access to a secure cloud services platform and were mentored by industry experts, including 20 of our own specialists.

The hackathon culminated with the 14 teams pitching their ideas to a panel of judges, with the winning teams sharing in the prize pool.

The overall winner, Team Loop Brewing, marketed a beer made with recycled water to help change people's negative perceptions around consuming recycled water.

Overall, we raised \$3,000 from Waterhack18 registrations, with all proceeds donated to WaterAid (see page 55).

“

WHAT WATERHACK18 PARTICIPANTS SAID ABOUT THEIR EXPERIENCE:

“It was a great opportunity to network and a pleasure to work with diverse people.”

“Diamonds are made under pressure, and the pressure created by WaterHack18 allowed our team to focus on the important issues and develop a real gem of an idea.”

“The highlight of the weekend was the experience of going from a broad idea to a polished five-minute pitch. It was a great opportunity to test our solution with Queensland Urban Utilities mentors and learn more about the business and industry challenges.”

“The generosity of the many mentors was invaluable, not just to help develop our ideas, but also to encourage and support our vision.”



CHALLENGES

Helping customers minimise the impact of concealed leaks

Leaks from pipes, plumbing fixtures and fittings can occur in any property, at any time, regardless of its age, location or construction method. Concealed leaks, in particular, can have potentially distressing impacts.

To help mitigate the risks associated with leaks, we released two innovative products for our residential water supply customers in July 2016:

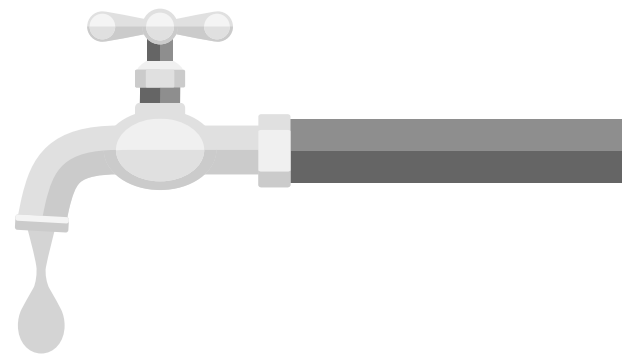
- AquaTrip – a leak detection system that acts like a safety switch for a home's water supply.
- Concealed Leak Insurance – an insurance product that provides annual coverage of up to \$10,000 for excess water usage charges caused by a concealed leak. This includes a reimbursement of up to \$200 for the cost of a registered plumber to identify and locate the leak.

Following lower-than-expected sales in 2016/17, take-up of both products remained low in 2017/18, which, in part, was attributed to limited customer awareness of concealed leaks and the potential damage they can cause.

To improve our insights in this space, our Customer Experience Team conducted 35 face-to-face interviews with customers who had applied to us for financial assistance following a concealed leak.

Findings revealed that customers had moderate awareness that they were responsible for issues on the property side of the water meter; they had low to moderate awareness about our Concealed Leak Policy; and they expected we would play a much larger role in the process, including providing more financial and ongoing support.

Thanks to these insights, we now have a better understanding of what is and isn't working well, and where we need to improve. Further customer feedback and recommendations will be analysed and reported to stakeholders across the business in early 2018/19. From there, we will begin designing a customer-focused solution to how we manage concealed leaks.





PILLAR 2: SHAREHOLDERS AND STRATEGIC STAKEHOLDERS

HIGHLIGHTS

- Hosted a record number of international delegates at our Innovation Precinct.
- Completed our \$1.3 million Laidley Nutrient Offsets Project to address nutrient and sediment pollution in Laidley Creek.
- Became the first Australian water utility to join WaterStart – a U.S.-based water industry collaborative.

CHALLENGES

- Trialled odour minimising solutions at our Luggage Point Sewage Treatment Plant ahead of the International Cruise Ship Terminal opening.
- Planned and prepared for the possibility of drought.

To see our strategic focus areas for 2018/19, turn to page III.

60+

TOURS OF OUR INNOVATION PRECINCT

THREE

NEW MEMORANDUMS OF UNDERSTANDING SIGNED

FACTS AND FIGURES



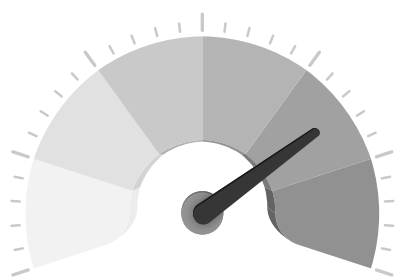
FIVE
SHAREHOLDING
COUNCILS

59
COUNCILLORS



150+
INTERNATIONAL
DELEGATES

FOUR
SHAREHOLDER
PERFORMANCE
REPORTS



81%
SHAREHOLDER
SATISFACTION



57
R&D INDUSTRY
PARTNERS

HOW WE ENAGAGED WITH OUR STAKEHOLDERS

Stakeholder group	Key interest areas	Methods of engagement
Shareholders	<ul style="list-style-type: none"> ▪ Strategic direction ▪ Infrastructure delivery ▪ Business performance ▪ Sustainability ▪ Economic development ▪ Research and development ▪ Innovation ▪ Service delivery 	<ul style="list-style-type: none"> ▪ Relationship management ▪ Shareholder portal ▪ Shareholder newsletter ▪ Quarterly Reports ▪ Shareholder satisfaction survey ▪ Board meetings (monthly) ▪ Board Chairman's communication (monthly) ▪ Special General Meeting (annual) ▪ Annual Report ▪ Site tours
Employees	<ul style="list-style-type: none"> ▪ Salary and benefits ▪ Working conditions and safety ▪ Professional development ▪ Performance management ▪ Strategic direction 	<ul style="list-style-type: none"> ▪ Intranet ▪ Staff newsletter ▪ CEO Road Show (biannual) ▪ Cultural surveys ▪ Performance reviews ▪ Emails
Customers and community	<ul style="list-style-type: none"> ▪ Water and sewerage prices ▪ Public health ▪ Customer service ▪ Environmental impact ▪ Billing ▪ Financial hardship ▪ Community relations ▪ Corporate and charitable support ▪ Capital works and infrastructure maintenance 	<ul style="list-style-type: none"> ▪ Contact centre ▪ Customer and Community Reference Group (quarterly) ▪ Newsletter, <i>In the Pipeline</i> ▪ Website ▪ Social media ▪ Events ▪ Focus groups ▪ Printed collateral
Developers and industry groups	<ul style="list-style-type: none"> ▪ Customer service ▪ Research and development ▪ Partnerships ▪ Infrastructure delivery ▪ Economic development ▪ Technical standards ▪ Planning policy 	<ul style="list-style-type: none"> ▪ Relationship management ▪ Industry forums ▪ Website
Regulators and government	<ul style="list-style-type: none"> ▪ Legislative compliance ▪ Public health ▪ Environmental management ▪ Financial management ▪ Sustainable policy and legislation ▪ Economic development 	<ul style="list-style-type: none"> ▪ CEO meetings ▪ Relationship management ▪ Advocacy groups ▪ Steering and working committees
Media	<ul style="list-style-type: none"> ▪ Service delivery ▪ Capital works ▪ Water and sewerage prices ▪ Customer service ▪ Environmental sustainability ▪ Community events and charitable support ▪ Public health 	<ul style="list-style-type: none"> ▪ Media releases ▪ Briefings ▪ Interviews ▪ Social media ▪ Website

Stakeholder group	Key interest areas	Methods of engagement
Suppliers	<ul style="list-style-type: none"> ▪ Fairness, equity and transparency in awarding work ▪ Forward visibility of work ▪ On-time payment of invoices ▪ Fairness in dealing with unforeseen circumstances ▪ Compliance with contracts 	<ul style="list-style-type: none"> ▪ Contract management meetings ▪ Site visits and audits ▪ Variation management ▪ Tenders and expressions of interest
Other stakeholders: – R&D partners – Water industry – Advocacy groups	<ul style="list-style-type: none"> ▪ Partnership opportunities ▪ Collaborative activities ▪ Sponsorship opportunities 	<ul style="list-style-type: none"> ▪ Forums and events ▪ Site visits ▪ Facility tours

Our shareholders and strategic stakeholders

We recognise that effective stakeholder management is critical to enabling the organisation's sustainability, growth and success.

We work closely with our shareholders to ensure our strategic direction is aligned with their aspirations and goals and that our service delivery meets customers' needs at a sustainable cost.

Our solid relationship with the state and local governments allows us to keep abreast of legislation and regulations and ensure we continually fulfil our responsibility to protect the environment and support sustainable practices.

Our relationships with fellow South East Queensland water industry participants, suppliers, innovation bodies and environmental groups allow us to collaborate at a local level to work towards common goals.

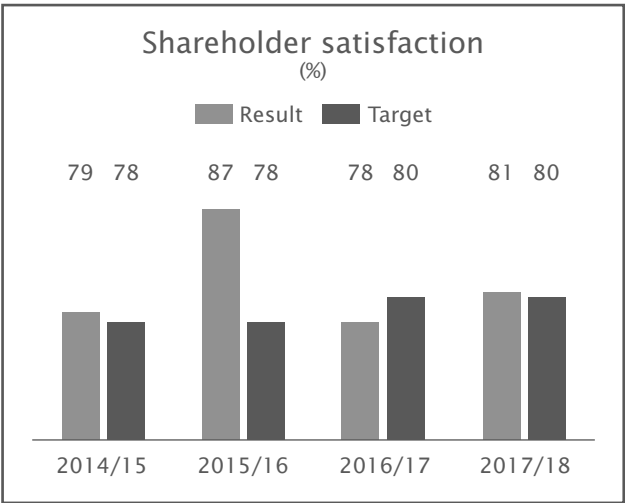
We continue to seek input from customer and community representatives on relevant policy, planning and service standards through consultation with our Customer and Community Reference Group.

What's the difference between shareholders and strategic stakeholders?

Our shareholders are our five owners: Brisbane City Council, Ipswich City Council, Lockyer Valley Regional Council, Scenic Rim Regional Council, and Somerset Regional Council.

Our strategic stakeholders are those with an interest in our organisation, directly or indirectly, who can influence the achievement of our purpose and vision. We have a vast group of stakeholders, which includes all levels of government, employees, customers, developers, regulators, media, and industry and advocacy groups. It is important to note that our shareholders are also considered stakeholders as we work closely with them to achieve mutually beneficial outcomes for our shared customers and communities.

PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



STATUS: ACHIEVED

Our shareholder satisfaction score indicates our shareholders' contentment with our overall performance as the provider of water and sewerage services to our shared customers and communities.



PERFORMANCE AGAINST STRATEGIC PRIORITIES

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Strategic shareholder engagement Engage with our shareholders to ensure our strategic priorities align and are providing the best outcomes for our shared customers and communities.	Continue to foster strong, mutually beneficial relationships with shareholders by collaborating on matters of strategic importance.	Ongoing	<ul style="list-style-type: none"> ▪ Extended our Student Accommodation Policy, which reduces infrastructure charges for eligible developments in the Brisbane and Lockyer Valley areas. This, in turn, stimulates economic growth. ▪ Collaborated with Brisbane City Council on a key strategic initiative to enhance a 15 kilometre corridor along Oxley Creek. ▪ Partnered with Brisbane City Council to deliver its Bush Neighbours Program, which educates students about caring for their local environment ▪ Together with the Lockyer Valley and Somerset Regional Councils, we formed the Lockyer Valley and Somerset Water Security Collaborative. The vision is to establish a shared position and business case on future water security, supply and management for all water users and communities in the regions.
Strategic stakeholder engagement Engage with regulators to ensure our strategic priorities align, and influence the regulatory environment we operate in to ensure it supports our customers and communities.	Continue to foster strong, mutually beneficial relationships with stakeholders by collaborating on future-focused or strategic matters.	Ongoing	<ul style="list-style-type: none"> ▪ Worked closely with the State Government, Seqwater and other peak industry bodies to develop collaborative plans to ensure the industry is prepared for future drought scenarios. ▪ Continued our engagement with regulators to develop the Cannery Creek demonstration project, which addresses environmental impacts from wet weather sewage overflows. ▪ Continued to participate in various industry working groups, enabling a more collaborative approach to legislation and policy to improve water and sewerage services across the industry.

PERFORMANCE AGAINST STRATEGIC PRIORITIES (CONTINUED)

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Partnering to deliver shared value Strengthen our partnerships with shareholders, regulators, customers and communities and other key stakeholders to deliver outcomes that have a measureable benefit to society and the environment.	Develop new partnerships that deliver shared value.	Ongoing	<ul style="list-style-type: none"> ▪ Partnered with WaterStart, an international innovation program that will allow us to leverage emerging water technologies. ▪ Developed individual Memorandums of Understanding with City Parklands, Ipswich City Council and the Cancer Council Queensland to facilitate collaboration on projects and initiatives that leverage innovation and deliver shared community and shareholder outcomes. ▪ Established a number of new research and development projects in partnership with various organisations, including Lockyer Valley Regional Council, Air Services Australia, GHD, RMIT, QUT, UQ and Aquatec Maxcon.
	Maintain existing partnerships that have proven to be mutually beneficial.	Ongoing	<ul style="list-style-type: none"> ▪ Supported the Australian Water Association by being the major sponsor of OzWater'18. ▪ Continued our long-term partnership with Tangalooma EcoMarines to spread the message about swapping single-use plastic bottles for reusable water bottles. ▪ Continued our long-term partnership with WaterAid to improve the lives of those living without clean water or adequate sanitation. ▪ Moved from a Collaborative Agreement to a Memorandum of Understanding approach with UQ's Advanced Water Management Centre (our major research partner at the Innovation Precinct). This more collaborative approach focuses on identifying mutually beneficial opportunities and delivering shared value creation.

HIGHLIGHTS

Shareholder and industry engagement

Hosting site tours for our shareholders

Throughout the year, we were proud to host representatives from a number of our shareholding councils to showcase our world-class assets and ground-breaking research. For example:

- In August 2017, Lockyer Valley Regional Councillors took a tour of our Innovation Precinct where they learned about our heritage, our plans to become a utility of the future and how we're trialling novel processes to take the waste out of wastewater.
- In November 2017, a number of Ipswich City Councillors enjoyed a tour of our Bundamba Sewage Treatment Plant, and later praised the professionalism and expertise of our field specialists.
- In April 2018, we hosted Brisbane City Council's Civic Cabinet, including Lord Mayor Graham Quirk, at our Innovation Precinct. After witnessing some of our Australian-first pilots and trials, the Councillors were taken on a tour of the Luggage Point Sewage Treatment Plant to learn about the treatment process.

Engaging with industry peers at OzWater'18

This year, Queensland Urban Utilities was honoured to be involved in the planning and delivery of OzWater'18 – an international water conference hosted annually by the Australian Water Association.

As one of the water industry's premier informational and networking events, we were proud to be amongst OzWater'18's major sponsors. In addition, our Chief Executive Officer, Louise Dudley, held the eminent role of Program Committee Chair, officially welcoming the 4000+ delegates at the opening ceremony.

Demonstrating our standing as a leader in the industry, a number of our staff presented technical papers on their respective areas of expertise, including network access, reservoir management, microalgae-based sewage treatment, innovation and fleet standardisation.

At the associated trade exhibition, our stand 'The future is now' showcased our poo-powered car, offered a virtual reality experience of our Innovation Precinct and raised vital funds for WaterAid through the sale of Queensland Urban Utilities branded water bottles.

Taking a coordinated approach to catchment management

In May 2018, we completed our \$1.3 million Laidley Nutrient Offsets Project to address nutrient and sediment pollution in Laidley Creek in the Lockyer Valley.

The 'green infrastructure' project involved rehabilitating over two kilometres of degraded banks along Laidley Creek. Construction works included the removal of existing weed vegetation, streambank profiling, the installation of two cross-channel structures and one rock chute, and the planting of more than 14,000 native trees, plants and shrubs.

By fully restoring and stabilising this expanse of previously eroded land, we expect to prevent 10,000 tonnes of sediment, 10,000 kilograms of phosphorous and 5,000 kilograms of nitrogen from entering the creek system every year. In turn, we will generate annual pollutant credits that can be used to offset nutrient emissions to Laidley Creek from the Laidley Sewage Treatment Plant, thereby deferring a costly infrastructure upgrade.

The project was successfully delivered in partnership with Healthy Land and Water and local landholders, particularly the Mulgowie Farming Company. The Port of Brisbane Corporation and Lockyer Valley Regional Council also offered their support throughout the 14-month undertaking.

HIGHLIGHTS (CONTINUED)

Global representation

Showcasing our business to international delegates

Our innovative practices and ground-breaking research continued to attract attention on a global scale. In 2017/18, we hosted a record number of international delegates, including the following:

- August 2017 – Hosted a delegation from Hong Kong Water who learnt about our process for managing tankered waste and took a tour of our Innovation Precinct and Luggage Point Sewage Treatment Plant.
- August 2017 – Hosted the CEO and Chief Research Officer from the Water Research Foundation in Denver, Colorado, who enjoyed tours of our corporate office, Innovation Precinct and Luggage Point Sewage Treatment Plant.
- August 2017 – Took representatives from the Southern Nevada Water Authority on a tour of our Innovation Precinct and discussed topics including drought management, intelligent water networks and cultural innovation programs.
- April 2018 – Hosted representatives from the Superintendency of Domiciliary Public Utilities in Colombia who learned about our history and our relationship with regulators and shareholders.
- May 2018 – As part of OzWater'18, close to 100 international delegates took a tour of our Innovation Precinct and Wynnum Sewage Treatment Plant. Delegates included groups from Vietnam, Fiji and the Solomon Islands.
- June 2018 – Hosted two members of the Danish Embassy and the Chief Operating Officer from Aarhus Water (Denmark). Our guests learned about our service delivery and treatment processes and enjoyed a tour of our Innovation Precinct.

Sharing research and development insights with global partners

Reinforcing our position as a leader in innovation and collaboration, Queensland Urban Utilities became the first Australian water utility to be invited to join WaterStart – an international collaborative focused on technology and development in the water industry.

Based at the Desert Research Institute in Las Vegas, WaterStart connects water and wastewater providers with technology companies around the world to bring about innovative solutions to industry challenges and opportunities.

Working with WaterStart will allow us to tap into global research and technology and give us an opportunity to share insights from our Innovation Program with international partners.



Stakeholder assistance and support

Exploring possibilities to support remote communities

Reflective of our purpose, to enrich quality of life, we are exploring the possibility of extending our industry expertise beyond our service territory to benefit those in remote Aboriginal and Torres Strait Islander communities.

In 2017/18, we engaged key stakeholders to determine the feasibility of working with Aboriginal Shire Councils and Regional Councils to assist them in meeting their regulatory requirements for water services.

To inform our future actions, we undertook several studies to validate why we should enter this space, and to understand how to begin building mutually beneficial arrangements with remote communities and the agencies that are responsible for delivery of their water services.

In 2018/19, we will build our internal capabilities in servicing remote communities and will continue to work in collaboration with local stakeholders to identify where and how we could deliver value in remote communities, while still achieving our corporate objectives.

Working with WaterAid to transform lives

Since our formation eight years ago, we have been a proud supporter of WaterAid – an international organisation focused on improving access to clean water and safe sanitation and hygiene in some of the world's poorest communities.

To support WaterAid in the delivery of its life-changing projects, we champion a number of fund-raising initiatives every year.

In 2017/18, we:

- Hosted the fourth annual Queensland WaterAid breakfast to launch the 2018 Queensland WaterAid Ball.
- Participated in the 'Water Innovators' program – a worldwide competition where participants solve existing issues, fundraise and learn new skills. This year, our team of nine worked together to solve a real-life sewage collection issue faced by the people of India. The team also hosted various fundraising activities throughout the year, with the aim of raising over \$10,000 for WaterAid. This is the third consecutive year we have participated in the challenge.
- Sponsored our eighth consecutive WaterAid Golf Day.

CHALLENGES

Minimising odours in readiness for new cruise ship terminal

In early 2016, the Port of Brisbane Authority advised us of their plans to construct an international cruise ship terminal in the vicinity of our Luggage Point Sewage Treatment Plant (STP). While we currently operate the STP within compliance for odour, the new terminal is set to be constructed within the existing buffer zone.

To ensure odours are kept to an agreeable level, we worked closely and collaboratively with the Port of Brisbane Authority to explore a number of odour-reducing solutions, the preferred option being chemical dosing to reduce emissions of hydrogen sulphide gas from the STP. This solution will only be activated when ships are docked at the terminal and when wind direction is such that odour is carried towards the site. These concurrent circumstances are estimated to occur less than 100 days per year.

Between August and September 2017, we conducted a dosing trial using magnesium hydroxide liquid (MHL) – a non-hazardous chemical frequently used for odour reduction in sewerage systems. The trial demonstrated that MHL successfully reduced odours to an acceptable level.

In June 2018, we commenced a dosing trial of ferrous chloride, which has the potential to be a more cost-effective option. Results from the trial will be available in August 2018.

We have also been working closely with the Port of Brisbane Authority to provide input into the new terminal's design, stormwater runoff, access, traffic routes, and water supply and sewerage services.

Construction works will commence on the chemical dosing facility in 2018/19, which will be operational when the cruise ship terminal opens in early 2020.



Preparing for drought conditions

In October 2017, Seqwater launched the drought readiness phase of its *Drought Response Plan*, which is part of the region's 30-year water security program. The drought readiness phase is about preparing South East Queenslanders for the possibility of drought and encouraging them to be water-wise both inside and outside of the home.

Should a drought be declared, Seqwater will be responsible for setting levels of service, drought triggers and demand management, while Queensland Urban Utilities, along with other SEQ service providers, will be responsible for implementing the water restriction schedule, which is currently being developed by the State Government.

Throughout the year, our dedicated Drought Management Team has been working proactively with the State Government, Seqwater, peak industry bodies and other water sector participants to plan for drought conditions, with the objective to:

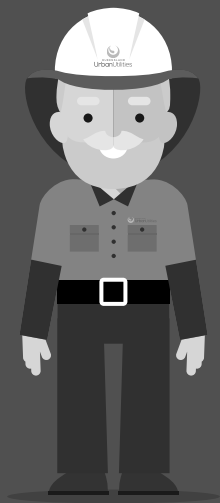
- minimise the impact on the community and industry by giving them time to adjust and prepare for the possibility of drought,
- reduce the likelihood of severe water restrictions,
- reduce the likelihood of drought response infrastructure being required, and
- reduce the likelihood of the need to construct new contingent supply infrastructure if the severity of drought conditions increase.

Cognisant of the impact water restrictions have on communities, existing water assets will be optimised and voluntary demand management measures introduced prior to the introduction of mandatory water restrictions.

Although dam storage levels slowly increased in the first half of 2018 (80% as at 30 June 2018), we will continue to work closely with all stakeholders to ensure we are in a strong position to manage drought impacts, should combined storage levels fall below 70%.

DID YOU KNOW?

- The South East Queensland Water Grid helps manage demand by moving water around the region on a daily basis.
- The Gold Coast Desalination Plant supports water supply in the region during major network upgrades and natural disasters.
- Prior to the Millennium Drought, residential water consumption was at around 300 litres per person per day (L/p/d), while, at the height of the drought, it dropped to around 150 L/p/d. Today, it is just 169 L/p/d, indicating that the conservation behaviours we adopted during the drought still largely influence the way we consume water.



PILLAR 3: OPERATIONAL EXCELLENCE

HIGHLIGHTS

- Invested \$219.6 million to improve the reliability and sustainability of water and sewerage infrastructure across our service territory.
- Generated over 13,000 MWh from cogeneration, reducing our onsite electricity costs by over \$1 million.
- Made significant progress on our journey to enhance our core ICT systems.
- Completed our largest water infrastructure project to date: the Murarrie-Pinkenba Cross River Water Pipeline.
- Began trialling a world-first technology that converts urine into fertiliser.
- Operationalised algae raceways to test the viability of using algae to treat sewage naturally.

CHALLENGES

- Higher than anticipated water quality incidents.

To see our strategic focus areas for 2018/19, turn to page III.

28%

**INCREASE IN
MWH GENERATED
BY SOLAR**

15%

**REDUCTION IN COST
TO TRANSPORT
AND DISPOSE OF
BIOSOLIDS**

1,450ML

**OF WATER
SAVED THROUGH
LEAK DETECTION
TECHNOLOGY**

FACTS AND FIGURES

OUR \$5.6 BILLION INFRASTRUCTURE NETWORK INCLUDES:



109

WATER RESERVOIRS

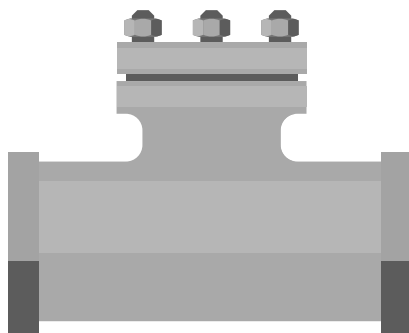
85

**WATER
BOOSTERS**

333

**SEWAGE PUMP
STATIONS**

**9,391KM
OF WATER MAINS**



**9,594KM
OF SEWERAGE MAINS**

61

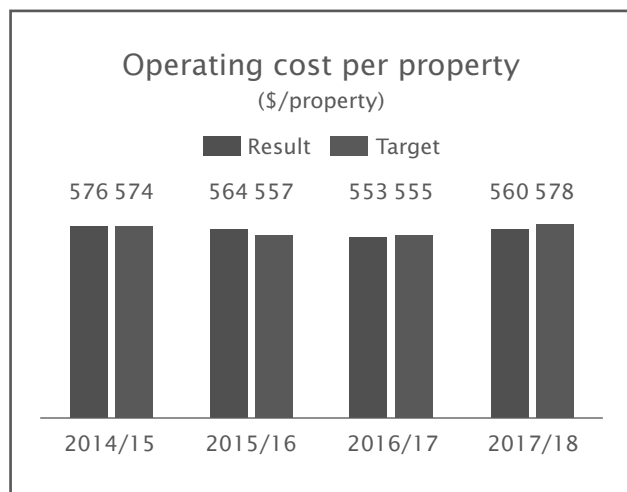
**WATER PUMP
STATIONS**



29

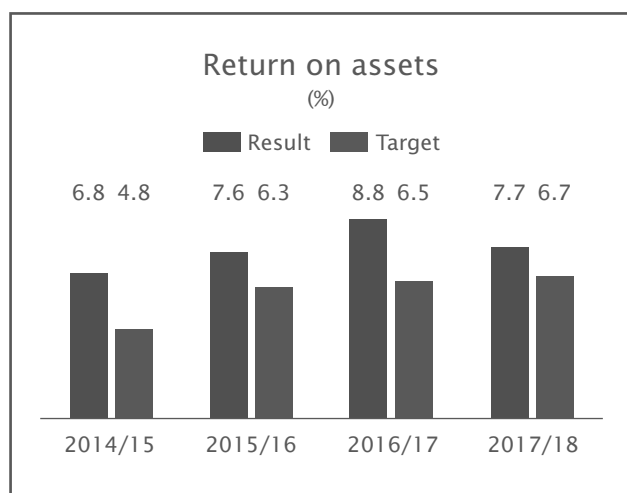
**SEWAGE
TREATMENT PLANTS**

PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



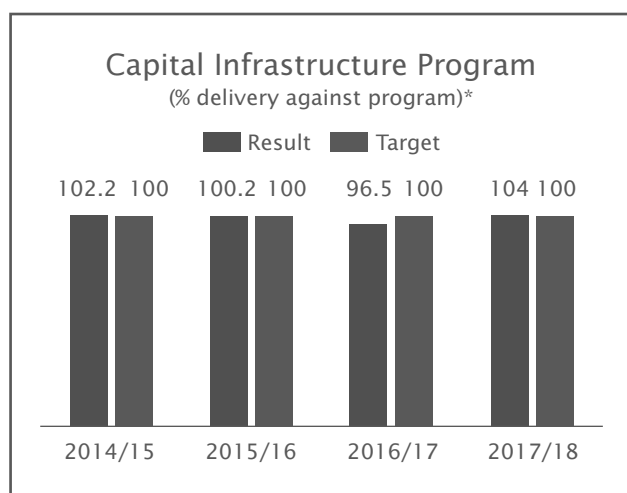
STATUS: ACHIEVED

Our operating costs are those that relate to our day-to-day operations, including employee costs, insurances, electricity and rent. This excludes State Government bulk water costs passed onto customers. We then divide the total figure by the number of properties we serve.



STATUS: ACHIEVED

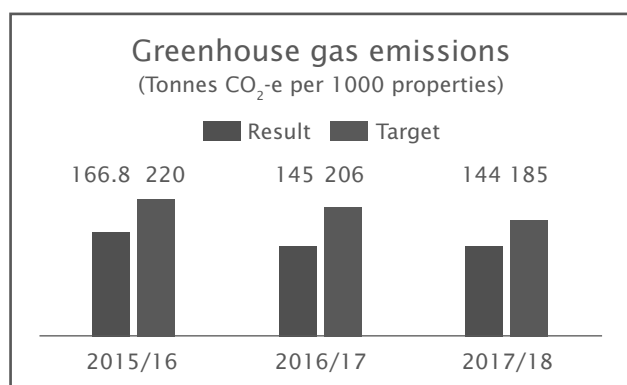
Return on asset reflects the cost of investing in assets to provide services to our customers and communities.



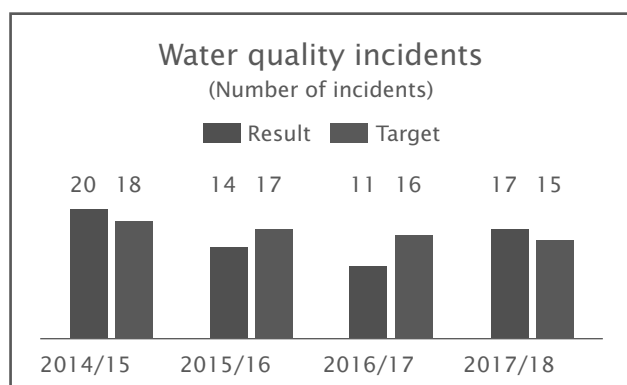
STATUS: ACHIEVED

Capital Infrastructure Program delivery reflects the delivery of infrastructure against the agreed budget for the financial year. We invest in new and improved infrastructure to support service growth, and to provide our customers with agreed levels of service.

*(+/- 5%)

**STATUS: ACHIEVED**

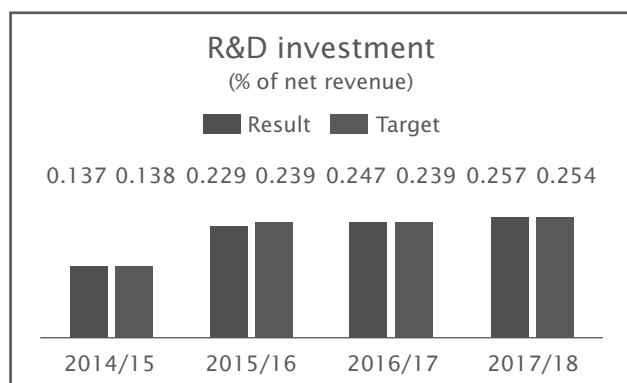
This measures the total net emissions of carbon dioxide and other gases into the environment as a result of our operations. This predominantly relates to electricity consumption and the treatment of sewage. We then divide that total figure by the number of properties we serve.

**STATUS: NOT ACHIEVED**

Our water quality incidents represent the number of times a water quality sample fails to meet the *Australian Drinking Water Quality Guidelines*, resulting in the immediate reporting of the incident to the regulator. For reference, each year, we complete over 100,000 water quality tests across our water network.

PERFORMANCE CHALLENGE

Of the 17 initial tests that did not meet *Australian Drinking Water Guidelines* (ADWG) requirements, 14 of these related to the presence of organic matter and were also attributed to warm weather reducing the disinfection residuals in the network. The three remaining notifications were related to the level of organic matter in the raw bulk water supply. All 17 follow-up samples met ADWG requirements, confirming there was no risk to public health. Moving forward, we will continue to work with Seqwater regarding our respective water quality management protocols.

**STATUS: ACHIEVED**

Our research and development investment measures the percentage of revenue we use to invest in the research and development of innovative solutions to improve our service delivery.

PERFORMANCE AGAINST STRATEGIC PRIORITIES

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Integrated infrastructure planning and service delivery Better align our infrastructure investment to ensure optimisation of long-term cost and performance.	Integrate our infrastructure, planning, delivery, operations and maintenance functions to ensure a single focus on safe, reliable and compliant infrastructure that meets our customer service levels at the lowest lifecycle cost.	On schedule	<ul style="list-style-type: none"> Updated key elements of our asset management system based on ISO 55001 Asset Management Systems, including a revised policy, strategic plan and asset plans for major water and sewerage assets. Significantly advanced our Program Management Approach (PMA) by appointing a globally established PMA delivery partner; completing Program Design & Development Partners (PDDP) plans for major infrastructure; and commencing the appointment of PDDP partners. Following a successful trial in 2016/17, we began implementing a Building Information Modelling capability to improve the planning, design, construction and management of our infrastructure.
Alternative ways to provide services Work with shareholders, the development sector, regulators and customers to develop alternative ways to deliver water and sewerage services that are sustainable and improve the liveability of our communities.	Deliver value to commercial customers by offering non-traditional decentralised network solutions.	On schedule	<ul style="list-style-type: none"> Established frameworks to assess potential customer distributed solutions and to guide the delivery of those deemed viable. In final negotiations to commission a customer distributed solution for a major industrial customer. The solution is planned to be commissioned by the end of 2019.
Environmental leadership In partnership with shareholders and strategic stakeholders, we will proactively identify and implement innovative environmental solutions that enhance our environment and contribute to the liveability of our communities.	Challenge traditional sewerage system design principles to deliver community focused solutions.	On schedule	<ul style="list-style-type: none"> Made significant progress on our Environmental Leadership Strategy, elevating 'environmental leadership' to a strategic goal in our revised 2023 strategic direction (page 111). Progressed our Cannery Creek demonstration project with key regulatory and community stakeholders. The project addresses environmental impacts from wet weather sewage overflows. Advanced consultation and analysis on long-term scenarios to reduce or eliminate emissions from our sewage treatment plants into waterways. Completed our Laidley Nutrient Offsets Project to address nutrient and sediment pollution in Laidley Creek.

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Intelligent infrastructure and operations Invest in technology that improves how we monitor and control our extensive water and sewerage networks. This will allow us to predict network performance to improve reliability and reduce costs.	Progress our Intelligent Water Network Strategy to improve how we monitor and control our water network.	On schedule	<ul style="list-style-type: none"> Expanded our fleet of Chloroclam® units, which monitor chlorine residuals in our water supply. Commenced multiple smart metering trials, focusing on high rise developments, commercial customers and a mixed residential and industrial area. These trials will provide learnings for future rollout of smart meters across our network. Saved over 1,450ML of water through the use of TaKaDu® – a software system that uses advanced analytics to identify leaks and pressure issues in our water network. This equates to savings of around \$4 million.
	Explore new technology to help monitor sewer overflows.	On schedule	<ul style="list-style-type: none"> With our existing technology superseded, we commenced installing new remote telemetry technology to further reduce the risk of sewage overflows.
Efficiency and sustainability Continue to identify and implement improvements to processes, systems and data that will improve performance and reduce cost.	Invest in our core ICT systems to improve customer service and deliver operational efficiencies.	On schedule	<ul style="list-style-type: none"> Rolled out our new Customer Relationship Management solution, giving us a central location to manage customer information. Engaged an implementation partner for our new Enterprise Asset Management Solution, which will provide efficiencies in finance, procurement and works management. Made progress on rationalising our multiple legacy SCADA systems into a single, consolidated platform.
	Generate renewable energy for on-site reuse.	On schedule	<ul style="list-style-type: none"> Implemented four new solar arrays at our sewage treatment plants to help offset the cost of electricity and reduce our environmental footprint. Continued to operate three cogeneration units, which produce electricity from biogas – a by-product of the sewage treatment process. This year, we generated over 13,000 MWh, reducing electricity costs by over \$1 million.
	Test and confirm the viability of converting the waste from our sewage treatment process into a commercial product.	On schedule	<ul style="list-style-type: none"> Continued to assess new opportunities to convert waste into commercial products, with varied success. We will continue to explore the use of milk waste and fats, oils and grease in the codigestion process (supporting the production of electricity); however, chicken manure was deemed unsuitable. Assessed multiple commercial options for the land and non-land application of biosolids, with those showing potential being developed further.
	Streamline the operational processes of our field-based teams.	Completed	<ul style="list-style-type: none"> As part of our Service Delivery Improvement Program for our field-based work, we delivered significant improvements in how we plan jobs, manage our warehousing and materials, and manage and use our fleet, plant and equipment.

MAJOR INFRASTRUCTURE PROJECTS COMPLETED OR PROGRESSED

In 2017/18, we invested \$219.6 million in new and upgraded infrastructure to improve the reliability and sustainability of our water and sewerage network. The table below shows the key infrastructure works we commenced, progressed or completed during the year.

The balance of the \$219.6 million was invested in ongoing programs for the renewal, enhancement and replacement of existing infrastructure across our service territory.

Region	Project Name	2017/18 Investment (\$m)	Total Project Investment (\$m)	Commenced	Estimated Completion
Brisbane	S1 & S18 Main Sewer Rehabilitation	6.6	76.6	2015/16	2019/20
	Bulimba Creek Trunk Sewer Stage 2 Upgrade	11.5	51.2	2015/16	2018/19
	Fortrose Street Sewer Rising Main Rehabilitation and Jindalee Water Trunk Main Replacement	5.5	26.5	2015/16	2018/19
	Bartleys Hill / Wellers Hill Zone Connection Including River Crossing	9.0	23.9	2015/16	2019/20
	Luggage Point STP Dewatering Upgrade - Portions A, B and C	6.2	15.3	2015/16	2019/20
	Brisbane Water Booster Pump Stations Switchboard Replacements	0.8	4.8	2014/15	2018/19
	STPs Mechanical Equipment Replacement and Rehabilitation works (C754 - 2016/17)	2.2	4.5	2016/17	2017/18
	Highgate Hill No 1 & 2, Mt Gravatt and Milne Hill Reservoirs Rehabilitation (C736A - 2016/17)	1.4	4.0	2016/17	2018/19
	Luggage Point STP - FST MLSS Distribution Channel Emergency Works and Interim Solution	0.8	4.0	2016/17	2017/18
	Luggage Point STP RAS Upgrade and Various Mechanical Renewals (C1163 - 2016/17)	0.9	3.6	2015/16	2017/18
	Brisbane RTU Replacement on Reservoirs	0.6	3.5	2016/17	2018/19
	Luggage Point STP Service Water System Upgrade	0.4	3.3	2016/17	2018/19

Region	Project Name	2017/18 Investment (\$m)	Total Project Investment (\$m)	Commenced	Estimated Completion
Ipswich	Ipswich Bulk Water Meters Implementation Program	1.2	6.8	2017/18	2018/19
	Ipswich Water Supply Resilience Improvements	0.2	2.0	2015/16	2018/19
	Rosewood STP Hydraulic Performance Improvement	0.7	1.0	2017/18	2018/19
	Tiger St, West Ipswich Rising Main Rehabilitation	1.1	1.1	2017/18	2018/19
	Installation of Mixers at Various Reservoirs	0.1	1.4	2015/16	2018/19
Lockyer Valley	Spotted Gum St, Gatton New Water Booster	0.2	0.3	2017/18	2018/19
	Pike St / Alexander St Pump Station (SP421) Rising Main Upgrade	1.4	1.4	2017/18	2017/18
	Helidon STP Buffer Zone Land Purchase and Irrigation	1.6	2.1	2017/18	2019/20
	Laidley STP Nutrient Offset Scheme	0.8	1.5	2016/17	2017/18
Scenic Rim	Bromelton State Development Area Stage 1 Trunk Water Main	1.4	7.1	2016/17	2017/18
	Campbell Drive WPS (WP190) Rehabilitation at Kooralbyn	0.1	0.3	2016/17	2018/19
	Boomerang Drive Reservoir R135 Roof and Wall Replacement	0.2	0.9	2015/16	2018/19
	Kooralbyn STP Compliance Enhancement - Phase 1	1.5	3.0	2017/18	2018/19
	Lowood/Fernvale Sewerage Scheme Upgrade – Stage 1	10.7	45.0	2017/18	2019/20
Somerset	Clive St. Fernvale After-care Centre SP401 Upgrade	0.2	0.2	2017/18	2017/18
	Lowood Catchment Upgrade (Eagle Rise Development) Stage 1	0.2	1.9	2015/16	2018/19
	Kilcoy STP Various Upgrades, Renewals and Improvements	0.3	1.6	2016/17	2020/21

HIGHLIGHTS

Environmental leadership

Investing in solar to reduce our electricity costs and carbon footprint

We continued to offset the rising cost of electricity by investing in solar technology. This year, we implemented new solar arrays at our Esk, Kalbar, Wynnum and Goodna sewage treatment plants, bringing our total renewable energy generation sites to 14.

We also continued to investigate the feasibility of installing several large-scale solar arrays at our most energy intensive sites.

Year-on-year, we achieved a 28% increase in MWh generated by solar, producing 350MWh in 2017/18.

We are currently on track to achieve our Energy Strategy targets of 50% renewable generation and 25% energy consumption reduction by 2030.

Operational efficiency

Adopting a program management approach to improve stakeholder outcomes

Over the coming five years, Queensland Urban Utilities will invest over \$1.8 billion on capital projects to support the delivery of water and sewerage services to our customers.

To help streamline our infrastructure delivery, we have adopted a Program Management Approach (PMA), which will see us develop leading edge solutions, engage in longer-term planning and design of projects, create logical programs of work and establish a number of large contract frameworks in partnership with the industry. As a result, we expect to see improved outcomes for our customers and shareholders through increased efficiencies and cost savings.

In 2017/18, we made significant progress on advancing our PMA initiative. Following an extensive competitive process, we appointed Kellogg Brown and Root, a global provider of differentiated professional services, to assist us in implementing best practice program management.

The Board also approved two procurement strategies:

- Northern Treatment Plants (NTP) Capital Works Program, and
- Integrated Engineering Services (IES) contract.

The NTP program is a collaborative three-year arrangement, which will involve our project, operations and maintenance staff working closely with a construction partner to deliver the capital program for the Luggage Point, Oxley Creek, Wynnum, Sandgate and Gibson Island sewage treatment plants.

The Integrated Engineering Services contract will replace the existing panel arrangement for engineering services with a more efficient integrated model. The new model will see us engage two consulting firms to support the delivery of our Capital Works Program through the provision of technical support from the feasibility stage through to the delivery of projects.

Further, we have implemented a Building Information Modelling capability. This state-of-the-art 3D laser scanning technology will give us the insight and tools to more efficiently plan, design, construct and manage our infrastructure.

Over the next five years, the PMA is forecast to deliver capital benefits of \$60 million.

Investing in our core information systems

An effective information and communication technology (ICT) investment is vital to the success and growth of an organisation, which is why we are on a journey to transform our core ICT systems. These systems include our Customer Relationship Management solution, Enterprise Asset Management system and SCADA monitoring and control system.

▪ Customer Relationship Management

This year, we began rolling out our new Customer Relationship Management (CRM) solution – a world-class platform that provides a central location to efficiently share, store, access and manage customer information in real-time. By having a comprehensive view of our customers, including their preferences, past questions and service requests, we can personalise each interaction and make faster and more informed decisions.

In November 2017, we launched phase 1 for our Key Commercial Accounts team, which manages relationships with our top 200 commercial customers (by revenue) and 2,000 water-reliant customers, such as hospitals, day care centres and shopping centres.

During phase 2, which has been underway since February 2018, the CRM will be made available to additional customer facing teams, including Shareholder and Stakeholder Relations, Customer Advocacy, Billing, Operations and our Contact Centre, allowing them to collaborate to efficiently resolve customer issues and requests.

To date, feedback from employees has been exceptionally positive, with one user saying, “It just keeps getting easier and easier to use.” Another said, “During a recent incident, I was able to use my mobile device to instantly provide customer contacts and contingency information to duty managers who then seamlessly managed the incident. CRM enabled me to quickly help other parts of our business and ultimately deliver a great customer experience.”

In 2018/19, we will finalise phase 2 of the program and commence delivery of phase 3, which will focus on personalised communications management and business development opportunities.

▪ Enterprise Asset Management

This year, we engaged a partner to lead the implementation of our Enterprise Asset Management Solution (EAMS) program – an organisation-wide solution that will manage our assets, supply chain, mobile workforce and financial transactions.

The program will enable contemporary management of our assets to ensure the best outcomes for customers and shareholders. It will also streamline our network management and maintenance processes and provide reliable asset and operations data, which will deliver significant operational value. This transformation will empower our people to continuously improve the way we plan and make decisions about our assets, as well as enable our mobile workforce to more efficiently manage our assets.

A major project milestone was achieved through completion of Solution Demonstration Laboratories, which involved stakeholders across the business prototyping the proposed solution and processes. The laboratories were an important mechanism to identify areas of improvement and benefits for the business. The EAMS program team will continue to work towards implementation, with system design and build to be completed in 2019.

HIGHLIGHTS (CONTINUED)

▪ SCADA

While our CRM system is arguably our most valuable customer-focused ICT platform, SCADA (Supervisory Control and Data Acquisition) is one of our most critical operational technology systems. It monitors and controls our water distribution and sewage collection networks and our sewage treatment plants to ensure we can continue to provide essential services to our customers around the clock.

At present, we are focused on rationalising our multiple legacy SCADA systems into a single, consolidated platform to enable improved system response and service reliability. This includes migrating 1,200 sites onto a new 'ClearSCADA Platform' and updating significant infrastructure to enable the platform implementation.

In 2017/18, we went to market for an Enterprise Historian solution and awarded a contract for delivery in 2018/19. This will allow us to consolidate all of our SCADA operational data into a single repository for analytics and asset optimisation.

At the conclusion of this project, we will be able to:

- maintain centralised monitoring with control and visibility over the entire water and sewerage network,
- manage the entire system of treatment plants and networks rather than individual sites,
- be more data driven to enable more effective planning, and
- prioritise planned over responsive maintenance to reduce costs and improve efficiencies.

Improving the efficiency of our service delivery

In 2017/18, we continued to make headway on our Service Delivery Improvement Program, the objective of which is to deliver sustainable operational efficiencies while maintaining our cultural and safety aspirations. Through the delivery of this program, we are aiming to save \$5 million per annum until 2022.

This year we:

- Refined our job planning, scheduling and dispatch processes in the control centre to ensure standard jobs are dispatched to the right crews with the right tools and equipment.
- Increased the range and quantity of tools and equipment in our field trucks and at our depots.
- Allowed for stock to be re-ordered in real-time via tablets, resulting in more accurate stock replenishment.

As a result of these initiatives, we have improved the efficiency of our field staff, enhanced customer service through faster response times and reduced our cost to serve.

In 2018/19, we will focus on implementing a new roster that aligns work and people more effectively.

Building an intelligent water network

Like other utilities around the world, we are faced with the challenge of managing masses of data generated every day. The goal is to transform the raw data into knowledge that supports the operation of our vast water and sewerage networks and improves service quality and reliability.

In late 2017, we formalised our plans to address the 'data challenge' by implementing an intelligent water network (IWN). The IWN allows us to re-think traditional operating models, resulting in improved efficiencies, convenience, cost savings and community outcomes.

As part of the project, we continued to trial innovative technology, including:

- pressure and acoustic sensors to identify leaks, bursts and asset defects in the water network,
- devices to automate analysis of pressure and flow data from our water network to extract maximum insights in a timely manner,
- on-line chlorine monitoring devices to ensure the continued supply of safe and aesthetically pleasing drinking water, and
- cloud-based data management solutions to meet the needs of the increasing volume of data, without the need to maintain and replace expensive locally-installed IT servers and software.

The insights from these trials will help inform the landscape of water and sewerage services over the next 5-10 years.

The IWN provides a tremendous opportunity to continue to build a resilient business, improve productivity and efficiency, and enhance customer service. It's about being predictive, proactive and easy to deal with.

Improving the way we manage and re-use biosolids

Biosolids are one of the main by-products of the sewage treatment process and attract significant management and disposal costs.

To reduce these costs, we have continued to develop our Performance and Production Operating Model, which focuses on streamlining our supply and distribution channels. This year, we increased throughput at the Oxley Resource Recovery Centre (RRC) by an additional 6% (on top of the substantial improvements delivered in 2016/17), and reduced logistics and disposal costs across the biosolids network by 15%, equating to savings of \$400,000.

The Oxley RRC processes lower-grade feedstock from other treatment plants and is the only site in Australia that uses CAMBI Thermal Hydrolysis technology (an industrial pressure cooker) to produce a stabilised, high-grade fertiliser product for land application. The process also produces biogas used for green power generation. In 2017/18, the Oxley RRC also became a certified green energy generator and began trading large-scale green energy certificates, further reducing the overall net cost of our biosolids handling.

In addition, our Commercial Customer Group has been exploring various commercial options for biosolids reuse, either for land application or as an energy source. A range of technology and market assessments have been undertaken to identify options that provide better value and fulfil our environmental leadership goals. Based on these assessments, we will soon commence pilot trials with a technology that has the potential to convert biosolids into a fertiliser or energy pellets.

HIGHLIGHTS (CONTINUED)

Community and shareholder outcomes

Supporting population growth across our region

As detailed in our *2017-22 Corporate Plan*, one of our core capabilities is to plan and invest in infrastructure to support the evolving needs of our customers and communities. In 2017/18, we commenced and completed a number of initiatives demonstrating this capability, including, but not limited to, the following:

- Completed our largest water project to date: the installation of a new pipeline under the Brisbane River from Murarrie to Pinkenba. The \$20 million project will ensure ongoing network resilience and will cater for population growth in the suburbs of Pinkenba, Eagle Farm and the Australia TradeCoast Precinct.
- Made significant progress on the installation of a \$6.5 million trunk water main connecting the Beaudesert Water Treatment Plant to the Bromelton State Development Area. When completed, the pipe will run almost seven kilometres along Beaudesert Boonah Road, Bromelton, providing an essential water service to the new hub.
- Advanced our \$55 million project to construct a new 4.25 kilometre pipe along the Bulimba Creek sewage catchment area. In April, we reached a major milestone when our tunnel borer emerged after three months of boring the deepest tunnel shaft of its kind in the southern hemisphere. Once completed, the project is expected to accommodate population growth for at least another 50 years.
- Commenced construction on a state-of-the-art sewage treatment plant for Lowood and Fernvale, as part of a \$45 million upgrade to the region's sewerage network. The project will include the construction of a \$20 million sewage treatment plant, two sewage pump stations and 8 kilometres of sewer pipes.

Minimising the occurrence and impact of wet weather overflows

Like most water utilities, Queensland Urban Utilities experiences wet weather overflows as a result of stormwater entering and overwhelming the sewer network. These overflows occur at a variety of locations and intervals, depending on the severity of the rain event and the condition of the network.

This year, we continued to investigate and implement solutions to reduce both the occurrence of these overflows and the impacts they have on our customers and communities. For example, we:

- performed 700 CCTV inspections to confirm if defective pipes could be contributing to recurring wet weather overflows,
- smoke tested 5,200 private properties to identify sources of stormwater entry into the sewer,
- inspected 2,700 maintenance holes and repaired 700 to reduce stormwater infiltration, and
- installed 200 overflow relief gully caps to prevent rainwater entering the sewerage network through drainage located on private properties.

We also continued to pro-actively offer reflux valves to customers who have been impacted by recurring overflows due to stormwater entering the network.

Innovation, research and development

Harnessing the power of urine to produce fertiliser

In collaboration with the University of Queensland, we launched the UGold electroconcentration system – a world-first technology designed to reduce wastewater treatment costs by recovering nitrogen, phosphorus and micronutrients at the source: the toilet.

Treating urine at the source could significantly reduce our electricity bills and also extend the lifetime capacity of our treatment plants through reduced nutrient loads. Plus, from the recovered nitrogen and phosphorus, the UGold system is expected to generate a concentrated low-energy liquid fertiliser boasting multiple reuse options.

Based on-site at our Innovation Precinct, the UGold system is housed inside a purpose-built toilet block featuring waterless toilets that feed into an adjoining laboratory. The urine flows through a series of battery-like systems, which generate an electric current and pushes the nutrients through a membrane system. The result is a concentrated, nutrient-rich product for re-use.

The results of this trial will determine whether the technology is up-scaled for wider application.

Using microalgae to treat wastewater

Demonstrating our commitment to delivering innovative solutions, we have been exploring microalgae-based technologies to treat our wastewater naturally.

In January 2018, we operationalised four purpose-built algae raceways (artificial ponds) at our Innovation Precinct.

On site, our Algae Research Specialist has been managing these raceways to test the viability of using microalgae to feed on nutrients in the wastewater – a natural process that will potentially reduce our use of chemicals and electricity. We also predict that this process will increase our volume of oil-rich algae that can be converted into biomass products (fertiliser and biofuel) for customer and commercial use.

Bolstered by positive results to date, we will continue testing in the raceways to develop optimised operating conditions. We also plan to train staff in the operation of microalgae-based treatment systems for full-scale implementation.

HIGHLIGHTS (CONTINUED)

Expanding the scope of our Scientific Analytical Services Laboratory

At our Scientific Analytical Services Laboratory (SAS Laboratory), we are continuously identifying and pursuing new business and growth opportunities. In October 2017, the lab welcomed a dedicated Research and Development (R&D) team that has been collaborating with industry on a number of pilots and trials, examples of which are listed below.

- Diffusion gradients in thin films

In collaboration with Hydrobiology Pty Ltd, we are exploring the diffusion gradients in thin films (DGT) technique, which is designed to measure the bioavailability of heavy metals in water and soil. DGT is fast emerging as a widely accepted environmental monitoring technique.

This aim of the project is to build SAS Laboratory's capability to deploy, extract and analyse the DGT gel and obtain NATA accreditation for DGT gel analysis. This will place SAS Laboratory in a stronger position to meet future demand in environmental monitoring.

- Aquatron™ Boom Tube

We completed a pilot of the Aquatron™ Boom Tube, an innovative mobile wastewater treatment technology. The chemical-free technology utilises high frequency resonance to destroy selected contaminants in wastewater, can be monitored remotely and claims to be capable of treating wastewater from a range of industries, including food and beverage, textiles and pulp and paper.

Adopting mobile water and wastewater treatment technology will enable us to serve our customers during natural disasters and provide alternative wastewater treatment solutions to industrial and commercial customers.

- Water sampling drones

In partnership with AirBorn Insight aerial data specialists, we are trialling the development and use of a drone to collect water samples from locations that are difficult for our staff to access, such as sewage treatment plant lagoons, deep water areas, fenced locations and high-grassed areas.

By employing the use of a drone, we envisage water sampling will become faster, safer and smarter, and will negate the need for a minimum of two staff members to access certain locations via boat or by wading.

CHALLENGES

Addressing water quality incidents

Each year, we deliver over 128,000 megalitres of water to our customers. This volume is equivalent to over 51,000 Olympic-size swimming pools. In 2017/18, we collected over 9,000 drinking water samples from around 300 dedicated drinking water sampling points throughout our distribution networks. Our Scientific Analytical Services Laboratory produced 114,000 analytical tests to verify the quality of the drinking water supplied to our customers. Each of these water quality parameters was compared to the *Australian Drinking Water Guidelines* (ADWG) and prescribed requirements of our legislation.

Throughout the year, 17 initial tests did not meet the ADWG requirements. Of these tests, 14 related to the presence of organic matter and were also attributed to warm weather reducing the disinfection residuals in the network.

The remaining notifications were related to the level of organic matter in the raw bulk water supply. All 17 follow-up samples met ADWG requirements, confirming there was no risk to public health. Moving forward, we will continue to work with Seqwater regarding our respective water quality management protocols.

In 2017/18, we met the prescribed health-related and aesthetic standards for all 12 of our drinking water schemes.





PILLAR 4: PEOPLE

HIGHLIGHTS

- Established a Diversity and Inclusion Council to drive initiatives across the organisation.
- Implemented a new leadership program, Strive, to build our leaders' skills.
- Launched our pilot Engineering Graduate Program.
- Commenced a mentoring program to promote employee growth and collaboration.
- Launched a Fitness for Work program to improve the health and fitness of our field workers.
- Adopted Safety II – a new approach to safety that seeks to change the collective safety mindset.
- More than doubled the membership of our Young Water Professionals group, which harnesses the potential of our young talent.

CHALLENGES

- Total and lost time injuries higher than targets.
- Addressed priority areas highlighted in last year's Employee Effectiveness Survey.
- Negotiated two Enterprise Agreements.

To see our strategic focus areas for 2018/19, turn to page III.

94%

OF EMPLOYEES BELIEVE THEIR WORK AREA IS SAFE

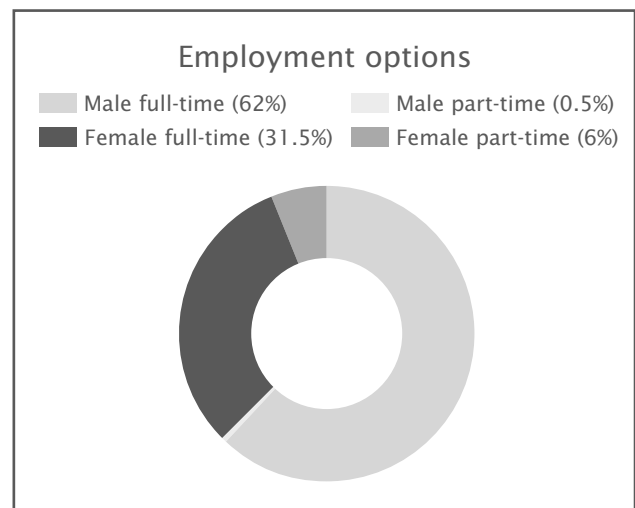
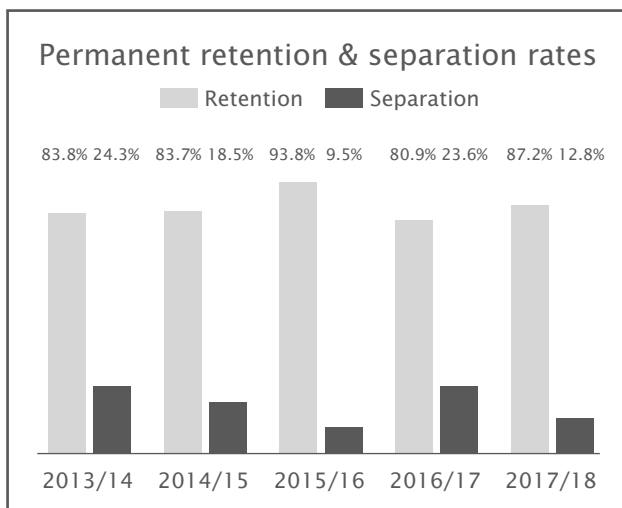
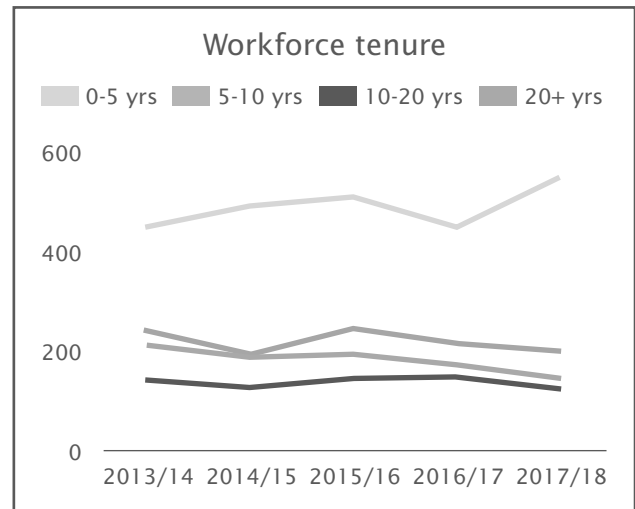
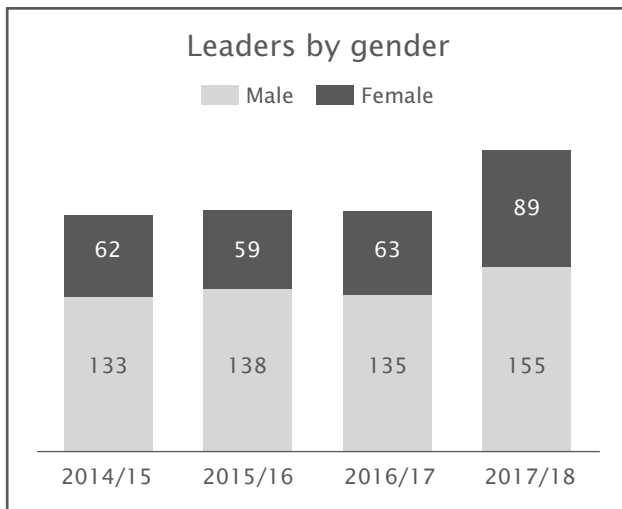
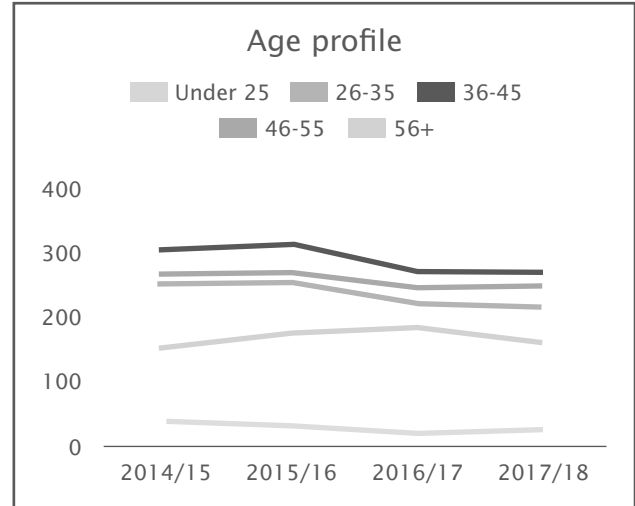
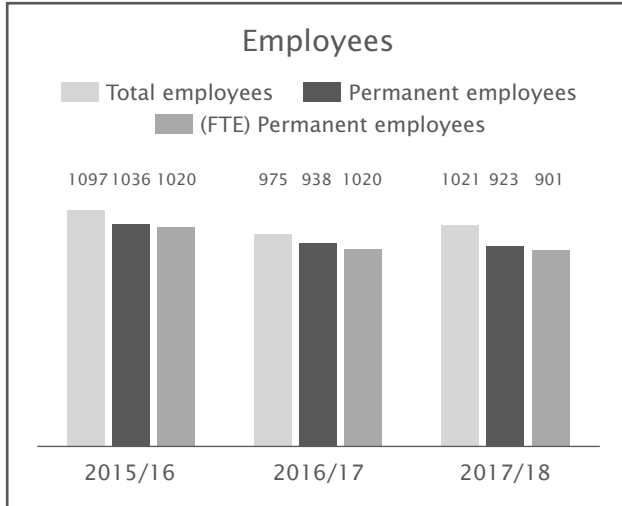
87%

OF EMPLOYEES ARE EXCITED ABOUT OUR FUTURE OPPORTUNITIES

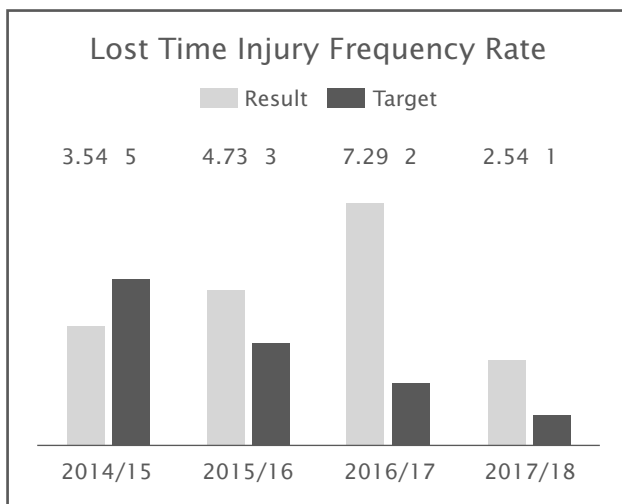
84%

OF EMPLOYEES FEEL THEY ARE TREATED WITH RESPECT AS AN INDIVIDUAL

OUR WORKFORCE PROFILE



PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES

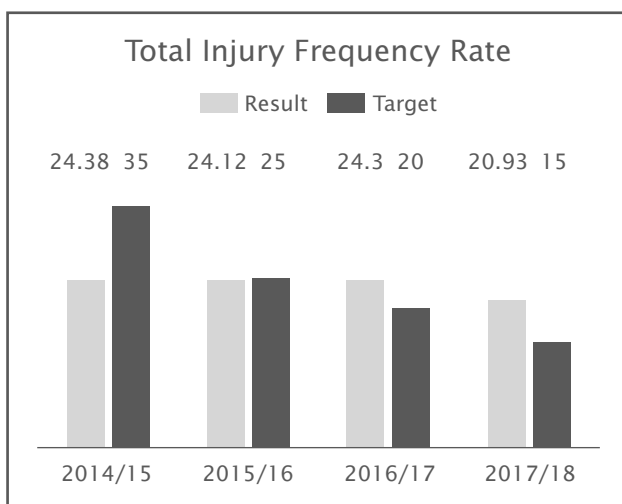


STATUS: NOT ACHIEVED

Our lost time injury frequency rate is the number of injuries per 1,000,000 hours worked resulting in lost time (at least one shift).

OUR PERFORMANCE CHALLENGE

Despite not meeting the target we set ourselves, we saw an impressive 65% reduction in our lost time injury frequency rate. This can be attributed to our increased investment in promoting constructive leadership behaviours and the effective delivery of our safety programs and initiatives.

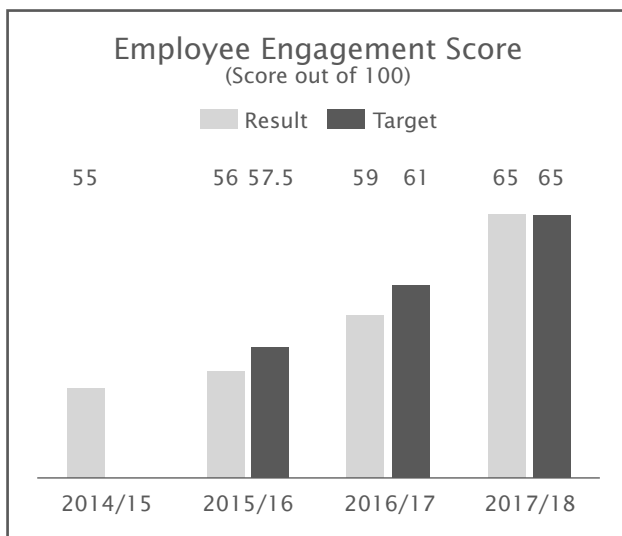


STATUS: NOT ACHIEVED

Our total injury frequency rate is the number of injuries incurred per 1,000,000 hours worked.

OUR PERFORMANCE CHALLENGE

While we did not meet our target, we experienced a marked improvement in our overall safety performance. In 2018/19, we will continue to focus on improving our safety performance through the execution of our Health and Safety Strategy.



STATUS: ACHIEVED

Our employee engagement score is based on the Korn Ferry™ Hay Group's Employee Effectiveness Survey, and indicates how effectively we stimulate our employees' enthusiasm for their work and direct it toward our success. It includes their commitment to Queensland Urban Utilities, and their willingness to 'go the extra mile' to help us succeed.

PERFORMANCE AGAINST STRATEGIC PRIORITIES

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Safety as a mindset Move from a compliance-based approach to one where safety is a personal commitment for every employee, and that commitment is supported by our safety systems.	Improve our safety culture through mindset change.	On schedule	<ul style="list-style-type: none"> Adopted a new approach to safety, known as Safety II, which moves away from focusing on what went wrong, to what went right and why. Delivered a four-part training series, Safe.Simple, to introduce leaders to the principles of Safety II.
	Strengthen safety management and leadership.	On schedule	<ul style="list-style-type: none"> Continued to improve our certified Safety Management System, focusing on moving from a generic enterprise-wide system, to one that is tailored to the safety risks of individual business areas. Reviewed and implemented changes to our local operational safety committees, delivering improved safety leadership and performance within our high-risk operational areas.
Leadership and culture Informed by the insights from our formal and informal employee feedback, we will focus our leadership and culture programs to target areas where transforming our culture will enable us to meet the evolving needs of our customers and communities.	Invest in the development of our leaders to improve their self-awareness, communication skills and coaching effectiveness.	On schedule	<ul style="list-style-type: none"> Launched our new leadership program, Strive, which builds on the key concepts of self-awareness, accountability and effective communication. Continued our formal feedback programs, providing leaders with inclusive feedback to help them understand what is supporting and hindering their personal effectiveness. Commenced internal coaching for leaders to help them attract, select and retain talent for their teams. Continued to host our Leaders Forum – a biannual event that brings our leaders together to discuss stimulating topics relating to leadership at Queensland Urban Utilities. This year, the topics were: <i>The strategy and culture nexus</i> and <i>What it means to lead at QUU</i>.
	Deliver initiatives that enhance staff engagement and enablement.	On schedule	<ul style="list-style-type: none"> Commenced a 12-month mentoring program pilot, MentorLoop, to encourage growth, collaboration and positive working relationships amongst employees. Doubled the membership of our Young Water Professionals group. Hosted our fourth annual CEO Recognition Breakfast where we celebrated the 54 employees who received four+ customer commendations throughout the year. Hosted our annual UrbanCommitment Awards, where we celebrated 40 employees for their service commitment of 15+ years.

Our strategic priorities	Where we focused our attention in 2017/18	Status as at 30 June 2018	What we achieved in 2017/18
Future workforce Understand and acquire the diversity and aptitude required to ensure we have the future workforce to meet the evolving needs of our customers and communities.	Foster a diverse and inclusive workforce.	On schedule	<ul style="list-style-type: none"> ▪ Established a Diversity and Inclusion Council to champion initiatives across our business. ▪ Delivered several initiatives guided by our broader Diversity and Inclusion Strategy, including the introduction of a job placement program for refugees and delivering diversity of thought training. ▪ Commenced our journey to become White Ribbon accredited, involving the review and development of policies and processes to support White Ribbon's objectives for domestic violence. ▪ Began collecting new workforce data to better understand our diversity and inclusion status and inform future initiatives.
	Understand our future workforce requirements and mobilise to acquire that workforce.	On schedule	<ul style="list-style-type: none"> ▪ Launched our pilot Engineering Graduate Program, which will see six graduates complete a two-year placement. ▪ Finalised two new Enterprise Agreements, providing certainty and security for employees. ▪ Commenced a school-based trainee program, which gives students an insight into working in the water industry and the opportunity to obtain a Certificate II in Water Operations. ▪ Hosted our second careers day at the Beaudesert Sewage Treatment Plant to encourage students interested in the water industry to apply for a school-based traineeship.

OUR WORKFORCE

Our workforce profile

In 2017/18, our total workforce (1020) comprised a range of professional and trade roles in permanent full-time, permanent part-time and casual capacities and included employees on enterprise and individual employee arrangements. The figure excludes agency resources who were employed on a short-term basis to meet ad-hoc business needs.

Of our permanent employees, 93% were employed in full-time roles, while 6% of our female permanent employees and slightly less than 1% of our male permanent employees were employed in part-time roles, demonstrating our support of flexible working arrangements.

Research unequivocally shows that diversity is essential for any organisation to grow and prosper. In a typically male-dominated industry, we boast distinctly higher female leadership representation than the industry norm of 22%. In 2017/18, 36% of all leaders were female (a 4% increase on the previous year), while 40% of our Executive Leadership Team was represented by women. Our commitment to attracting and retaining quality female talent is illustrated by our partnership with Work 180 (previously Diverse City Careers) – a unique jobs board that exclusively supports companies with female-friendly policies (such as paid parental leave, pay equity and flexible working arrangements). Other diversity and inclusion initiatives are detailed on page 90.

During 2017/18, our workforce profile by age and tenure remained fairly consistent, with marginal movement in each category. The majority of our employees were aged between 36 and 45 years old, and over half of our workforce had been employed with us for less than five years.

Finally, our retention rate (87.2%) increased by 6.3 percentage points, while our separation rate (12.8%) decreased by 10.8 percentage points.

(Note: The sum of the separation rate and retention rate is not expected to equate to 100% as they are calculated using different criteria.)

Industrial and employee relations

Over the past two years, significant time and effort was invested in bargaining for new enterprise agreements under the *Fair Work Act 2009 (Cth)*.

At as 30 June 2018, the Fair Work Commission had approved two of the agreements: the SAS Laboratory Employees Enterprise Agreement and the Administrative and Technical Employees Enterprise Agreement. The third, our Operational and Field Employees Enterprise Agreement, was awaiting approval.

The new agreements provide our employees with specific terms and conditions and competitive wage increases, and support our aspiration to become a 'utility of the future'.

Our values

Our values are the foundation of how we work. To achieve our purpose and vision, we must embrace our values in all that we do (see page 13).

Code of Conduct (Public Sector Ethics Act 1994)

All Queensland Urban Utilities employees are expected to maintain the highest ethical standards and conduct themselves in a way that reflects our values, policies and legal obligations.

Our Code of Conduct is the foundation on which we will continue to build a positive and constructive culture. Prepared in accordance with the *Public Sector Ethics Act 1994*, our Code of Conduct sets the minimum standard of behaviour for how employees should behave and carry out their duties.

Our Code of Conduct was reviewed in 2014/15 and includes direct alignment to our values.

Official misconduct

Matters that raise a suspicion of corrupt conduct are referred to the Crime and Corruption Commission. Where necessary, investigations are undertaken, with outcomes reviewed and monitored.

Promoting a work/life balance

We continued to promote work/life balance for our employees by offering a range of options, including:

- flexible work arrangements, such as nine-day fortnights,
- staggered working weeks/fortnights and part-time work arrangements,
- job sharing arrangements, flex-time and time off in lieu is utilised to benefit both employees and the business,
- the ability for employees to work from a remote workplace, while electronically maintaining a presence in their primary office, and
- access to various paid and unpaid leave arrangements.



OUR WORKFORCE (CONTINUED)

Workforce planning, attraction and retention

The success of Queensland Urban Utilities is built on the commitment, skills and creativity of our people. With that in mind, it is critical that we attract, develop and retain the right employees who will move us closer to achieving our purpose and vision.

To help us better understand our future workforce requirements and mobilise to develop or acquire that workforce, we have:

- established an in-house Talent Acquisition team (see page 89),
- implemented a comprehensive on-boarding process to enable better skills data collection, and
- continued to deliver a Diversity and Inclusion Strategy (see page 90).

We also started, and will continue to:

- identify where desired skill sets are currently located within the business and assess whether they are being accessed effectively for enterprise-wide outcomes, rather than for silo-specific goals,
- use these insights to inform focused talent acquisition, employee on-boarding, and training and development programs to further develop the skill sets required, and
- consider how work is delivered across all business units, and recommend opportunities to redesign work processes or restructure the workforce to ensure an agile response to changing market trends.

In July 2017, we launched our new Talent Acquisition and Retention Strategy, which contains three objectives:

1. Develop and provide support (including tools and training) to enhance leadership capability to enable self-service, and ensure consistency and transparency in the attraction and selection process.
2. Develop and deliver a contemporary, fit-for-purpose assessment and selection framework to attract, assess and recruit talent, ensuring we are attracting candidates with the behaviours and capabilities required to become a utility of the future.
3. Develop and deliver targeted initiatives aligned with the Diversity and Inclusion Strategy and talent retention.

In addition, we continued to invest significant time and resources into our new leadership program, Strive (page 87), to ensure our employees are engaged and enabled to do their work. This, in turn, fosters a more constructive culture, which leads to greater employee attraction and retention.

Workplace health and safety committees

Our workplace health and safety (WH&S) structure was specifically designed to support consultation and communication on WH&S issues across our organisation. We have achieved this by ensuring that all workgroups have access to a safety committee or advisory group, and at least 50% of our committee members are employee-nominated representatives.

The committee structure has two distinct layers:

- **Strategic Safety Group:** An executive committee that sets the strategic direction for all of our WH&S initiatives and is responsible for creating and embedding our safety culture.
- **Line Committees:** These committees bring together employees and management to discuss safety issues, and are responsible for implementing best practice safety solutions for their workgroups. The line committees include:
 - Office Administration Safety Committee
 - Operational Safety Committee
 - Petroleum and Gas Advisory Group
 - Electrical Safety Advisory Group
 - Infrastructure Delivery Contractor Advisory Group.

HIGHLIGHTS

Safety

Embracing Safety-II: the future of safety

Traditionally, health and safety has been about eliminating unwanted outcomes, such as injuries, incidents and illnesses. This goal of ensuring a state where as few things as possible go *wrong* has been labelled Safety-I.

Despite a steady improvement in our safety performance, we have limited insights into our *successful* safety outcomes. As such, we are now focusing on enabling as many things as possible to go right. This perspective, labelled Safety-II, not only changes the definition of safety, but changes how safety is understood and practiced.

While Safety-I focuses on managing constraints and deviations, often through more rules and policies, Safety-II encourages organisations to focus on understanding what helps and hinders performance.

Things go right because people constantly adapt and adjust their performance to changes, inefficiencies and surprises in the workplace. To enable more things to go right, we will invest in the capacity of our people and processes to achieve desired outcomes.

This year, in an effort to influence a paradigm shift in our collective safety mindset, we delivered a bespoke four-part training series, Safe.Simple (see page 94), to leaders across the business. The training introduced the three principles of Safety-II:

1. Empowering people as the source of solutions.
2. Seeing safety not as the absence of negative events, but as the presence of positive capacities.
3. Safety as an ethical responsibility.

Moving forward, we will embed these three principles, along with supporting Safety II tools, into our everyday approach to safety.



WHAT OUR LEADERS SAID ABOUT SAFE.SIMPLE TRAINING:

“The content was very valuable and can be used at work and at home. It will improve our leadership ability and promote even better safety at work”

“It’s a unique approach and I like that it’s founded on psychology and science.”

“People are open and willing to change. Let’s do this.”

HIGHLIGHTS (CONTINUED)

Focusing on fitness for work

In July 2017, we launched our Fitness for Work program to address the number of field workers experiencing difficulty with the physical aspects of their roles.

The program – delivered by Axis Rehabilitation in conjunction with our Injury Management team – provides access to an exercise physiologist who prescribes an exercise program, a dietician to assist with nutritional education, and a psychologist to offer the emotional and psychological support an employee may need to achieve their goals.

Following an initial assessment, a detailed plan, including goals and timeframes, is sent to the employee's doctor for approval prior to commencement. The plan is then discussed with the employee whose full commitment and consent is required.

On account of the high level of interest, we expanded the scope of the program to include all staff members with a medical condition or struggling with their fitness.

One of the first participants was an employee who underwent a knee replacement and was struggling with his recovery, which was found to be partly attributed to excess weight. To date, he has lost more than 23 kilograms and is now fit to perform the physical tasks required.

Leadership and culture

Bringing employees together to reflect on our purpose

Twice a year, we host our enterprise-wide roadshow, ENRICH, which brings together employees from all over our service territory to celebrate our organisational achievements and reflect on our purpose: Enrich quality of life.

At the roadshow in October 2017, staff enjoyed an inspirational keynote address from Dr Jordan Nguyen, a biomedical engineer who designs life-changing and inclusive technologies to enrich the lives of those living with disabilities.

Dr Nguyen encouraged employees to open their minds to the possibilities of innovative technologies, such as virtual reality, and how they have the potential to improve the way we live and work.

At the roadshow held in April 2018, we welcomed the team from Orange Sky Australia – the world's first free mobile laundry service for people experiencing homelessness. The founders spoke about the services they provide to some of the most vulnerable people in our community, and demonstrated the power of being purpose driven.

Our CEO Louise Dudley highlighted the importance of Queensland Urban Utilities being a purpose-driven business.

"When we are on-purpose at work, we have a strong sense of meaning and belonging, and we are empowered to do our best in progressing towards our common goals," Louise said.

The success of our most recent roadshow was evident in employees' survey responses, with 92% saying they felt more aligned and committed to Queensland Urban Utilities' purpose and values, 89% believing that the business is becoming a more constructive and positive place to work and 87% indicating they are excited about the future opportunities for Queensland Urban Utilities.

89%

**OF OUR EMPLOYEES
BELIEVE THE BUSINESS
IS BECOMING A MORE
CONSTRUCTIVE AND
POSITIVE PLACE TO WORK**

Clear progress towards a more constructive culture

In 2017, we conducted our fourth Human Synergistics Organisational Culture Inventory® (OCI) – the world's most widely used tool for measuring organisational culture. It gauges our employees' perceptions of the behaviours required to fit in at Queensland Urban Utilities; that is, the behavioural norms or expectations that reflect our cultural values and beliefs.

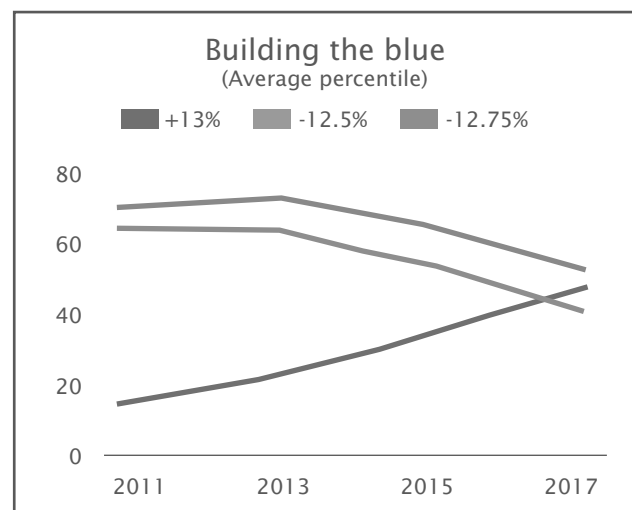
At the highest level, the survey results are grouped according to three style clusters:

- Constructive styles (blue) encourage expectations to interact with people and approach tasks in ways that meet their needs for satisfaction and growth; promote teamwork and synergy; and enhance individual, group and organisational adaptability and effectiveness. It includes norms and expectations for Achievement, Self-Actualising, Humanistic-Encouraging, and Affiliative behaviours.
- Aggressive/Defensive styles (red) involve expectations of approaching tasks that focus individuals on their own needs at the expense of those of their group and organisation, and can lead to stress, turnover and inconsistent performance. It includes norms and expectations for Oppositional, Power, Competitive and Perfectionistic behaviours.
- Passive/Defensive styles (green) involve expectations of interacting with others in cautious and tentative ways, which can lead people to subordinate themselves to the organisation, stifle creativity and initiative, and allow the organisation to stagnate.

The strength of each style is measured in terms of percentile scores.

In 2017, not only did we achieve the highest participation rate since 2011 (816 employees), we also achieved the strongest growth in our constructive styles (+13%) and the sharpest decline in our passive (-12.5%) and aggressive (-12.75%) styles.

These positive results are a testament to our ongoing commitment and investment in our 'Building the Blue' culture program (see page 87), which aims to build a constructive culture by supporting our leaders with effective tools to improve their self-awareness, willingness to learn and ability to coach and communicate more effectively.



HIGHLIGHTS (CONTINUED)

Encouraging professional growth and collaboration through MentorLoop

In March 2018, we launched a pilot mentor program to encourage growth, collaboration and positive working relationships amongst employees.

The voluntary program matched staff wishing to develop their careers (mentees) with more experienced employees keen to impart their knowledge and insights (mentors).

During the 12-month trial, the 38 participants will use an online platform, MentorLoop, to communicate with their partner, share ideas and access tools to get the most out of the relationship.

In addition to using the online platform, the pairs are encouraged to meet regularly to identify goals, design plans and discuss actions; challenge each other on assumptions, perspectives and biases; and continually evaluate and provide feedback on how well the relationship is working.

We plan to expand the program in 2018/19, subject to the success of the trial.



WHAT MENTORLOOP PARTICIPANTS SAID:

"I've had a fantastic experience with my mentor. I'm appreciative that he encourages me to think differently and explore my options further." – Laura, mentee

"The insights and advice I've gained from my extremely experienced mentor have already paid dividends in my new leadership role at work; I've highly recommended the program to my peers." – Gary, mentee

"I've really enjoyed being able to see a different side of my mentee. Our conversations have helped illuminate some aspects of her role that she thoroughly enjoys and wishes to pursue. For me, the relationship has helped crystallise the reasons I do what I do and how I can do things better. It's been a rewarding learning experience for both of us." – John, mentor

"The mentoring program has been a great opportunity to form a new friendship, learn new things and see my mentee in a new light." – Sally, mentor

Developing our leaders to be the best they can be

In 2013/14, we launched our 'Building the Blue' culture program, which aims to build a constructive culture by giving our leaders the tools they need to perform effectively. For four years, our primary leadership development program was 'The Blue Leader', which gave over 230 leaders the opportunity to reflect on and grow their leadership effectiveness.

This year, we launched our new leadership program, 'Strive', to build on the key concepts delivered through The Blue Leader (which concluded in late 2017).

The year-long program was developed in partnership with Dr Adam Fraser, who worked with us to develop The Blue Leader program and, as such, has in-depth knowledge of our cultural and leadership development journey.

The program, which consists of four face-to-face workshops and experiential learning, focuses on:

- developing resilience,
- meaning, purpose, vision and values,
- building trust, and
- wellbeing – self and team.

Before undertaking the program, each leader and their team will complete a baseline survey to measure change in behaviour as a result of the program.

In addition to Strive, we continued to provide:

- 360-degree feedback, which gives leaders an opportunity to look at their thinking and behaviour and gain input from their leader, direct reports and colleagues.
- A Career Development Program, which gives all employees the opportunity to discuss their career aspirations with their leaders and identify appropriate development options.

To help leaders effectively engage their teams, we continued to employ the following performance management and reward and recognition programs:

Program	Overview	Outcome
Enabling Performance	Our employee performance framework, previously known as Achieving Success, gives leaders and employees the scope to proactively and collaboratively adapt and refine: <ul style="list-style-type: none"> ▪ how and when they set employee performance goals ▪ how they monitor, review and report progress toward those goals ▪ how they will identify and support the development needs of each team member. 	<ul style="list-style-type: none"> ▪ More open, collaborative and constructive relationships. ▪ Increased job clarity and satisfaction. ▪ Greater focus on collaborative goal setting, tracking progress and development of employees. ▪ Significant improvement in Performance Management dimension of 2018 Employee Effectiveness Survey.
URBANLEGEND	A five-tiered recognition program to encourage employees to behave in line with our values, and to identify and recognise those behaviours in others.	<ul style="list-style-type: none"> ▪ Ability to identify and recognise constructive employee and leadership styles. ▪ Recognition at all levels: peers, leaders, executives and the CEO.

HIGHLIGHTS (CONTINUED)

Providing leadership support where it is needed most

While we have realised a steady improvement in culture since 2011 (see page 85), we have established a targeted Culture Transformation Program to expedite culture and performance improvement in areas of the business requiring support.

Facilitated by our Culture and Performance team, the five-step program integrates elements of the structural dynamics behaviour change methodology, design thinking and traditional project change management.

Throughout the year, program participants completed a number of tailored activities, including team workshops to focus on priorities and celebrate successes; individual coaching on leadership capability, purpose and teaming; 360-degree feedback and coaching; and leader coaching for difficult performance conversations.

Of the six teams undertaking the Cultural Transformation Program, two have already been approved to exit the program on account of significant improvement in team effectiveness.

Developing the careers of our young water professionals

As detailed in our Corporate Plan, we are committed to developing our workforce, both personally and professionally. This priority is highlighted by the achievements and growth of our Young Water Professionals (YWP) group.

Formed in 2016/17, the purpose of YWP is to harnesses the potential of our bright young talent. Members are afforded access to events that contribute to their personal and professional development, and are invited to engage in social opportunities with like-minded peers. The ultimate goal is to enhance capability and increase job satisfaction.

In just one year, YWP has doubled its membership to almost 250 employees, boasting representation from every facet of the business.

In 2017/18, YWP delivered a number of initiatives, including:

- A bus tour to various Queensland Urban Utilities sites, exposing staff to different areas of the business.
- An event to encourage staff to talk about their mental health, understand mental health issues and connect with people they wouldn't normally talk to. An onsite bake sale also raised over \$1,000 for R U OK Day.
- "Christmas spirit" cards designed to encourage staff to send them to their colleagues in recognition of positive behaviour. For every card sent, a donation was made to The Smith Family Appeal, with \$4,000 being raised.
- A personal branding workshop and goal setting workshop.

Future workforce

Attracting and retaining the right people for our organisation

In 2017, we replaced our outsourced recruitment model with an in-house Talent Acquisition team. This dedicated team is focused on attracting, assessing and recruiting candidates that embody our cultural aspirations, meet our current operational requirements and demonstrate the behaviours and capabilities reflective of our 'workforce of the future'.

The Talent Acquisition team is committed to building strong relationships with our hiring leaders and providing them with greater support and flexibility to attract the most suitable candidates for their teams. As a result, we have seen an increase in leaders' accountability for talent planning and acquisition and improved reporting and insights.

We have also enjoyed significant cost efficiencies. In 2017/18, the Talent Acquisition team filled over 230 positions, which delivered well over \$1 million in savings when compared with the equivalent outsourcing costs. Around 90 of these roles were filled on merit internally, highlighting our commitment to succession planning and employee retention.

Guided by our Talent Acquisition and Retention Strategy, the team delivered a number of initiatives to move us closer to becoming an employer of choice. For example, we:

- began offering internal coaching and support to leaders to help them attract, select and retain talent,
- launched our first Engineering Graduate Program (see page 91),
- commenced a school-based trainee program, offering students a Certificate II in Water Operations (see page 92),
- developed our social media presence through LinkedIn, which has attracted over 10,800 followers (a 42% increase on last year),
- implemented a digital and automated on-boarding experience to improve engagement and retention of new hires, and
- developed an employee discount program to enhance our employer value proposition and benefits for staff.

THIS YEAR, WE GREW OUR LINKEDIN FOLLOWING BY OVER 40%, GIVING US GREATER POWER TO PROMOTE OUR BUSINESS, OUR BRAND AND OPPORTUNITIES FOR EMPLOYMENT.

HIGHLIGHTS (CONTINUED)

Embracing diversity and inclusion

To successfully build a constructive culture, we must recognise and grow the diversity of our workforce, respect and value each other's differences, and ensure everyone feels included and supported.

To help us achieve this vision, we established a Diversity and Inclusion Council – a group of employees who are passionate about diversity and inclusion and volunteered to drive initiatives across our business to help foster a more diverse and inclusive workforce.

As ambassadors for diversity and inclusion, our council members will assess potential initiatives, programs and events, gauge their resonance and gain feedback to help determine what areas we need to focus on. They will also provide input into how the initiatives will run, and help to embed them across the business.

The Diversity and Inclusion Council is just one of the initiatives guided by our broader Diversity and Inclusion Strategy. Other initiatives delivered or underway include, but are not limited to:

- Designing for Diversity – a collaborative partnership with Aurecon, Queensland Rail, TransUrban, the Department of Transport and Main Roads, Energy Queensland and Engineers Australia to discuss issues and develop strategies relating to attracting and retaining female engineers at each point of their career lifecycle.
- Working with CareerTrackers, an Indigenous Internship Program, to offer intern opportunities in different areas of our business.
- Supporting the Multicultural Development Association's Work and Welcome program by hosting 12-week job placements across the business for refugees and asylum seekers who are new to Queensland, which has seen great success.
- A pilot Diversity of Thought training program to gain a broader understanding of the concepts of unconscious bias, thinking processes and considerations when engaging with leaders, teams and stakeholders.
- Membership with Diversity Council Australia as a means of accessing support and guidance on related activities, initiatives and programs, and membership with Diversity Practitioners Association (Qld) as a means of promoting the business as an employer of choice.

This year, results from our Employee Engagement Survey (see page 95) indicated that 82% of our employees believe that Queensland Urban Utilities values and promotes employee diversity. This was a 4% increase on last year and 8% higher than the general industry norm.

WHAT DO WE MEAN BY 'DIVERSITY' AND 'INCLUSION'?

Diversity is the collective mix of our differences and similarities, including our values, beliefs, abilities, experiences and backgrounds. By building and harnessing our diversity, we can benefit from different ways of thinking for improved decision making and greater creativity. A more diverse workforce also better reflects the communities we serve.

Inclusion means that we create an environment where all employees are treated fairly and respectfully, have equal access to opportunities and resources, and where our differences are valued as attributes that contribute to our organisation's constructive culture and success.

Welcoming the next generation of engineers

An important step in preparing for our future is to ensure we attract, develop and retain talented individuals. This year, we welcomed our next generation of engineers who joined Queensland Urban Utilities as part of our 2018/19 Engineering Graduate Program – our first formal graduate program.

This two-year pilot will see six graduates – from the University of Queensland, Griffith University, and the University of Newcastle – work across various operational areas of our business in six-month rotations. To harness the valuable experience the graduates gain throughout their placements, they will be offered permanent roles at the end of the program.

The graduates, most of whom who are new to the full-time workforce, have been paired with a mentor to support and guide them in their journey. These mentors, not all of whom are engineers, will give the graduates further exposure to the wide range of technical and operational expertise within our business.

**WHAT OUR RECRUITS SAID ABOUT THE GRADUATE ENGINEERING PROGRAM:**

“I’m getting hands-on experience working in my dream field of engineering, and I get to learn how all of the concepts I was taught at university actually apply in the real world.” - Phil

“There is a great amount of support from both people in the business and also the other graduates. It’s good to go through the start of a new career with people that are in the same boat as you so you can all share experiences.” – Annabel

“The Graduate Program is delivering everything I thought it would: experience and opportunities. I am having a fun time learning the business and how I can contribute to it.” – Erick

“This program has grown me in confidence and professionalism as a chemical engineer and for that, I am so grateful.” - Ruth

HIGHLIGHTS (CONTINUED)

Encouraging students to consider a career in the water industry

Responsible for the management and operation of 29 sewage treatment plants (STP) across our service territory, it's important we continue to train new plant operators to build a skilled workforce and enable succession within our organisation.

Currently learning the ropes under the guidance of the regional treatment team are two young and eager employees, Shannon and Lita, both of whom are based at our Beaudesert STP.

Shannon, a full-time Assistant Treatment Plant Operator, joined Queensland Urban Utilities straight out of high school, and was drawn to the organisation for its network of rewarding career pathways.

"I'd done my research on the organisation prior to submitting my resume, so I knew it was a place a wanted to work," Shannon said.

"My goal is to expand my knowledge and learn as much as I can, which will hopefully see me move up in the business. I'd also be open to moving into a different area, like the lab."

Lita visits the plant every Wednesday as part of her school-based traineeship as a plant operator.

Lita first visited the plant as part of a school excursion, which resulted in an offer of work experience – an initiative we repeated this year for a new group of Year 11 and 12 students.

"When I finished my work experience, I had developed a real interest in the industry, and was lucky enough to be offered a school-based traineeship," Lita said.

Currently in Year 12 at Beaudesert State High School, Lita is completing a Certificate II in Water Operations, and is thrilled with all that she's achieved to date.

At her school's awards night last October, Lita proudly took out the award for School-Based Apprentice and Traineeship Encouragement.



SPOTLIGHT ON...

Acknowledging those who go above and beyond

Our **URBANLEGEND** reward and recognition program is designed to foster constructive behaviour and performance-orientated attitudes amongst our workforce. The program's highest accolade, the **URBANHERO** award, recognises an extraordinary or inspirational act by a staff member, and is granted at the CEO's discretion.

This year, the **URBANHERO** award was presented to two inspirational employees.

Mark Parusel, Operations and Service Delivery

Mark is described by his colleagues as the epitome of a quiet achiever. He takes on any business problem, no matter how complex, and will quietly see it through to a successful conclusion without ever stopping to seek praise.

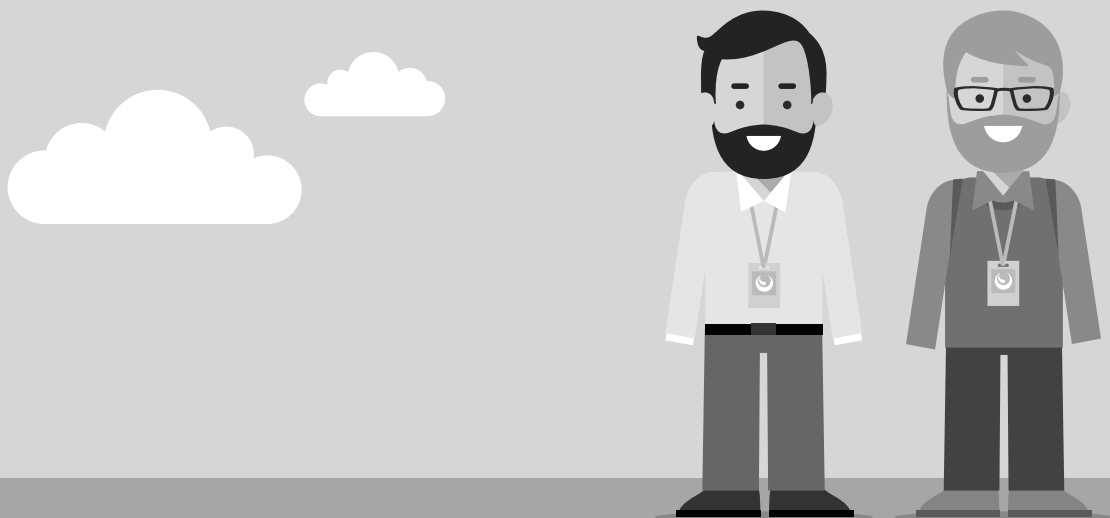
He is humble, sincere and genuinely cares about his colleagues. He is also very passionate about the role he plays in enriching the quality of life of the communities we serve and always has customers' best interests at heart. This approach, combined with his exceptional technical expertise, is no doubt why he has earned the respect of both his colleagues and our external partners alike.

He is an integral member of our team and we truly value the significant contribution he makes each and every day.

Anthony Chrismas, Information Services Group

Anthony is making a difference to his colleagues at Queensland Urban Utilities by finding purpose in the face of adversity. Anthony is a colleague, husband, son and father of three small children. He is also living with melanoma – a form of skin cancer that is most prevalent here in Australia. Anthony has made it his mission to encourage as many people as possible to have regular skin checks, as early detection can be lifesaving. Determined to spread his message as widely as possible, he has been sharing his moving story with teams across the business, building awareness about this very important issue, and in doing so, creating a legacy.

"In response to Anthony's story, I know that many staff have since gone to get their skin checked," said CEO Louise Dudley. "He is significantly influencing people and for this we thank you, Anthony. You are our **URBANHERO**."



CHALLENGES

Changing our safety attitudes, behaviours and mindsets

While we saw an impressive 65% reduction in our lost time injury frequency rate and a 13% reduction in our total injury frequency rate, we did not achieve our 2017/18 targets. Regardless, we are on the right trajectory to achieving our safety objectives and will continue to promote constructive leadership behaviours to ensure our safety programs and initiatives are being effectively embedded across the organisation.

This year, we delivered a number of initiatives, including the following:

- We delivered an Enabling Safety Performance program to our Service Delivery and Treatment and Production frontline leaders. The aim of this action-learning program – developed and delivered in collaboration with organisational psychologists – was to improve the capacity of these leaders to prepare for and engage in more effective safety conversations with their teams. The program featured four half-day workshops followed by ‘on the job’ practice of the skills and conversational tools they had learnt.
- In recognition of Safe Work Month 2017, we launched a safe driver campaign, which focused on the ‘fatal five’ distractions on Queensland roads. The campaign included a Safe Work Month morning tea, poster campaign, factsheets and ‘Just Drive’ phone wallets. As part of the campaign, employees were shown a video of one of our employees who shared a personal and heartfelt account of the loss she experienced when her partner was killed in a road fatality caused by momentary distraction.
- We launched our Safety Masterclass initiative, designed to give staff the opportunity to hear from leading safety practitioners and thought leaders about their experiences with and ideas on innovative approaches to safety. At our first masterclass, hosted in January 2018, employees heard from Bob Edwards, a leading US-based safety expert who explored the complexity of failure and a new way of thinking about failure, human error and success.

Overall the feedback was extremely positive, with one participant saying, “I can’t thank you enough for arranging this safety masterclass; it has been invaluable in challenging my thinking.”

- Commenced Safe.Simple – a bespoke four-part training series aimed at improving leaders’ capabilities to effectively lead safety, and enable sustainable and meaningful long-term safety change through the successful application of ‘Safety II’ principles (see page 83). We have partnered with Queensland University of Technology and Workplace Health and Safety Queensland to assess the effectiveness of the workshops, which will conclude in July 2018.

OF OUR EMPLOYEES:

94% say their work area is safe

86% believe they are encouraged to be involved in safety discussions and activities.

83% say leaders in their business unit take personal accountability for managing safety.

Bargaining for new Enterprise Agreements

Following the approval of the SAS Laboratory Employees Enterprise Agreement in June 2017, we continued the bargaining process for the remaining new Enterprise Agreements: Operational and Field Employees and Administrative and Technical Employees.

The objectives of the new agreements are to:

- support our strategic plan,
- be fair and equitable to all parties, and
- streamline business documents relating to remuneration, hours of work and leave arrangements.

In March 2018, the Fair Work Commission approved the Administration and Technical Employees Enterprise Agreement. This followed 88% of affected employees voting ‘yes’ in support of the new agreement.

In May 2018 – following months of continuing discussions and an unsuccessful ballot outcome – we achieved a successful ballot outcome for the Operational and Field Employees Enterprise Agreement, with 75% of affected employees voting ‘yes’. We were pleased to see a 93% participation rate, which reflects a high level of engagement with the development and finalisation of the agreement. At 30 June 2018, the agreement was awaiting approval by the Fair Work Commission.

All new Enterprise Agreements were negotiated using an approach that optimised employee engagement and was reflective of our values and culture. The new agreements provide our employees with specific terms and conditions and competitive wage increases, and support our aspiration to become a ‘utility of the future’.

Measuring our employee engagement and enablement

Universally, the engagement (“I want to”) and enablement (“I can do”) of employees has been strongly linked to the overall effectiveness of an organisation. To measure our performance in this area, we conduct an annual Employee Effectiveness Survey (EES) using the Korn Ferry Engaged Performance Framework®. This survey highlights the performance drivers we need to improve upon, such as training, resources and quality.

In contrast, the bi-annual Organisational Culture Inventory (see page 85) helps us track our progress toward achieving our desired organisational culture. Both surveys enable us to compare our performance against Australian and international benchmarks.

This year, our EES achieved an 85% participation rate (our highest to date) and a significant increase in both our engagement and enablement scores.

Our overall engagement score increased by 6 points (65), while our overall enablement score increased by an impressive 11 points (70), both surpassing our set targets. Our enablement result now exceeds the international General Industry benchmark.

The results revealed a number of factors employees value about working at Queensland Urban Utilities, including pay and benefits, respect and recognition and development opportunities. Specifically, 94% of respondents said their workplace was safe, 89% said they were given fair treatment without regard to race, colour, age or religion and 89% said people in their work group were committed to delivering high quality products and services.

The survey also revealed a number of opportunities for improvement, including better collaboration between groups, more training prospects and continued enhancement of our organisational structure and work processes.

Over the coming 12 months, we will focus on addressing the priority areas identified in the survey results. In addition, our Cultural Transformation team will continue to work with specific groups that require the most support to bolster their enablement and engagement.

Last year’s EES highlighted two main areas for improvement: leadership capability and performance management. Our targeted initiatives delivered this year (see pages 87-88), saw both areas perform significantly better in this year’s EES, with further improvements expected over the coming 12 months.

ENGAGEMENT

Engagement measures how committed employees are to the organisation, and how willing they are to put in extra effort for the good of the organisation.

ENABLEMENT

Enablement measures how employees feel their skills and abilities are utilised in their role, and if the organisational environment supports them to perform their work.

CHAPTER 4: CORPORATE GOVERNANCE

We are committed to good governance, and have a framework in place that provides a sound basis for decision-making, to define mechanisms for accountability, and to support our strategic direction.



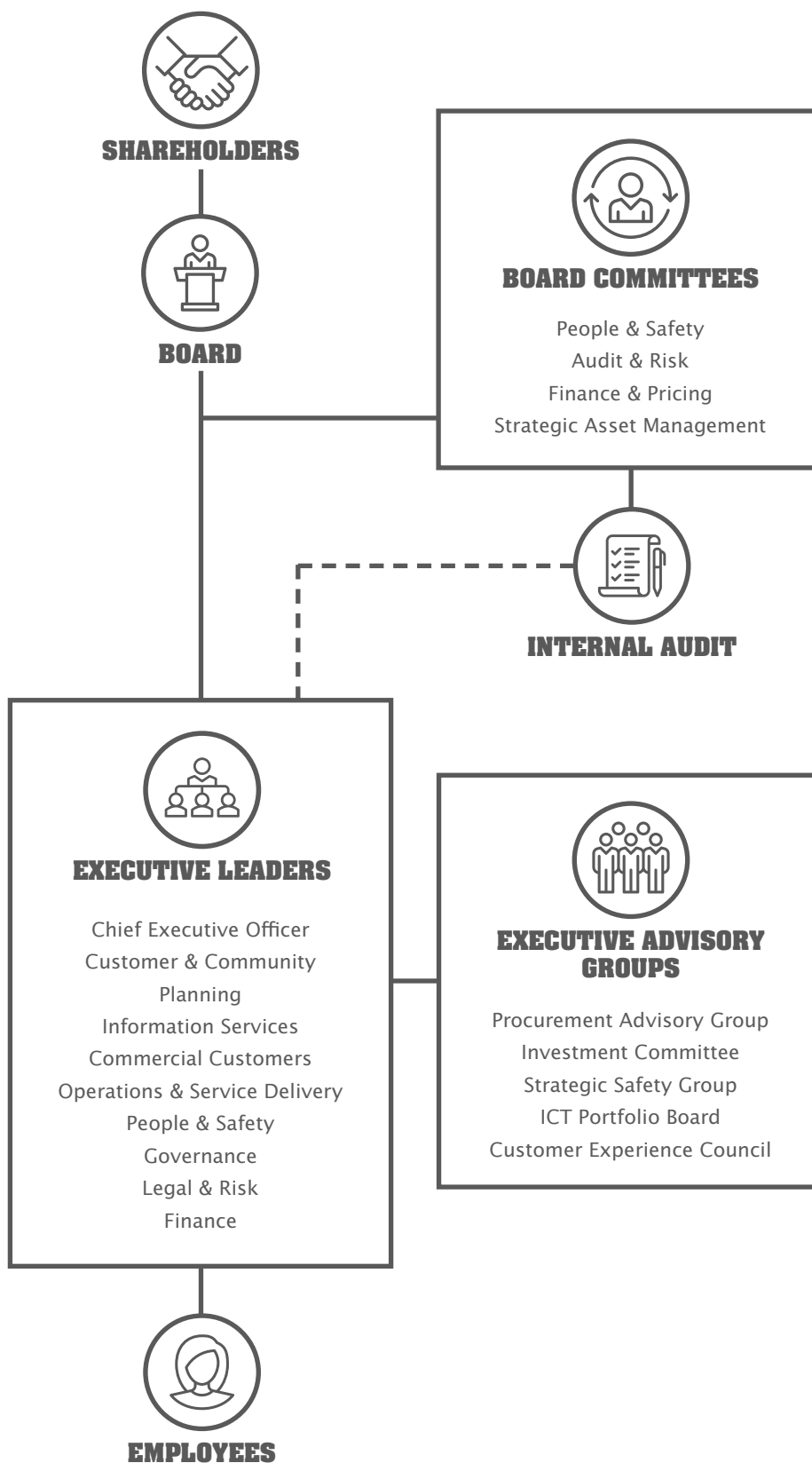
We are committed to a high level of corporate governance, and to fostering a culture that values ethical behaviour, integrity and respect.

Our corporate governance framework and processes ensure accountability and transparency, and promote quality leadership, effective people management, and efficient and ethical use of our resources. Our governance structure on the opposite page incorporates our shareholders, Board, Board committees, Executive Leadership Team, and executive advisory groups. This chapter will explore each of these components in detail.

It will also discuss our strategic planning approach, our approach to infrastructure planning, delivery and maintenance, and the assurance programs we have in place.

Our reporting approach has been guided by the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations*.

OUR GOVERNANCE STRUCTURE



OUR SHAREHOLDERS

Our shareholders are the councils of Brisbane, Ipswich, Lockyer Valley, Scenic Rim, and Somerset. In accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, Queensland Urban Utilities formed an agreement (the "Participation Agreement") with its participating local governments (our shareholders) when it formed in July 2010.

The Participation Agreement outlines the responsibilities and obligations of Queensland Urban Utilities and its participating local governments. It includes, but is not limited to: the participation rights of each shareholder; decision making and dispute resolution; the role, composition, appointment, remuneration and powers of the Board; Board meetings; corporate (strategic) planning; reporting; and profit distribution.

Our Participation Agreement is available on our website.

OUR BOARD

Role of the Board

The Queensland Urban Utilities Board comprises eight independent, non-executive members, including the Chairman. The appointments were made in accordance with the provisions of the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

The Board's role includes deciding the strategies and the operational, administrative and financial policies to be followed. The Board also ensures that we perform our functions and exercise our powers in a proper, effective and efficient manner, and that we comply with planning and reporting requirements.

The Board's role and responsibilities are set out in the Board Charter, and include, but are not limited to:

- Deciding on our direction, strategies and financial objectives, and ensuring appropriate resources are available.
- Establishing and maintaining our corporate strategies and monitoring their implementation.
- Establishing and monitoring a framework to assess compliance with legislation and government policy.
- Establishing and monitoring a framework to ensure compliance with control and accountability systems, regulatory requirements and ethical standards.

- Establishing and monitoring a framework to ensure that appropriate risk management systems are in place and are operating effectively.
- Informing and approving our business plans and capital investment plans.
- Determining tariffs and pricing.
- Establishing and monitoring a framework to ensure the preparation of accurate financial reports and statements.
- Approving the terms and conditions of major contractual relationships.
- Appointing the Chief Executive Officer and Executive Leadership Team.
- Monitoring performance of and setting remuneration of the Chief Executive Officer.
- Reporting to shareholders on the performance and state of the business.

To discharge its obligations and responsibilities, the Board operates to an authorities and delegation instrument, which describes the powers vested in and reserved by the Board.

Outside of these reserved powers, the Chief Executive Officer has the authority to manage and oversee the day-to-day operations and activities of Queensland Urban Utilities.

In accordance with the provisions set out in the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, the Chief Executive Officer can sub-delegate some of her powers to employees through an instrument of sub-delegation.

Conflict of interest

The Board is acutely aware of its members' obligations to avoid conflicts of interest between their duties to Queensland Urban Utilities and their personal interests.

A Conflicts of Interest policy has been in place for the duration of the reporting period.

The policy sets out the obligation of Board members to declare any material interests relevant to the activities of Queensland Urban Utilities, and to ensure that conflict arising from any material interest is noted and managed in accordance with the policy.

OUR BOARD MEMBERS

Our Board comprises eight independent, non-executive members who are responsible for setting and overseeing our strategic direction.



GEOFF HARLEY
(Chairman)

RFD, LLB, FAICD

Geoff was appointed the Chairman of the Queensland Urban Utilities Board in October 2012.

Geoff has practised commercial law for more than 40 years and has held numerous senior management positions, including Managing Partner and Partner in Charge of the Brisbane office of Clayton Utz. He was previously Chairman of Translink Transit Authority and CS Energy Limited, and was Deputy Chairman and Acting Chairman of Queensland Rail.

Geoff is currently a consultant for Clayton Utz and recently retired as Chairman of BDO.



JOHN COTTER
(Deputy Chairman)

BRTP, GAICD, FAICD

John was appointed to the Queensland Urban Utilities Board in January 2014.

John is the CEO of Initiative Capital, a private venture capital firm in alternative infrastructure assets with over \$200m of assets under development. As the founder and CEO of the Flinders Group, now part of the global firm, Arcadis, John has led project teams across Australia through concept, business case and delivery phases of complex infrastructure projects.

John serves on the boards of Phosphate International, Translational Research Institute (Strategy & Commercialisation Committee), the Brisbane Powerhouse and is councillor of the Royal National Agricultural and Industrial Association of Queensland (RNA).

Our Board members
continued over page...

OUR BOARD MEMBERS (CONTINUED)



DENNIS CAVAGNA

BEcon, GDIP Financial Planning, GAICD, FCA

Dennis was appointed to the Queensland Urban Utilities Board in June 2010.

Dennis has an extensive background in business and financial management, and has held a number of leadership positions within the Victorian water industry, including Managing Director of South East Water. Dennis is a member of the VicRoads Risk and Audit Governance Committee.



PHIL KESBY

Cert Const (Hons), Licensed Builder (NSW and QLD), FAICD

Phil was appointed to the Queensland Urban Utilities Board in June 2010.

Phil has more than 35 years' experience in the infrastructure delivery and property industries. In 2008, he established a successful practice providing strategic guidance to his clients in the fields of infrastructure, relationship management, and stakeholder engagement.



KERIAN MCNAMARA

Solicitor, Notary Public

Kerian was appointed to the Queensland Urban Utilities Board in September 2016.

Kerian has an extensive background in the legal profession and is also a Notary Public. Kerian was actively involved in the recovery group of the Lockyer Valley and Grantham following the January 2011 floods.

Kerian is currently Chairman of Lights on the Hill Foundation Ltd.



BRONWYN MORRIS

B.Com, FCA, FAICD,

Bronwyn was appointed to the Queensland Urban Utilities Board in July 2017.

Bronwyn is a professional non-executive director with extensive experience in the ASX-listed, public, private, government and not-for-profit sectors spanning a range of industries.

She currently serves on the boards of RACQ, RACQ Insurance, RACQ Bank, Collins Foods Limited and Watpac Limited. Previously, she has served on the boards of QIC Limited, Care Australia, LGIAsuper, Spotless Group Limited, Colorado Group Limited, Stanwell Corporation Limited and Queensland Rail, where she was Chair from 1999-2006.

Bronwyn is a Chartered Accountant and former partner of KPMG.



LEN SCANLAN

BBus (Acc), BA (Gov't/Asian Studies/Public Admin), MPub Ad, FAICD, FIIA (Aust)

Len was appointed to the Queensland Urban Utilities Board in June 2010.

Len was Auditor-General of Queensland from 1997 until 2004. During this time, he was also the Chief Executive Officer of the Queensland Audit Office. Len has since pursued a successful career as an independent consultant.

Len is Chair of Ganes Ltd, and is currently appointed to a number of audit committees for state entities and local governments. He is also a member of the Electoral Commission of NSW, and an Adjunct Professor at The University of Queensland.



GRAHAM THOMSEN

AssocDipCivEng, RPEQ, CPEng, MAICD

Graham was appointed to the Queensland Urban Utilities Board in September 2016.

Graham has practiced civil engineering with a specialty in water management for over 40 years. As a professional adviser, Graham has worked with State and Local Government bodies in all aspects of strategic planning, governance and management of water and wastewater systems.

Graham is currently the chairman of Verterra Ecological Engineers.

Complete biographies are available on our website.

OUR BOARD COMMITTEES

The Board has four sub-committees to assist in the execution of its duties. Each committee operates to a charter, which sets out its roles and responsibilities, composition, structure, membership requirements, and the manner in which it is to operate.

A summary of attendance of Board members at committee meetings is set out in the table on page 103.

Audit and Risk Committee

In 2017/18, the Audit and Risk Committee included Len Scanlan (Chair), Geoff Harley, John Cotter and Kerian McNamara. The executive sponsor was Mark Letica.

The role of the Audit and Risk Committee is to provide advice to the Board on the suitability of our accountability and control framework.

As per its charter, the committee's responsibilities include, but are not limited to:

- Reviewing our risk assessment and management framework.
- Evaluating our procedures to ensure we comply with laws and regulation.
- Reviewing our business contingency planning framework.
- Reviewing and endorsing our internal audit program.
- Reviewing internal audit reports.
- Overseeing the adequacy of our accounting internal control system.
- Reviewing external audit reports.
- Reviewing continuous assurance reports.
- Reviewing our insurance program.

The Audit and Risk Committee has observed the terms of its charter and has had due regard for the Queensland Treasury's Audit Committee Guidelines.

Finance and Pricing Committee

In 2017/18, the Finance and Pricing Committee included Dennis Cavagna (Chair), Geoff Harley, Bronwyn Morris, Len Scanlan, and Graham Thomsen. The executive sponsor was Ruth Coulson.

The role of the Finance and Pricing Committee is to provide advice to the Board on the suitability of our capital, finance and pricing approaches, requirements and recommendations.

As per its charter, the committee's responsibilities include, but are not limited to:

- Reviewing the short- and long-term funding arrangements, debt profile and capital structures.
- Working with rating agencies, including the Queensland Treasury Commission, on credit ratings.
- Establishing and managing Queensland Urban Utilities' pricing strategy, pricing principles and framework.
- Reviewing long-term regulatory framework development and Queensland Competition Authority reviews.
- Reviewing the annual budgeting process, including assumptions for operating and capital expenditure.
- Reviewing revenue strategies.
- Reviewing the Participation Return policy.

People and Safety Committee

In 2017/18, the People and Safety Committee included John Cotter (Chair), Geoff Harley, Phil Kesby, and Kerian McNamara. The executive sponsor was Glenn Smith.

The role of the People and Safety Committee is to provide advice to the Board to ensure we have people who are safe, adaptable, capable, and are committed to achieving our vision and living our values.

As per its charter, the committee's responsibilities include, but are not limited to:

- Promoting a culture of safe and accountable behaviour.
- Assessing and monitoring safety compliance and assurance.
- Reviewing and recommending employee performance KPIs.
- Establishing appropriate human resource strategies and policies.

- Embedding a culture that supports the successful delivery of our strategic objectives.
- Reviewing and recommending industrial agreements.
- Recommending to the Board the appointment or termination of the Chief Executive Officer.
- Recommending to the Board final and preferred candidates or terminations for Executive Leadership roles reporting to the Chief Executive Officer.
- Reviewing the performance results of the Chief Executive Officer and her direct reports and recommend remuneration and financial incentive outcomes to the Board.
- Reviewing and recommending major organisational structure changes proposed by the Chief Executive Officer, including major changes to the accountabilities of positions reporting directly to the Chief Executive Officer.

Strategic Asset Management Committee

In 2017/18, the Strategic Asset Management Committee included Graham Thomsen (Chair), Geoff Harley, Dennis Cavagna, Phil Kesby, John Cotter, and Bronwyn Morris. The executive sponsor was Paul Belz.

The role of the Strategic Asset Management Committee is to provide advice to the Board on our asset management strategies, policies and systems.

The scope of the committee includes all material capital investments (water, sewerage and ICT activities).

As per its charter, the committee's responsibilities include, but are not limited to:

- Understanding the performance of systems and associated project, network and infrastructure risks, and ensuring that critical project, network and infrastructure risks are mitigated.
- Reviewing the capital delivery program, focusing on major projects and significant variance to the program delivery.
- Reviewing long-term strategic asset management planning with a five-to-10 year view.
- Reviewing and ensuring compliance with relevant statutory and environmental responsibilities, and customer service standards.
- Reviewing our five-year plan on an annual basis to ensure it is still relevant and economical.
- Reviewing the ICT Strategy and Roadmap.
- Keeping abreast of domestic and international innovation, including any new products and strategies that may benefit our operations.

Member	Ordinary Board	Audit & Risk Committee	Finance & Pricing Committee	People & Safety Committee	Strategic Asset Management Committee
Meetings held	10	4	4	4	4
Geoff Harley	10	4	3	4	3
Dennis Cavagna	9		4		4
John Cotter	9	3		4	3
Phil Kesby	8			4	4
Len Scanlan	10	4	4		
Kerian McNamara	9	4		4	
Graham Thomsen	10		4		4
Bronwyn Morris	9		4		3

Board member meeting attendance.

OUR EXECUTIVE LEADERSHIP TEAM

Our Executive Leadership Team is responsible for the deployment of strategy, and the day-to-day service delivery and operations of Queensland Urban Utilities.



LOUISE DUDLEY
Chief Executive Officer

BCom, CA, GAICD

Louise was appointed Chief Executive Officer of Queensland Urban Utilities on 1 July 2012. Louise previously held the role of Chief Financial Officer.

During her time as Executive Manager Water Retail at Brisbane City Council, Louise played an integral role in the creation of Queensland Urban Utilities, which involved transitioning five local authority water businesses into a single entity.

Prior to joining Brisbane City Council, Louise spent 17 years with leading accounting and advisory firm KPMG, and in a senior role with PresCare.



PAUL BELZ
Executive Leader Planning

MBA, BEng, GAICD

Paul is responsible for service strategies, infrastructure planning, capital inauguration, development assessment, and environmental and water quality strategy across Queensland Urban Utilities' geographic area.

Paul has more than 20 years' experience in the water and sewerage industry across a wide spectrum of disciplines. His main areas of expertise are in planning, asset management, and operations.



RUTH COULSON
Chief Financial Officer

B.Com, CA, GAICD

Ruth is responsible for Queensland Urban Utilities' financial activities and regulation, shared services and strategic procurement.

Ruth has a background in finance, operations, capital management, and major transformation and change initiatives to optimise strategic, financial, commercial and operational outcomes.

Ruth previously held senior leadership roles at Aurizon Limited. She has worked in both Australia and internationally in listed businesses with a strong focus on sound financial reporting, long-term financial strategy, risk and governance and external reporting obligations.

Note: Darryl Rowell was Chief Financial Officer up until January 2018.

**IAN HALL****Executive Leader Commercial Customers****BEng (First Class Honours),
GAICD, MIEEE**

Ian is an experienced company executive, having held senior positions with a number of multi-national organisations including Telstra, The Boeing Company, Verizon, and MCI.

Ian joined Queensland Urban Utilities in 2014, at which time he led the establishment of the Commercial Customer Group. He is accountable for Queensland Urban Utilities' commercial and developer customer relationships, the performance of its NATA-accredited SAS Laboratory division, and the development of new products and services.

**SUSAN HEATH****Chief Information Officer****BA, GDipLib&InfSc, MIT**

Susan is responsible for managing all aspects of Queensland Urban Utilities' information, communication and technology (ICT) environment. She oversees the organisation's ICT strategy, as well as the investment, business engagement, innovation and delivery of the existing ICT function. Susan's extensive experience in ICT spans the state and local government, health, aviation and commercial sectors.

Prior to joining Queensland Urban Utilities in September 2016, Susan led IT Strategy and Architecture for Brisbane Airport Corporation.

**MARK LETICA****Executive Leader Governance****BCom, GAICD**

Mark is responsible for Queensland Urban Utilities' strategic planning, performance management, corporate reporting and publications functions. He is also responsible for internal audit and assurance, corporate property, innovation and research and development functions.

In addition, Mark leads the corporate stakeholder relationship management team, which includes shareholder relations.

**Our Executive Leadership Team
continued over page...**

OUR EXECUTIVE LEADERSHIP TEAM (CONTINUED)



TRACEY MOORE

General Counsel and Board Secretary

BA LLB (Hons), MA (Hons), GAICD

Tracey is responsible for the provision of the legal, insurance and risk management functions at Queensland Urban Utilities. She is also the Board Secretariat, and oversees the development, implementation and management of the organisation's land access and tenure services.

Tracey has significant experience in infrastructure delivery, regulatory compliance, and procurement in both the public and private sectors. Tracey is also an experienced probity advisor.



RICHARD PETTERSON

Executive Leader Operations and Service Delivery

BE (Civil), Grad Cert Eng Man, GAICD

Richard is responsible for the leadership and strategic direction of Queensland Urban Utilities' operations and service delivery, which includes infrastructure delivery, network management, infrastructure maintenance and reliability, treatment, environment, and service delivery for our customers.

Richard has significant experience in engineering and the water industry. His career has included senior roles in both the private and public sectors across a broad range of industry functions.



JUSTIN POULUS

Executive Leader Customer and Community

BComm

Justin is responsible for leading and managing Queensland Urban Utilities' retail business. This includes management of customer service, marketing and communications, and media.

Justin previously held senior management roles at Energex and various marketing agencies. Justin launched his career as a journalist in the mid-1980s and holds a degree in professional writing (journalism) from the University of Canberra.



GLENN SMITH
Executive Leader People and Safety

ADip Bus, MAHRI

Glenn is responsible for the People and Safety Group's program of work, which supports our people, safety, wellbeing, culture, training, communication and leadership priorities.

Glenn's extensive experience in human resources and industrial relations spans both corporate and operational functions across a range of industries. Glenn was previously Vice President of Human Resources and External Affairs at Pacific Aluminium (Rio Tinto).

Complete biographies are available on our website.



OUR EXECUTIVE ADVISORY GROUPS

During 2017/18, we had five advisory groups assisting the Executive Leadership Team to fulfil its responsibilities.

Procurement Advisory Group

The Procurement Advisory Group provides governance for the procurement process as well as the application of procurement policy. The group reviews submissions and provides advice on high risk and/or high value procurement activities and forward plans at each stage of the procurement process.

Investment Committee

The purpose of the Investment Committee is to review the five-year Capital Investment Plan (CIP), review progress of delivery of the capital program, review Infrastructure Master Plans and Asset Management Plans, approve the entry of new major (\$5 million+) or significant projects into the CIP, review the feasibility of major projects, and review close-out reports.

Strategic Safety Group

The purpose of the Strategic Safety Group (SSG) is to maintain a strategic approach to our responsibilities under the *Work Health and Safety Act 2011*. The SSG is also the final decision point for any safety issues that cannot be resolved by our line safety committees, are of a strategic nature or are beyond the authority of the committees to resolve.

ICT Portfolio Board

The ICT Portfolio Board oversees the planning, prioritisation and delivery of the Board-approved information and communications technology vision and roadmap. The ICT Portfolio Board reviews program and project progress for the current year, oversees the governance of the portfolio, and provides input into the prioritisation and funding of the future years of the portfolio.

Customer Experience Council

The Customer Experience Council provides a forum for executive leaders to review customer analytics, survey feedback and trends, and discuss and prioritise strategic customer experience opportunities and challenges.

OUR PLAN FOR THE FUTURE

Our strategic planning process

Utilising an approach endorsed by the Australian Institute of Company Directors, our strategic planning process starts with a scan of the trends impacting our operating environment (political, economic, social, technology, environmental, legal and industry). The results are used to determine and assess key trends and drivers that could influence our future direction.

This year, we enhanced our strategic planning approach by forecasting our future through the eyes of our shareholders and key stakeholders, including customers and employees. Through this process, we identified the following opportunities and challenges that have informed our strategic focus.

Opportunities	
Customer relationships	Building stronger relationships with customers to better understand their needs, build value in our products and services and create opportunities to deliver value to our communities.
Product personalisation	Evolving our products and services to provide more customer-focussed outcomes
Alternative customer service options	Continuing to explore, develop and deliver alternative solutions that provide value for our customers and communities.
Industry leadership, global best practice	Using our vast experience, innovative culture and emerging partnerships to play a leading role in developing best practice and innovative solutions.
Digital integration, data as an asset	Making better use of the data we have now, and the data we can collect in the future, to improve decision making and how we deliver our services.
Employee value	Continuing to support our employees' growth and development, and providing them with meaningful and challenging work where they feel they are making a difference.
Challenges	
External disruption	Anticipating and keeping ahead of emerging external disruptions to the water industry that impact the value our products and services provide.
Increased competition	Continuing to provide long-term essential services that are valued by our customers and communities in an environment of increasing short-term, targeted offers.
Effective operating model	With changes in customers' expectations and exponential increases in technology and digital opportunities, how do we maintain an operating model that enables us to continue to increase the value we provide?
Non-profitable network segments	As the centralised distribution approach is being slowly impacted by alternative solutions to providing water and sewerage services, how do we continue to ensure existing infrastructure planned around long-term investments continues to be affordable? Additionally, how do we evolve to support more decentralised service solutions?

OUR PLAN FOR THE FUTURE (CONTINUED)

In collaboration with our Board and managers across the business, we have set a revised strategic direction for 2023, which is documented in our shareholder-approved five-year Corporate Plan.

We have retained our purpose, *Enrich quality of life*, as it still resonates with our future ambitions. However, we have refreshed our vision to encapsulate the social, economic and environmental value we provide to customers, communities and shareholders. Our new vision is: *We play a valued role in enhancing the liveability of our communities*.

We have also developed new strategic goals, in place of the strategic pillars, to reflect where we need to focus and the objectives we aim to achieve by 2023. Supporting the achievement of these objectives are key projects, known as strategic initiatives.

All of these elements, along with our values, team plans and individual work plans, make up our strategic planning framework (below).



OUR PURPOSE



OUR VISION



OUR STRATEGIC GOALS



OUR STRATEGIC INITIATIVES



OUR CULTURE AND VALUES



MY TEAM'S PLAN



MY PLAN

Our 2023 corporate strategy

A summary of our 2023 corporate strategy, as per our *2023 Corporate Plan*, can be seen below.

Strategic goal	Strategic objectives
Constructive Culture Our constructive culture is aligned to our purpose and is the foundation of our service to customers and communities.	<ul style="list-style-type: none"> ▪ Continue to build our constructive culture. ▪ Drive and reward high performance. ▪ Enhance the employee experience by streamlining accountabilities and governance. ▪ Trust in our people as the solution.
Foundational Success We have the right foundations and smarter ways of working to deliver predictive and proactive services to our customers and agile and efficient work processes for our people.	<ul style="list-style-type: none"> ▪ Deliver a fit for purpose range of water products. ▪ Improve how our customers trust and value our services. ▪ Renew and transform our asset management to deliver improved reliability and value for our customers. ▪ Pursue long-term financial sustainability, focussing on affordability for customers, value for our communities and returns for our shareholders.
Environmental Leadership We protect, rehabilitate and enhance our environment for our customers and communities by delivering healthy waterways, secure drinking water and resilient communities.	<ul style="list-style-type: none"> ▪ Improve the environment through reduced discharges to land and water. ▪ Ensure a safe and secure drinking water supply through smart water cycle management. ▪ Improve liveability through reduced emissions to air.
Social & Economic Value We partner and innovate to deliver high-value economic, social and customer outcomes.	<ul style="list-style-type: none"> ▪ Partner to deliver community outcomes that support liveable and connected communities. ▪ Increase our value adding products and services for our commercial customers. ▪ Convert waste to a value-adding product.

OUR PLAN FOR THE FUTURE (CONTINUED)

Our strategic risks

The below table outlines the strategic risks that may prevent us from achieving our strategic objectives. These risks are reviewed by management and updated by our Board every six months.

Strategic goal	Strategic risk
All goals	<ul style="list-style-type: none"> ▪ Loss or impairment of shareholder trust or support. ▪ Failure to establish and maintain collaborative stakeholder relationships.
Constructive Culture	<ul style="list-style-type: none"> ▪ Failure to achieve a workplace that supports employee wellbeing. ▪ Failure to deliver a culture that achieves constructive behaviours. ▪ Failure to implement organisational change management effectively.
Foundational Success	<ul style="list-style-type: none"> ▪ Failure to deliver water quality that meets operating service standards and public health requirements. ▪ Failure to deliver quality services that are reliable, secure and affordable and meet customer needs. ▪ Failure to define the customer experience and support it with business processes. ▪ Asset planning and management strategies do not meet customer service standards, growth requirements and are not prudent and efficient. ▪ Failure to prevent and manage significant environmental impacts. ▪ Loss of revenue streams from large commercial customers. ▪ Failure to develop strategies that enable us to meet the risks of new market entrants. ▪ Failure to maintain financial sustainability. ▪ ICT roadmap is not delivered on time and is not responsive to strategic outcomes. ▪ Failure of internal controls leads to fraudulent or corrupt behaviour. ▪ IT security breach leads to extensive business interruptions and/or reputational impacts.
Environmental Leadership	<ul style="list-style-type: none"> ▪ Failure to implement adaptive solutions relating to the impact of climate change on our infrastructure and service delivery.
Social & Economic Value	<ul style="list-style-type: none"> ▪ Failure to adopt innovative ideas that meet the evolving needs of customers. ▪ Failure to implement new products and services.

Asset planning and management

Our planning assumptions align with the State Government's *South East Queensland Regional Plan 2009–2031*, the purpose of which is to manage regional growth and change in the most sustainable way and to protect and enhance quality of life.

Of particular importance are the population and housing projections and the guidance they provide for development in the region, which will inform our servicing strategies. In our planning, we also consider the South East Queensland Water Security Program developed by the bulk water service provider, Seqwater. This program identifies the level of service objectives for water supply security and the future investments in bulk water infrastructure.

At a local level, we work with the planning schemes adopted by our five shareholders, Economic Development Queensland and other State Government authorities. It is this information that provides us with the type, size, location, and timing of future development and growth.

We adopt a strategic role to influence prudent capital planning and infrastructure delivery.

We plan our infrastructure delivery to ensure services are available at the right time and right place, to minimise price impacts on our customers.

We continue to monitor the needs of our customers and communities through regular consultation and engagement.

Our *Water Netserv Plan* provides an overview of our infrastructure planning and development for the next 20 years. It supports and reflects the land-use planning undertaken by the State Government and our five shareholders, and promotes greater transparency in our operations.

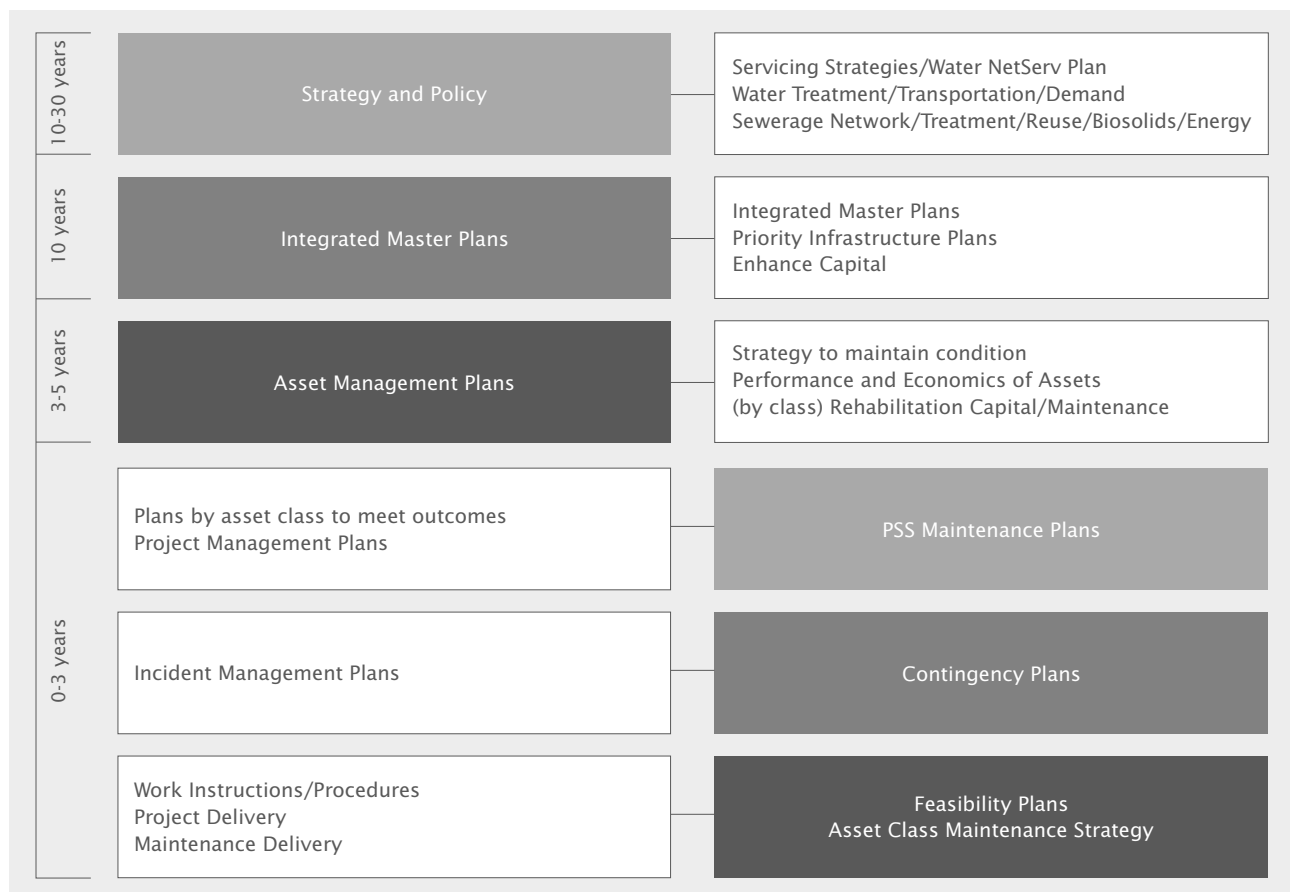
We provide strategic and specific input to state and local governments as they update their planning.

OUR PLAN FOR THE FUTURE (CONTINUED)

We manage our assets by using:

- contemporary approaches in whole-of-lifecycle asset management,
- efficient and effective capital investment through strategic procurement and ‘just-in-time’ delivery, and
- the Water Services Association of Australia asset management benchmarking, which gives:
 - proven “best value” effectiveness and efficiency to customers/stakeholders,
 - asset performance levels and maintenance deployment aligned to service levels, and
 - an opportunity to leverage processes across all service areas.

Our approach to infrastructure planning, delivery and maintenance can be seen below.



OUR CONTROLS AND ASSURANCE

Risk management

Our Enterprise Risk Management Framework was developed and implemented in accordance with the *ISO 31000:2009 Risk Management – Principles and Guidelines*.

Our Board-approved Risk Appetite Statement is a central component of our Enterprise Risk Management Framework. Its purpose is to articulate, from the Board's perspective, how much risk is acceptable in pursuing our strategic direction.

The Risk Appetite Statement guides management in making decisions that balance risk and opportunity, and is a key driver in establishing an organisational culture that is risk aware.

Our risks are managed at the strategic, group and operational levels, which are aligned to our risk appetite and tolerance levels.

Our strategic risks have the potential to materially impact the achievement of our purpose and vision, and are considered in our strategic planning process (see page 109).

The Enterprise Risk Management Framework also facilitates risk-based planning and decision making and improves organisational resilience.

Supporting our Enterprise Risk Management Framework is our Corporate Compliance Management System, which was developed and implemented in accordance with *ISO 19600 Compliance Management Systems – Guidelines*.

External scrutiny

The Queensland Audit Office (QAO) is our external auditor under the terms of the *Financial Accountability Act 2009*. The QAO is responsible for auditing our financial statements and expressing an opinion on the financial report, based on the audit (see page 181).

The Queensland Competition Authority (QCA) is responsible for regulating our water and sewerage services to ensure the costs we incur in delivering those services are prudent and efficient. This process is designed to ensure that monopoly providers of essential utility services are not charging prices in excess of efficient costs.

Prior to 30 June 2015, the QCA applied a specific price monitoring regime and found no evidence of an exercise of market power. This regime has expired, but the QCA still retains general investigatory powers into our pricing practices to protect customers. We continue to set prices and adhere to service quality standards. Since 1 July 2015, we have not been subject to investigation under the general investigatory powers of QCA.

Besides the report on financial statements, no other government body issued any other external scrutiny reports regarding our operations during the reporting period.

OUR CONTROLS AND ASSURANCE (CONTINUED)

Internal audit

Internal audit is an independent function within Queensland Urban Utilities' Office of the Chief Executive Officer, which assists the Chief Executive Officer in the discharge of her responsibilities under the *Financial Accountability Act 2009*, and provides an independent review of internal system controls.

In 2017/18, KPMG provided internal audit services for Queensland Urban Utilities. These services were performed in accordance with an approved Internal Audit Charter. The services were also performed in accordance with the Board approved 2017/18 Internal Audit Plan. This Internal Audit Plan had regard for Queensland Urban Utilities' strategic risk profile, previous audits, industry insights, Queensland Audit Office key focus areas and discussions with the Audit and Risk Committee and Executive Leadership Team.

The internal audit function was conducted independently of management, and authorised auditors and the deployment of the program had due regard to Queensland Treasury's Audit Committee Guidelines.

In 2017/18, Internal Audit undertook 10 reviews. The reviews were separated into strategic risk-based reviews, core business process reviews, and information technology reviews.

Continuous assurance

Queensland Urban Utilities continued its data analytics-based continuous assurance program during 2017/18, supported by KPMG.

The program provides the Board, Audit and Risk Committee, and management with assurance that processes and control systems are working effectively under outsourced and internal service delivery models. It considers processes and controls that mitigate strategic risks relating to customers, finance, procurement, environment, ICT, people and security.

Fraud control

Queensland Urban Utilities has a Fraud and Corruption Control Plan, which is reviewed annually.

The plan documents how we will implement the 15 fraud control attributes, recommended by the Queensland Audit Office.

These attributes include:

- implementing fraud awareness training,
- carrying out fraud risk assessments, and
- developing fraud reporting and investigations systems, including our UrbanDisclosure hotline for reporting potential fraud and corruption matters.

ACCOUNTABILITY AND TRANSPARENCY

Reporting on performance

Transparent, accurate and timely reporting is a key component of our governance structure that enables us to remain on track to achieve our purpose and vision, continue providing services that meet customer expectations, and continue to manage operational risks and priorities.

Progress against our strategic objectives, the strategic risks we manage to ensure we can achieve our strategic objectives, our strategic and the delivery of our customer service standards (see page 37) are reported to our Executive Leadership Team, Board and all employees on a monthly basis. They also form the basis of reporting to shareholders, and this Annual Report.

In addition, we also report the status of our strategic initiatives to our Executive Leadership Team and all employees on a monthly basis, and to our Board and shareholders on a quarterly basis.

Our key operational measures, which predominately act as lead indicators to the achievement of our strategic objectives, are reported to our Executive Leadership Team and all employees on a monthly basis.

We also support and comply with various industry and regulatory reporting requirements, including industry benchmarking, which provide regulators and customers with transparency and comparability around our performance, services and costs. These include, but are not limited to, our *Drinking Water Quality Management Annual Report* and *Annual Performance Plan*, both of which are on our website.

We continually seek to improve our performance reporting to ensure it is transparent and provides our shareholders, Board, executives, managers, customers, and all employees with a clear understanding of how we are performing and where we need to focus our efforts.

Information systems and record keeping

Queensland Urban Utilities operates a recordkeeping strategy to ensure that it is compliant with the *Public Records Act 2002*, and *Information Standard 40 – recordkeeping*. Policies are in place for recordkeeping, email management, retention and disposal of records, managing information on shared network drives and information security.

Records Management has responsibility for providing a compliant recordkeeping framework to the agency. Increasing numbers of records are being received, captured and managed electronically. Recordkeeping considerations are being formally addressed in both the development and decommissioning of business systems. We are planning new digitisation and disposal techniques for temporary low-risk records, reducing our reliance on physical storage, shrinking our physical footprint, and improving instant access to information. Time-expired records are regularly identified and disposed of securely.

During 2016/17, we commenced a review of TRIM, our current eDRMS (electronic data and records management system). In order to both enhance and simplify our record-keeping practices, we made the decision to replace TRIM with a new system, Qdox.

Qdox boasts an improved security and audit function, better functionality and a number of user-friendly features, including mobile access and Microsoft Outlook integration. Qdox aligns with our future vision of being more connected, more informed and more efficient, and is due to be implemented by October 2018.

OTHER DISCLOSURES

In accordance with State Government disclosure obligations, disclosures for overseas travel and consultancies for Queensland Urban Utilities can be found on the Queensland Government's Open Data website (data.qld.gov.au).

CHAPTER 5: FINANCIAL PERFORMANCE

We are focused on maintaining a strong financial position to ensure we can meet our customer and shareholder expectations now and into the future.

Chief Financial Officer's summary

Financial performance at a glance

- Operating profit before tax and capital revenues: \$124 million, up 19% on 2016/17.
- Profit after tax: \$253.3 million, down 15% on 2016/17.
- Total revenue: \$1,348.3 million, down 2.5% on 2016/17.
- Operating cost base: \$985.2 million, up 2.1% on 2016/17.
- Capital expenditure (including developer donated assets): \$345 million.
- Gearing consistent at 35%.

Financial performance for the year ended 30 June 2018

For the year ended 30 June 2018, Queensland Urban Utilities reported an operating profit before tax and capital revenues of \$124 million, which was a 19% improvement on our 2016/17 result. Our net profit after tax of \$253 million was a \$38 million reduction on 2016/17. This was largely due to a decrease in developer contributions (capital revenues), which totalled \$239 million (24% unfavourable to 2016/17).

Capital revenues from developers comprise both donated assets and cash used to build water and wastewater infrastructure. This revenue provides funding towards our investment in infrastructure, enabling us to keep our prices lower.

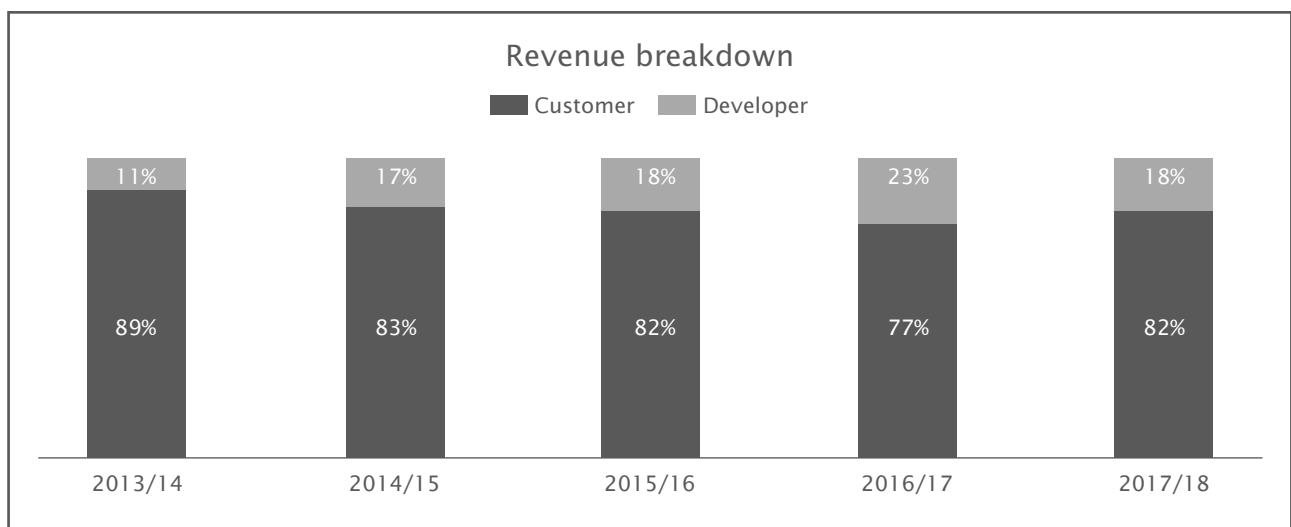
Our five-year financial performance summary is detailed below:

\$m	2013/14	2014/15	2015/16	2016/17	2017/18
Revenue	950	996	1,037	1,069	1,109
Operating expenses	(876)	(820)	(935)	(965)	(985)
Operating profit before tax and capital revenues	74	76	103	104	124
Capital Revenues	119	197	232	313	239
Profit before tax	193	273	335	417	363
Taxation expense	(60)	(85)	(103)	(125)	(110)
Profit after tax	133	188	232	291	253

We return the majority of our profit as a dividend or income tax payment to our shareholding councils. The total return to our shareholding councils for 2017/18 was \$264 million, which was a decrease of \$8 million against 2016/17. These funds will be invested back into our shared communities.

Revenue summary

Queensland Urban Utilities' gross revenue for the year ended 30 June 2018 was \$1,348 million and had two main sources: customers and developers.



Customer revenue was generated through \$641 million in water utility charges and \$435 million in wastewater utility charges, with the remainder from our professional services, such as SAS Laboratories and developer services. For 2017/18, customer revenue represented 82% of total revenue compared to 77% for 2016/17.

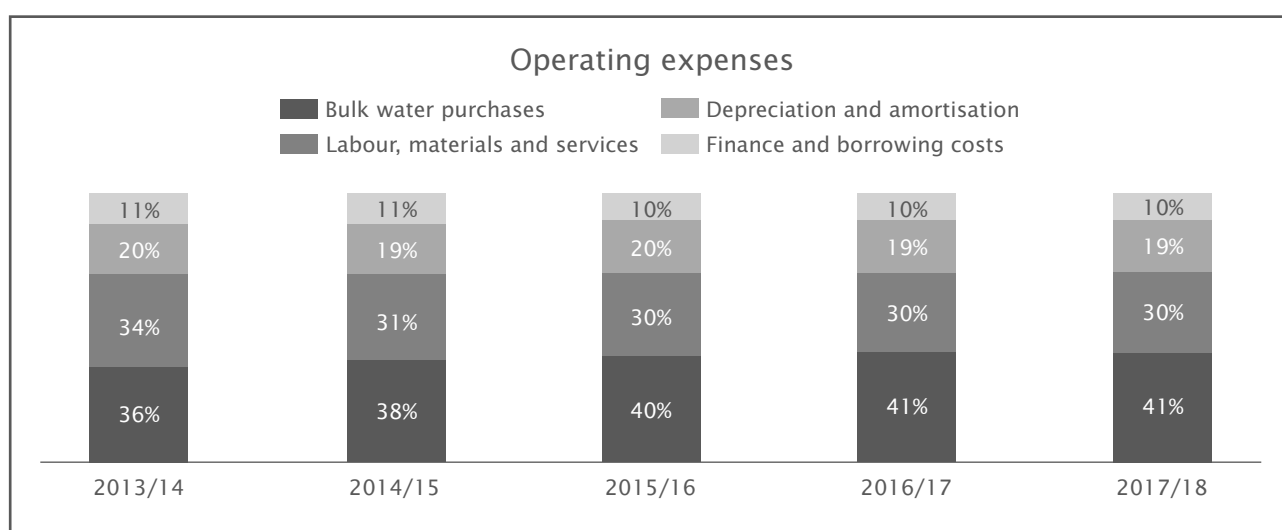
Customer revenue increased by \$40 million (4%) on 2016/17, which was proportional to property growth, water usage and an average price increase of 1.6%. Around 15,000 properties were added to the customer base in 2017/18.

Developer revenue decreased by \$74 million (24%) on 2016/17. The higher 2016/17 result was a reflection of both the level of construction activity and the economic environment at the time, and the 2017/18 result indicates a return to the results from 2015/16.

Operating expense summary

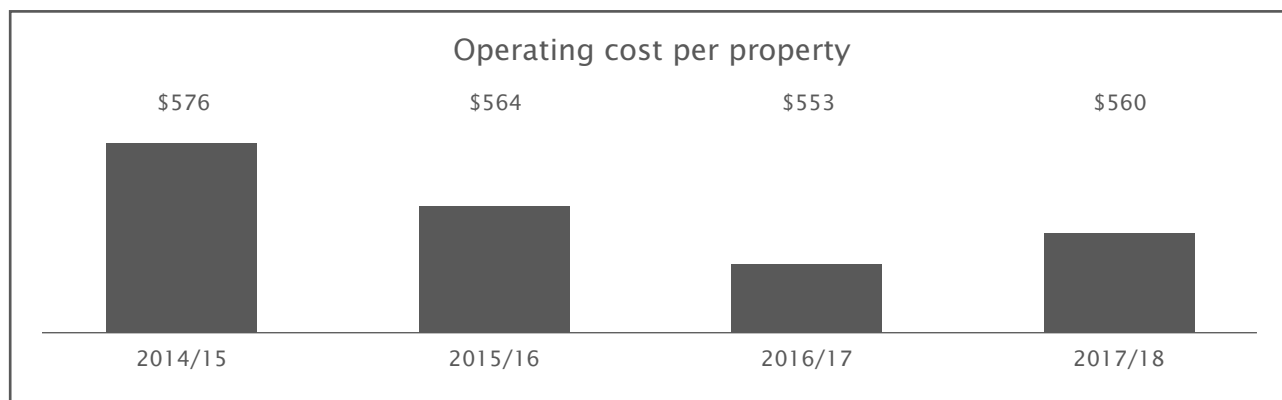
The overall increase in total operating expenses was \$19.9 million. Of this, \$8.8 million was attributed to increases in bulk water charges, while the remaining \$11.1 million was associated with the delivery of our services to customers. Bulk water charges were impacted by an average 2.5% price increase imposed by the State Government, with these costs passed directly through to customers. Bulk water accounted for 41% of our operating cost base.

The increase in the cost of service delivery to customers was impacted by a \$2.9 million increase in depreciation, which represents the consumption of the useful life of our assets. Our infrastructure assets' useful lives range from 10 to 110 years. As the size of our asset base grows, so too does our depreciation expense. In 2017/18, an additional \$3.1 million was incurred for maintenance of our infrastructure assets, with an additional \$2.8 million spend on the operating costs of our investment portfolio.



Operating cost per property

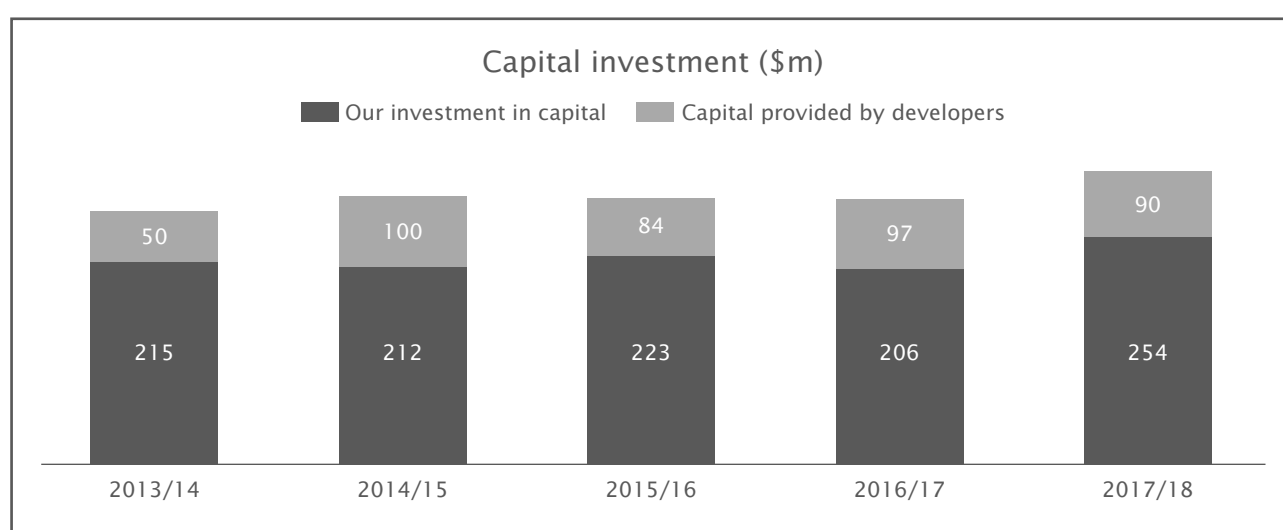
There was a 1% increase in our operating cost per property from 2016/17 to 2017/18. This increase was primarily driven through a higher investment in maintaining our infrastructure assets and an increase in the operating cost of our investment program, including information technology. We are committed to delivering operational efficiencies to help keep our prices as low as possible, and between 2014/15 and 2017/18, we reduced our cost of service per property by \$16, or 3%, thus demonstrating our commitment to our customers to provide efficient services. The graph below illustrates this result:



Capital investment

It is important that we continue to invest in infrastructure and systems to ensure we can meet the evolving needs of our customers and enhance our growing communities. Construction and delivery of these assets is achieved through our own Capital Investment Program or by developers providing infrastructure (for example pipes and associated fittings) as they develop new communities.

\$m	2013/14	2014/15	2015/16	2016/17	2017/18
Our investment in capital	215	212	223	206	254
Capital provided by developers	50	100	84	97	90
Total investment	265	312	307	303	345



Key performance measures

Our financial performance and financial sustainability is presented through the following industry accepted ratios.

Key performance measures	Unit	2013/14	2014/15	2015/16	2016/17	2017/18
Return on assets	%	5.5%	6.8%	7.6%	8.8%	7.8%
Return on equity	%	4.6%	6.2%	7.4%	8.9%	7.6%
EBITDA interest cover	times	3.41x	3.40x	4.14x	4.00x	4.25x
Funds from operations to net debt	%	9%	9%	11%	10%	11%
Net debt to fixed assets	%	39%	37%	37%	35%	36%

The return on assets is an indicator of how profitable our business is relative to our total assets. Return on equity measures profitability by comparing the profit generated against the investment by our five shareholding councils.

An EBITDA (Earnings before income tax, depreciation and amortisation) interest cover demonstrates our ability to meet our interest expenses. The funds from operations to net debt is a measure of our ability to manage our debt obligations. Net debt to fixed assets is a measure of the extent to which our assets are financed by debt.

The combination of the key performance measures outlined above give an indication of our financial sustainability.

Guide to our Financial Statements

Introduction

The Financial Statements are prepared in accordance with the requirements of the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009*, the *Financial Reporting Requirements for Queensland Government agencies* (as applicable to statutory bodies), the exemptions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*, *Australian Accounting Standards* and interpretations.

This guide has been prepared to assist readers understand and analyse the Financial Report.

What is included in the Financial Report?

The Financial Statements report on how Queensland Urban Utilities performed financially during the 2017/18 financial year and the overall financial position at the end of the financial year (30 June 2018).

The Financial Statements include:

- Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows
- Notes to the Financial Statements.

The Financial Statements are prepared by management, reviewed by the Audit and Risk Committee who make a recommendation to the Queensland Urban Utilities Board for approval, and audited by the Auditor-General of Queensland.

Statement of Comprehensive Income

The Statement of Comprehensive Income itemises income earned and expenditure incurred in delivering Queensland Urban Utilities' services during the year, as well as other comprehensive income (including the actuarial gain or loss on the defined benefit superannuation scheme) to give the total comprehensive result for the year.

The operating expenses do not include capital purchases for the renewal or upgrade of our assets. However, it does include depreciation and amortisation, which is a provision for the value of assets 'used up or consumed' during the year.

The statement is prepared on an accruals basis and includes both cash and non-cash items. All income and expenses for the year are reflected in the statement, even though some revenue may not yet be received (such as interest on investments) and some expenses may not yet be paid (where the goods and services are received but the suppliers' invoices are not yet paid).

The key figure to assess financial performance for the year is the profit for the year, which is calculated by deducting the total operating expenses (including income tax) for the year from total operating revenue. It is important to note however, that the profit for the year is not necessarily a 'cash' surplus due to the recognition of non-cash items as explained above.

Queensland Urban Utilities is a for-profit statutory body and generates an annual profit in order to ensure future financial sustainability. The profit not only ensures ongoing services and infrastructure to customers and communities but also provides a return to our five shareholding councils.

Statement of Financial Position

The Statement of Financial Position is also known as a Balance Sheet and is a snapshot of our financial position as at 30 June. It outlines what we control as assets (such as cash and property), what we owe as liabilities (such as amounts owed to creditors) and the equity or net worth at the end of the year.

The assets and liabilities are separated into current and non-current sections. 'Current' generally means those assets that will be received, or liabilities that will be paid, within the next 12 months. 'Non-current' refers to those assets and liabilities that are held for a longer term.

The net current assets or working capital is an important measure of our ability to meet our debts as and when they fall due.

The equity section of the Statement of Financial Position shows the contributed equity from the establishment of Queensland Urban Utilities on 1 July 2010, the total of the retained earnings (profits) that have accumulated and the amount by which the assets have been revalued since establishment. The total of the equity section represents our net financial worth.

Statement of Changes in Equity

The Statement of Changes in Equity summarises the change in our net financial worth during the financial year. Net worth can change as a result of a profit or loss as recorded in the Statement of Comprehensive Income or a change in the net value of non-current assets resulting from a revaluation or an impairment of those assets.

Statement of Cash Flows

The Statement of Cash Flows shows all cash amounts received and all cash payments made during the year that make up the change in our bank balance during the financial year.

The cash flows are separated into three different types of activities:

- Operating activities are those cash receipts and payments arising from delivery of our services. The net cash provided by operating activities is an important result in the statement, as it shows our ability to generate a cash surplus, which can then be used to fund the purchase, construction or renewal of long-term assets, such as property and infrastructure and to repay borrowings. This should be a positive amount.
- Investing activities are those cash receipts and payments arising from the purchase, renewal, upgrade, expansion and sale of our non-current assets.
- Financing activities are those cash receipts and payments arising from the raising and repayment of borrowings and payments of a participation return (dividend and income tax equivalent amounts) paid to our five shareholding councils.

Notes to the Financial Statements

The notes to the Financial Statements provide greater detail to support the figures used in the four main statements and should be read in conjunction with the statements to obtain a clearer picture of our finances. The notes give the details behind the summary line items contained in the statements, showing what makes up each of the accumulated amounts.

The notes also provide information on the accounting policies and assumptions used to prepare the financial statements, advise the reader about any changes to the *Australian Accounting Standards*, policy, or legislation, which may affect the way the statements are prepared and disclose other information that cannot be incorporated into the statements and provide analysis if there has been a significant change from the previous year's comparative figures.

Certification of Statements

The certification of the financial statements is made by the Board Chairperson, the Chief Executive Officer and the Chief Financial Officer. Collectively, these persons are responsible for the financial management of Queensland Urban Utilities. The certification must state whether, in their opinion, the statements have met all the statutory and professional reporting requirements and present a true and fair view of the financial performance and financial position of Queensland Urban Utilities as at the end of the financial year.

The certification must be based on an appropriate system of internal controls and effective risk management processes.

Independent Auditor's Report

The Independent Auditor's Report is the external and independent opinion of the Queensland Auditor-General and provides the reader with an independent view about Queensland Urban Utilities' compliance with the statutory and professional requirements, as well as the fairness aspects of the statements.

Central SEQ Distributor-Retailer Authority

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Central SEQ Distributor-Retailer Authority

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue			
Utility charges	2.1	1,076,045	1,038,853
Contributions	2.2	239,293	313,151
Other revenue	2.3	32,984	30,096
Total operating revenue		1,348,322	1,382,100
Expenses			
Bulk water purchases	3.1	407,441	398,594
Depreciation and amortisation	8.2, 9	183,251	178,042
Supplies and services	3.2	198,084	185,118
Employee expenses	3.3	94,511	95,783
Finance and borrowing costs	3.4	96,112	97,561
Other expenses	3.5	5,800	10,171
Total operating expenses		985,199	965,269
Profit before income tax equivalent		363,123	416,831
Income tax equivalent	4.1	109,842	125,382
Profit for the year		253,281	291,449
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gain	10.3	533	399
Total other comprehensive income		533	399
Total comprehensive income for the year		253,814	291,848

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Central SEQ Distributor-Retailer Authority

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	5	116,968	177,887
Trade and other receivables	6	49,791	46,197
Other current assets	7	166,212	165,880
Total current assets		332,971	389,964
Non-current assets			
Property, plant and equipment	8	5,523,088	5,381,998
Intangible assets	9	41,906	25,170
Defined benefit plan	10.3	4,216	3,454
Other non-current assets	6, 7	93	89
Total non-current assets		5,569,303	5,410,711
Total assets		5,902,274	5,800,675
Current liabilities			
Trade and other payables	11	54,183	22,413
Employee benefits	12	29,339	30,443
Other current liabilities	13	102,930	100,963
Income tax payable		14,268	29,858
Participation return	14	100,985	123,450
Total current liabilities		301,705	307,127
Non-current liabilities			
Loans and borrowings	15	2,064,895	2,064,895
Trade and other payables	11	7,250	5,027
Employee benefits	12	3,113	2,956
Deferred tax liabilities	4.2	173,079	156,451
Total non-current liabilities		2,248,337	2,229,329
Total liabilities		2,550,041	2,536,456
Net assets		3,352,232	3,264,219
Equity			
Contributed equity		2,538,793	2,538,793
Retained earnings		659,416	571,403
Asset revaluation surplus		154,023	154,023
Total equity		3,352,232	3,264,219

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Central SEQ Distributor-Retailer Authority

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Notes	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation surplus \$'000	Total \$'000
Balance as at 1 July 2016		2,538,793	444,428	154,023	3,137,244
Contributions by and distributions to Participants					
Participation return to Participants	14	-	(164,873)	-	(164,873)
Total contributions by and distributions to Participants		-	(164,873)	-	(164,873)
Profit for the year		-	291,449	-	291,449
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gain	10.3	-	399	-	399
Total comprehensive income for the year		-	291,848	-	291,848
Balance as at 30 June 2017		2,538,793	571,403	154,023	3,264,219
Balance as at 1 July 2017		2,538,793	571,403	154,023	3,264,219
Contributions by and distributions to Participants					
Participation return to Participants	14	-	(165,801)	-	(165,801)
Total contributions by and distributions to Participants		-	(165,801)	-	(165,801)
Profit for the year		-	253,281	-	253,281
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gain	10.3	-	533	-	533
Total comprehensive income for the year		-	253,814	-	253,814
Balance as at 30 June 2018		2,538,793	659,416	154,023	3,352,232

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Central SEQ Distributor-Retailer Authority

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		1,052,091	1,019,086
Developer cash contributions		153,947	217,817
Interest received		4,508	4,486
GST input tax credits from Australian Taxation Office (ATO)		41,305	35,549
GST collected from customers		1,222	661
		1,253,073	1,277,599
Employee expenses		(120,743)	(106,492)
Suppliers and services		(504,356)	(570,956)
Finance and borrowing costs		(94,608)	(95,012)
Income tax paid		(109,033)	(105,817)
GST paid to suppliers		(41,305)	(35,549)
GST remitted to ATO		(1,222)	(661)
		(871,267)	(914,487)
Net cash provided by operating activities	5.1	381,806	363,112
Cash flows from investing activities			
Proceeds from sale of plant and equipment		1,538	1,238
Payments for property, plant and equipment		(255,997)	(195,501)
Net cash used in investing activities		(254,459)	(194,263)
Cash flows from financing activities			
Borrowings	15	-	-
Payment of participation returns	14	(188,266)	(126,838)
Net cash used in financing activities		(188,266)	(126,838)
Net increase/(decrease) in cash and cash equivalents		(60,919)	42,011
Cash and cash equivalents at the beginning of the financial year		177,887	135,876
Cash and cash equivalents at the end of the financial year		116,968	177,887

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. Basis of financial statement preparation

1.1 Authority information

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

Under the Act, governance arrangements for the Authority were established in a Participation Agreement, which became operative from 25 June 2010. The Participants are Brisbane City, Ipswich City, Lockyer Valley Regional, Scenic Rim Regional and Somerset Regional Councils (refer to Note 14).

The assets, liabilities, instruments and employees of the five Participating Councils' water distribution and sewerage operations were transferred to the Authority as a result of the Act. The value of the net assets transferred from the Councils to the Authority has been calculated using a Regulatory Asset Base (RAB) valuation approved by the Queensland Government to represent the market value of the business.

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

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

The primary functions of the Authority for its geographic area are set out in Section 11(1) of the Act.

The Authority trades as Queensland Urban Utilities and is a "for profit" entity. The registered office is Level 2, 15 Green Square Close, Fortitude Valley, Brisbane, QLD 4006.

1.2 Compliance with prescribed requirements

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018 and have been prepared in accordance with:

- Australian Accounting Standards (AASBs) and Interpretations;
- the *Financial Accountability Act 2009*;
- the *Financial and Performance Management Standard 2009*;
- the Financial Reporting Requirements for Queensland Government agencies (as applicable to statutory bodies); and
- the exemptions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

1.3 Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board on 20 August 2018. Board members have the power to amend and reissue the Financial Statements.

1.4 Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

Note 2.2 – Contributions – donated assets measured at fair value.

Note 8 – Property, plant and equipment – land, buildings and network assets measured at fair value.

Note 10 – Superannuation – defined benefit assets measured at fair value.

Note 12 – Employee benefits – provision for long service leave not expected to be settled within 12 months measured at present value.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. Basis of financial statement preparation (continued)

1.5 Accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that interpret the application of accounting policies and affect the reported amounts of revenue, expenses, assets, liabilities and the accompanying disclosures. Actual results may differ from these estimates. Such estimates and underlying assumptions are reviewed on an ongoing basis and changes to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

Estimates and assumptions with the most significant effect on the financial statements are outlined in the following notes:

Note 2.1 – Utility charges – unbilled water consumption based on historical information

Note 2.2 – Contributions – fair value of donated assets based on unit rates

Note 6 – Trade and other receivables – provision for impairment

Note 8 – Property, plant and equipment – fair value based on discounted cash flows, depreciation rates

Note 9 – Intangible assets – amortisation rates

Note 10 – Superannuation – fair value of fund assets based on actuarial assessment

Note 12 – Employee benefits – present value of provision for long service leave based on actuarial assessment

Note 16 – Fair value measurement

Note 21 – Contingencies – maximum exposure of contingent assets and liabilities

1.6 Presentation

Currency and rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000, unless disclosure of the full amount is specifically required.

Comparatives

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

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the Authority does not have an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

1.7 Taxation

Goods and services tax

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST). Except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are presented with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

Other taxes

The Authority pays payroll tax to the Queensland Government Office of State Revenue on its activities and fringe benefits tax to the ATO in accordance with the relevant legislation.

Refer to Note 4 for the income tax equivalent accounting policies and disclosures.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. Revenue

Revenue is recognised when it is probable that economic benefits will flow to the Authority and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at fair value of the consideration received or receivable.

2.1 Utility charges	2018 \$'000	2017 \$'000
Water charges	634,480	607,568
Wastewater charges	434,947	421,040
Recycled water	6,618	10,245
	1,076,045	1,038,853

Utility charges are recognised based on water consumption and fixed service charges billed in the period to which they relate. The Authority issues the utility account statements on a monthly and quarterly basis. An estimation of monthly unbilled water consumption is recorded as revenue based on historical information of the customers' water usage. Outstanding fixed access charges are recorded as revenue while fixed access charges billed in advance are recognised as unearned.

2.2 Contributions	2018 \$'000	2017 \$'000
Developer contributions – cash	148,896	215,669
Developer contributions – donated assets	90,397	97,482
	239,293	313,151

The Authority finances part of its water supply and sewerage capital works infrastructure program through non-refundable contributions from developers. These developer contributions may be in the form of a cash contribution and/or non-cash contribution (donated assets).

Cash contributions

Developer cash contributions are either received directly by the Authority or collected by the Councils on behalf of the Authority. Amounts collected by the Councils are transferred to the Authority upon receipt. Developer cash contributions for specific assets are recognised as a liability when the asset has not been constructed at reporting date. Developer cash contributions, for assets already constructed or for which no performance obligation is required, are recorded as revenue when the Authority obtains the right to receive the cash contribution and the amount of revenue can be reliably measured.

Donated assets

Developer non-cash contributions such as water and sewerage infrastructure are recognised as revenue and as non-current assets at their fair value when the Authority obtains control of the assets and becomes liable for its ongoing maintenance.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. Revenue (continued)

2.3 Other revenue	2018 \$'000	2017 \$'000
Professional fees	7,989	8,354
Property connection fees	7,285	8,002
Other fees and charges	7,037	5,875
Interest income	4,331	4,810
Insurance recovery	3,292	407
Other revenue	3,050	2,648
	32,984	30,096

Fees and charges

Revenue from professional fees, property connection fees and other fees and charges is recognised upon the delivery of services to customers.

Interest Income

Interest income is recognised based on the interest earned from cash and term deposits, and overdue receivable accounts.

3. Expenses**3.1 Bulk water purchases**

Bulk water is purchased from Seqwater. The price for bulk water is currently set by the Queensland Government through the Department of Natural Resources, Mines and Energy. Bulk water purchases are recognised as expenses in the period the water is consumed.

3.2 Supplies and services	Notes	2018 \$'000	2017 \$'000
Materials and services		181,456	167,158
Consultancies and legal fees		2,934	2,567
Board fees	24.1	515	447
Other supplies and consumables		13,179	14,946
		198,084	185,118

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. Expenses (continued)

3.3 Employee expenses	2018 \$'000	2017 \$'000
<i>Employee benefits</i>		
Salaries and wages	96,551	98,162
Employer superannuation contribution	11,232	11,600
Annual leave expenses	8,111	8,047
Long service leave expenses	2,751	2,576
<i>Employee related expenses</i>		
Payroll tax	5,365	5,620
Workers' compensation premium	1,456	1,503
Other employee related expenses	183	461
	125,649	127,969
Less: capitalised costs	(31,138)	(32,186)
	94,511	95,783
The number of employees as at 30 June including both full time and part time employees measured on a full time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:	986 FTE	957 FTE

Employee benefits

Employee benefits relate to amounts expected to be paid to employees for annual leave, leave in lieu of statutory holidays worked and overtime, long service leave, personal leave, workers' compensation and superannuation (refer to Note 12).

Superannuation

The Authority contributes to LGIASuper for employees under both the defined benefit scheme and the accumulation superannuation scheme. The Authority has no liability to or interest in LGIASuper other than the payment of the statutory contribution. Any amount by which either scheme is over or under funded would only affect future benefits of employees and is not an asset or liability of the Authority. Accordingly, there is no recognition in the financial statements of any over or under funding of LGIASuper (refer to Note 10).

Employee related expenses

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

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

3. Expenses (continued)

3.4 Finance and borrowing costs	2018 \$'000	2017 \$'000
Queensland Treasury Corporation (QTC) finance costs	92,474	93,380
Interest on Participants' debt	2,092	2,066
Bank charges	1,546	2,115
	96,112	97,561

Finance and borrowing costs include bank charges and interest on bank overdrafts and borrowings. Finance and borrowing costs directly attributable to a specific capital project are added to the cost of the project and capitalised upon project completion. All other finance and borrowing costs are expensed in the period in which they occur. Finance and borrowing costs that are not paid in the period in which they are due are accrued as interest payable.

3.5 Other expenses	2018 \$'000	2017 \$'000
Loss on disposal of assets	1,931	4,254
Insurance	2,821	3,238
Land taxes	2,017	2,702
Audit fees (internal and external)	680	757
Impairment of trade receivables	(1,792)	(931)
Other	143	151
	5,800	10,171

Audit fees

Total external audit fees paid to the Queensland Audit Office relating to the 2018 financial statements are estimated to be \$276,750 (2017: \$270,000). There are no non-audit services included in this amount.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

4. Income tax equivalent

The Authority is exempt from Federal Government income taxation but is subject to the Local Government Tax Equivalents Regime (LGTER). Under the LGTER, the Authority pays an income tax equivalent to its Participating Councils in accordance with the requirements of its Participation Agreement.

4.1 Income tax expense	2018 \$'000	2017 \$'000
Current tax expense	93,443	101,862
Deferred tax expense	16,399	23,520
	109,842	125,382
<i>Reconciliation of income tax expense to prima-facie tax payable:</i>		
Profit before income tax equivalent	363,123	416,831
Income tax equivalent expense at 30% (2017: 30%)	108,937	125,049
Non-deductible expenditure	7	14
Permanent difference – depreciation on acquired assets	910	1,079
Permanent difference – accrued leave provisions	(12)	(760)
Total income tax expense	109,842	125,382

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

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

4.2 Deferred tax assets and liabilities

Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at reporting date.

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

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

4. Income tax equivalent (continued)

4.2 Deferred tax assets and liabilities (continued)	Assets		Liabilities		Net	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Provisions	12,219	13,033	-	-	12,219	13,033
Accrued expenses	153	874	-	-	153	874
Plant and equipment	46,536	23,622	-	-	46,536	23,622
Other	2,612	1,833	-	-	2,612	1,833
Expenses capitalised for tax	48	53	-	-	48	53
Carryforward capital losses	93	93	-	-	93	93
Contributed assets	-	-	(167,662)	(145,494)	(167,662)	(145,494)
Plant and equipment	-	-	(65,765)	(49,406)	(65,765)	(49,406)
Other	-	-	(1,084)	(888)	(1,084)	(888)
<i>Amounts recognised directly in equity:</i>						
Defined benefit plan	-	-	(229)	(171)	(229)	(171)
Tax asset/(liability)	61,661	39,508	(234,740)	(195,959)	(173,079)	(156,451)
Set-off of deferred tax	(61,661)	(39,508)	61,661	39,508	-	-
Net deferred tax asset/(liability)	-	-	(173,079)	(156,451)	(173,079)	(156,451)
Movements in deferred tax assets and liabilities						
Balance at 1 July	39,508	19,451	(195,959)	(152,213)	(156,451)	(132,762)
Current year's income tax equivalent expense	(212,587)	20,057	195,959	(43,746)	(16,628)	(23,689)
Balance at 30 June	(173,079)	39,508	-	(195,959)	(173,079)	(156,451)

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

5. Cash and cash equivalents

	Notes	2018 \$'000	2017 \$'000
Cash at bank and on hand		116,968	159,887
Short-term deposits		-	18,000
Cash and cash equivalents in the Statement of Cash Flows		116,968	177,887

Cash and cash equivalents include cash at bank, cash on hand and short term deposits with maturities of three months or less.

5.1 Reconciliation of profit after income tax to net cash from operating activities		2018 \$'000	2017 \$'000
<i>Cash flows from operating activities</i>			
Profit for the year		253,281	291,449
<i>Adjustments for:</i>			
Depreciation and amortisation	8.2, 9	183,251	178,042
Loss on disposal of assets	3.5	1,931	4,254
Donated assets	2.2	(90,397)	(97,482)
<i>Change in assets and liabilities</i>			
Change in trade and other receivables		(3,551)	(5,703)
Change in other current assets		(380)	1,008
Change in trade and other payables		33,994	(34,194)
Change in employee benefits		(947)	(1,470)
Change in other current liabilities		(11,775)	3,688
Change in deferred tax		16,399	23,520
Net cash from operating activities		381,806	363,112
5.2 Funding facilities			
Working capital facility QTC		100,000	100,000
Overdraft facility – Commonwealth Bank		5,000	5,000
Total facility		105,000	105,000
Amount of facility undrawn		105,000	105,000

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

6. Trade and other receivables

	2018 \$'000	2017 \$'000
Current		
Trade and other receivables	60,046	58,258
Provision for impairment	(10,255)	(12,061)
	49,791	46,197
Non-current		
Other receivables	-	45
	-	45
Total	49,791	46,242

Trade and other receivables are recognised at the amounts due at the time of invoicing, sale or service delivery. Settlement of these amounts is required within 30 days from invoice date.

<i>Movements in the provision for impairment</i>	2018 \$'000	2017 \$'000
Balance at beginning of the year	(12,061)	(13,046)
Amounts written off during the year	14	54
(Increase)/decrease in provision	1,792	931
Balance at the end of the year	(10,255)	(12,061)

Collectability of receivables is reviewed and assessed periodically for the impairment provision. All known bad debts are written off periodically and/or as at 30 June. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

7. Other assets

	2018 \$'000	2017 \$'000
Current		
Accrued utility charges	156,469	152,720
Accrued developer contributions	1,333	6,384
Inventories held for use	3,770	3,037
Renewable energy certificates	649	-
Other	3,991	3,739
	166,212	165,880
Non-current		
Lease incentive	93	44
	93	44
Total	166,305	165,924

Accrued utility charges

Accrued utility charges are recognised based on unbilled water consumption and fixed access charges.

Inventory

Water that resides in the Authority's infrastructure assets at the reporting date is not recognised as inventory as any value that would be attributed to that water is not considered to be material.

Renewable energy certificates (RECs) consist of 8,295 large-scale generation certificates (LGCs) issued by the Clean Energy Regulator to the Authority for the renewable energy power station accreditation of the cogeneration engine at Oxley Sewerage Treatment Plant under the *Renewable Energy (Electricity) Regulations 2001*. The RECs are held by the Authority for the purpose of trading and are measured at fair value. The depreciation expense, and operating and maintenance costs of the cogeneration units at 30 June are \$220,478 and \$225,409, respectively.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. Property, plant and equipment

8.1 Balances as at 30 June	2018 \$'000	2017 \$'000
Land:		
At fair value	59,628	57,804
Buildings:		
At fair value	22,606	22,392
Less: Accumulated depreciation	(9,574)	(7,648)
	13,032	14,744
Plant and equipment:		
At cost	9,450	8,204
Less: Accumulated depreciation	(4,226)	(3,309)
	5,224	4,895
Fleet:		
At cost	30,017	26,712
Less: Accumulated depreciation	(11,222)	(10,536)
	18,795	16,176
Water supply network:		
At fair value	2,419,568	2,322,092
Less: Accumulated depreciation	(386,886)	(331,695)
	2,032,682	1,990,397
Sewerage network:		
At fair value	3,769,315	3,660,678
Less: Accumulated depreciation	(826,229)	(714,528)
	2,943,086	2,946,150
Work in progress:		
At cost	450,641	351,832
Total	5,523,088	5,381,998

The Authority has water supply network and sewerage network assets with written down values of zero which are still being used in the provision of services. The original cost of these assets is \$12.26M (2017: \$12.19M) for water supply network and \$48.23M (2017: \$47.40M) for sewerage network assets. The Authority does not intend to retire these assets in the next twelve months.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. Property, plant and equipment (continued)**8.2 Reconciliation of carrying amount**

	Land (level 3)	Buildings (level 3)	Plant and equipment	Fleet	Water supply network (level 3)	Sewerage network (level 3)	Work in progress	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	57,804	14,744	4,895	16,176	1,990,397	2,946,150	351,832	5,381,998
Additions at cost	-	-	-	-	-	-	229,170	229,170
Donated assets	-	-	-	-	53,626	36,771	-	90,397
Disposals	-	(61)	(41)	(1,017)	(1,599)	(750)	-	(3,468)
Transfers between classes	-	-	-	-	-	-	-	-
Work in progress capitalised	1,824	370	1,319	7,129	45,745	73,974	(130,361)	-
Depreciation for the year	-	(2,021)	(949)	(3,493)	(55,487)	(113,059)	-	(175,009)
Carrying amount at 30 June	59,628	13,032	5,224	18,795	2,032,682	2,943,086	450,641	5,523,088
Carrying amount at cost	57,056	12,295	5,221	18,795	1,951,189	2,821,356	450,641	5,316,553

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. Property, plant and equipment (continued)**8.2 Reconciliation of carrying amount (continued)**

	Land (level 3)	Buildings (level 3)	Plant and equipment	Fleet	Water supply network (level 3)	Sewerage network (level 3)	Work in progress	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	57,787	16,086	4,605	13,415	1,930,930	2,930,795	304,872	5,258,490
Additions at cost	-	-	-	-	-	-	201,865	201,865
Donated assets	-	-	-	-	55,549	41,933	-	97,482
Disposals	-	(288)	(158)	(786)	(1,642)	(2,361)	-	(5,235)
Transfers between classes	-	-	-	-	(197)	197	-	-
Work in progress capitalised	17	803	1,454	6,561	59,559	86,511	(154,905)	-
Depreciation for the year	-	(1,857)	(1,006)	(3,014)	(53,802)	(110,925)	-	(170,604)
Carrying amount at 30 June	57,804	14,744	4,895	16,176	1,990,397	2,946,150	351,832	5,381,998
Carrying amount at cost	55,232	14,007	4,893	16,176	1,908,904	2,824,421	351,832	5,175,465

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. Property, plant and equipment (continued)**8.3 Recognition and acquisition*****Recognition thresholds***

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Items of property, plant and equipment with a total value in excess of the following thresholds are recognised in the year of acquisition:

Asset Type	Threshold Amount (\$)
Land	1
Buildings	5,000
Plant and equipment	5,000
Fleet	5,000
Infrastructure (water supply and sewerage network assets)	1

All network assets are capitalised. Network assets are defined as the accumulation of individual items or components operating together in the provision of a particular service. Computer equipment and interconnected infrastructure assets are treated as network assets. Items with a lesser value than the recognition threshold are expensed during the year.

Cost of acquisition

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

Contractual commitments for the acquisition of property, plant and equipment are disclosed in Note 20.

8.4 Construction work in progress

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

8.5 Measurement at cost

Plant and equipment and fleet assets are measured at cost less accumulated depreciation.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. Property, plant and equipment (continued)

8.6 Measurement at fair value

Land, buildings and infrastructure assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses, where applicable.

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimated remaining useful life.

A fair valuation of the Authority was undertaken as at 30 June 2018 using a discounted cash flow methodology which determined the fair value to be \$5.6B (2017: \$5.4B). This review did not result in a material impact on the values of the property, plant and equipment classes.

The Authority's review of its fair value methodology was based on AASB 13 *Fair Value Measurement* (Note 16). The fair values reported in these financial statements are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs. The inputs involved are not based on observable market data. Therefore, these assets have been categorised as level 3 in the fair value hierarchy and there have been no transfers between levels in the current and prior year.

8.7 Key valuations assumptions used

Valuation techniques and process used to determine level 3 fair values

Fair value has been determined by Directors' valuation using the discounted cash flow valuation methodology. These valuations are based on the projected cash flows using the revenue price paths and, capital and operating expenditure growth rates. Modelling has been performed for three (2017: three) scenarios and an average determined. Scenarios include the terminal value inputs below for a revenue price path based on maximum allowable revenue.

Estimates of fair value are prepared by management and presented to the Audit and Risk Committee (ARC), which recommends their adoption to the Directors. An independent review of management's estimates is provided to Directors to assist in their adoption of the fair values.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. Property, plant and equipment (continued)**8.7 Key valuations assumptions used (continued)*****Valuation inputs and relationships to fair value***

The following table summarises the quantitative information about the significant unobservable inputs used in the level 3 fair value measurements:

Unobservable inputs	Basis	Range of inputs	Relationship between unobservable inputs and fair value
Revenue price path	Maximum allowable revenue (MAR) ¹	FY19 to FY38 (2017: FY18 to FY37)	The higher the annual revenue cash flow, the higher the fair value
Operating expenditure growth rate	Average growth as forecast by management	2.50% (2017: 2.50%)	The higher the annual growth in operating expenditure, the lower the fair value
Capital expenditure growth rate	Average growth as forecast by management	2.50% (2017: 2.50%)	The higher the annual growth in capital expenditure, the lower the fair value
Terminal value	Gordon Growth Model; and Regulatory Asset Base (RAB)	(1) Gordon Growth Model (2) RAB (3) RAB x 1.1 \$5.4B to \$5.7B (2017: \$5.3B to \$5.5B)	The higher the terminal value, the higher the fair value
Weighted average cost of capital (WACC)	Developed by management in consultation with independent experts	Post-tax WACC 6.47% (2017: 6.95%)	The higher the WACC, the lower the fair value. WACC is determined by the combination of cost of debt and cost of equity.

¹ Maximum allowable revenue is a function of operational expenditure, capital expenditure and the WACC discount rate, and any increase/(decrease) in one of these inputs will result in an increase/(decrease) to revenue. These interrelationships mitigate the effect of changes to these inputs on the fair value measurement.

Price path post 1 July 2018

Fair value modelling cash flows are estimated using the building block method consistent with the approach used by the Queensland Competition Authority in determining maximum allowable revenue.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

8. Property, plant and equipment (continued)

8.8 Depreciation expense

Land is not depreciated. Other property, plant and equipment classes are 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. The estimated useful life and the depreciation method applied to assets are reviewed annually. Details of estimated standard useful lives of assets are set out below:

Asset Type	Useful Life (in years)
Buildings and improvements	15-80
Plant and equipment	3-60
Infrastructure:	
– Water supply network assets	10-110
– Sewerage network assets	10-100

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

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

8.9 Impairment of non-current assets

Each non-current physical and intangible asset is assessed for indicators of impairment annually. If possible impairment indicators exist, the Authority determines the asset's recoverable amount. When the asset's carrying amount exceeds the asset's recoverable amount, the difference is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use.

Following assessment of the fair value, the Authority undertook an impairment review. Internal indicators of impairment including obsolescence or physical damage, significant changes with an adverse effect and internal reporting concerning economic performance of an asset were considered, together with external sources of information such as changes in technological, market, economic or legal environment, changes in the regulated environment, policy and/or legislative changes and market interest rate changes. There were no internal or external indicators of impairment.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount where the impairment loss is offset against the asset revaluation surplus recorded.

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

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

9. Intangible assets

	Software purchased		Work in progress		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Carrying amount at 1 July	18,846	21,785	6,324	6,983	25,170	28,768
Acquisitions at cost	-	-	24,979	4,105	24,979	4,105
Disposals	-	(265)	-	-	-	(265)
Work in progress capitalised	6,293	4,764	(6,293)	(4,764)	-	-
Amortisation for the year	(8,243)	(7,438)	-	-	(8,243)	(7,438)
Carrying amount at 30 June	16,896	18,846	25,010	6,324	41,906	25,170
Gross carrying amount	58,158	52,282	25,010	6,324	83,168	58,606
Accumulated amortisation	(41,262)	(33,436)	-	-	(41,262)	(33,436)
Carrying amount at cost	16,896	18,846	25,010	6,324	41,906	25,170

The Authority has software assets with written down values of zero which are still being used in the provision of services. The original costs of these assets are \$20.05M (2017: \$15.41M). The Authority does not intend to retire these assets in the next twelve months.

Acquisition and recognition

Intangible assets with a value equal to or greater than \$10,000 are recognised as assets in the year of acquisition. Items with a lesser value than the recognition threshold are expensed during the year.

Intangible assets recognised by the Authority have no active market; the assets are recognised at cost less accumulated amortisation and impairment losses. Subsequent costs are capitalised only when it increases the future economic benefits of the intangible asset to which it relates.

Development costs are assessed regularly for capitalisation and where costs cannot be capitalised, these are expensed. Development costs are not amortised until the software is completed and ready for use.

Contractual commitments for the acquisition of intangible assets are disclosed in Note 20.

Amortisation expense

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

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

10. Superannuation

Refer to Note 3.3 for details of amount of superannuation contributions paid by the Authority to the superannuation funds in respect of this year for the benefit of the employees.

10.1 Local government superannuation scheme – LGIASuper

The Authority contributes to the LGIASuper (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

LGIASuper, the trustee of the scheme, advised that the local government superannuation scheme is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) (SIS) legislation. LGIASuper is responsible for the governance of the scheme. LGIASuper has a legal obligation to act solely in the best interest of the scheme beneficiaries. LGIASuper has the following roles:

- administration of the scheme and payment to the beneficiaries from the scheme assets when required in accordance with the scheme rules;
- management and investment of the scheme assets; and
- compliance with superannuation law and other applicable regulations.

The Scheme has three elements referred to as:

- The Accumulation Benefits Fund (ABF);
- The City Defined Benefits Fund (City DBF) which covers former members of the City Super Defined Benefits Fund; and
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional areas.

The ABF is a defined contribution scheme as defined in AASB 119. The Authority has no liability to or interest in the ABF other than the payment of the statutory contributions.

The City DBF is a defined benefit plan as defined in AASB 119. The Authority engaged an actuary to assess the values and to provide the disclosures in accordance with AASB 119 (refer to Note 10.3).

The Regional DBF is a defined benefit plan as defined in AASB 119. The Authority is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 because the scheme is unable to account to the Authority for its proportionate share of the defined benefit obligation, plan assets and costs (refer to Note 10.2).

10.2 Regional Defined Benefit Fund

The Authority contributes to the Regional DBF at the rate of 14% for each permanent employee who is a defined benefit member. The rate set by the LGIASuper trust deed is 12% and may be varied on the advice of an actuary. No changes have been made to prescribed employer contributions of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which the scheme is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Authority. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that “At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date.” The Authority is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

10. Superannuation (continued)

10.2 Regional Defined Benefit Fund (continued)

The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary are:

- Investment risk – The risk that the scheme’s investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.
- Salary growth risk – The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. The Authority made less than 4% of the total contributions to the plan in the 2017-18 financial year.

	2018 \$'000	2017 \$'000
Superannuation contributions made to Regional Defined Benefits fund	295	329

The Authority expects to make contributions of \$295,000 to the Regional DBF for 2018-19 financial year.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

10. Superannuation (continued)

10.3 City Defined Benefits Fund

City DBF members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section of the City DBF is closed to new members. The Authority has 21 employees funded under this benefit. The Authority has provided a written guarantee to LGIAsuper which commits the Authority to fund the defined benefits of employees who are members of City DBF.

The Superannuation Industry (Supervision) (SIS) Regulation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulation requires the Authority to undertake actuarial assessments annually to determine its obligations. Actuarial gains and losses are recognised as other comprehensive income in the year in which they occur.

The risks to which the Authority is exposed are:

- Investment risk – The risk that investment returns will be lower than assumed and the Authority will need to increase contributions to offset this shortfall.
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit assets are invested in the LGIAsuper Balanced investment option. The assets are diversified within this investment option and therefore the City DBF has no significant concentration of investment risk. There were no fund amendments affecting the defined benefits payable, nor were there any curtailments or settlements occurring during the year.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

10. Superannuation (continued)**10.3 City Defined Benefits Fund (continued)**

	2018 \$'000	2017 \$'000
Net defined benefit asset¹		
Net asset at start of the year	3,454	2,884
Net asset at end of year	4,216	3,454
Fair value of Fund assets²		
Fair value at beginning of the year	11,887	11,022
Fair value at end of the year	11,430	11,887
Defined benefit obligation³		
Present value at beginning of the year	8,433	8,138
Present value at end of the year	7,214	8,433

¹ Movements in the net defined benefit asset were primarily due to current service cost, net interest, returns on Fund assets and actuarial losses/gains and employer contributions. The asset ceiling has no impact on the net defined benefit asset.

² Movements in the fair value of Fund assets were primarily due to interest income, returns on fund assets, employer contributions, contributions by plan participants, benefits paid and taxes, premiums and expenses paid.

³ Movements in the defined benefit obligation were primarily due to current services cost, interest cost, contributions by fund participants, actual losses/gains benefits paid and taxes, premiums and expenses paid. The weighted average duration of the defined benefit obligation is 7 years.

The Authority is not aware of any asset and liability matching strategies adopted by the City DBF. The financing approach adopted at the 1 July 2015 actuarial investigation of the City DBF, in a report dated 3 December 2015, is to ensure sufficient assets are available to meet benefits as and when they fall due while also to target appropriate coverage of vested benefits. In that investigation, it was recommended that the Authority contributes to the City DBF as follows: in respect of defined benefit members, 14% of members' salaries (inclusive of the 3% occupational contribution), plus 5.88% of salaries for defined benefit members' contributions made via salary sacrifice.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

II. Trade and other payables

	2018 \$'000	2017 \$'000
Current		
Trade creditors	47,993	16,962
Infrastructure agreement liabilities	1,154	528
Lease incentive	1,791	1,083
Other payables	3,245	3,840
	54,183	22,413
Non Current		
Lease incentive	6,917	5,027
Infrastructure agreement liabilities	333	-
	7,250	5,027
Total	61,433	27,440

Creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts. Outstanding amounts are unsecured and are generally settled within 30 days.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. Employee benefits

	2018 \$'000	2017 \$'000
Current		
Long service leave	15,148	15,494
Annual leave	11,956	12,265
Accrued salaries and wages	1,917	1,915
Time in lieu	257	667
Vested sick leave	61	102
	29,339	30,443
Non-current		
Long service leave	3,113	2,956
	3,113	2,956
Total	32,452	33,399

Wages and salaries

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

Annual leave

Accumulated annual leave represents the amount the Authority is required to pay its employees for services provided up to reporting date. The annual leave liability is calculated at nominal amounts based on remuneration rates that would be required to be paid plus related on-costs if the liability is settled at reporting date. Annual leave is classified as a current liability (employee benefits) in the Statement of Financial Position.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

12. Employee benefits (continued)

Time in lieu

Accumulated leave in lieu represents the amount the Authority is required to pay its employees for services provided up to reporting date in excess of regular working hours such as statutory holidays worked and overtime. The leave in lieu liability is calculated at nominal amounts based on remuneration rates that would be required to be paid plus related on-costs if the liability is settled at balance date. Leave in lieu is classified as a current liability (employee benefits) in the Statement of Financial Position.

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows which the Authority is required to pay its employees for services provided up to reporting date and an actuarial estimate of future obligations, taking into account future increases in wage and salary rates, periods of service and experience of employee departure plus related on-cost. This amount is reported as a current liability (employee benefits) in the Statement of Financial Position.

Amounts the Authority does not have a present obligation to pay at reporting date are discounted using the rates attaching to high quality corporate bonds at reporting date that most closely match the terms of maturity of the related liabilities. This amount is reported as a non-current liability (employee benefits) in the Statement of Financial Position.

Termination benefits

Termination benefits are payable when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised at the earlier of when the Authority can no longer withdraw the offer of those benefits and when the Authority recognises costs for a restructuring (refer to Note 13). In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

13. Other current liabilities

	2018 \$'000	2017 \$'000
Accrued capital program costs	35,910	37,758
Accrued bulk water purchases	32,882	31,881
Unearned revenue	903	3,233
Provision for restructuring	-	2,403
Other	33,235	25,688
	102,930	100,963

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

14. Participation returns

	2018 \$'000	2017 \$'000
In accordance with the Participation Agreement, the Board declared the final participation rights payment of \$100.99M (2017: \$123.45M) on 15 May 2018. Payment will be made on 28 September 2018.	100,985	123,450
An interim participation return was declared on 16 October 2017 and paid on 31 January 2018.	64,816	41,423
Total participation rights paid/payable	165,801	164,873
Amounts per Participant:		
Brisbane City Council (85.007%)	140,942	140,153
Ipswich City Council (12.222%)	20,264	20,151
Lockyer Valley Regional Council (0.903%)	1,497	1,488
Scenic Rim Regional Council (1.042%)	1,728	1,718
Somerset Regional Council (0.826%)	1,370	1,363
	165,801	164,873
Cash payments to Participants during the financial year.	188,266	126,838

Participation returns are paid to the Participating Councils in accordance with the Participation Agreement based on post-tax operating profits (after adjustment for donated assets and other comprehensive income). An estimate of the total amount of participation returns is calculated according to the Participation Return Policy and provided to the Participating Councils no later than 30 May annually. Between 1 and 15 November annually, the Authority provides to the Participating Councils an estimate of the net profit for the first six months and advises the total amount of the interim participation returns.

Central SEQ Distributor-Retailer Authority

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For the year ended 30 June 2018

15. Loans and borrowings

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, then, subsequently held at amortised cost using the effective interest method.

The fair value of the client specific pool loans at the end of this financial year is determined by QTC as \$2,067M (2017: \$2,070M). It is calculated using discounted cash flow analyses and the effective interest rate, and is stated in the financial statements for disclosure purposes only.

	2018 \$'000	2017 \$'000
Balances of outstanding loans:		
QTC – client specific pool	2,021,679	2,021,679
Participant loans	43,216	43,216
	2,064,895	2,064,895
15.1 QTC client specific pool loans		
Closing balance	2,021,679	2,021,679
15.2 Participant loans		
Lockyer Valley Regional Council	14,736	14,736
Scenic Rim Regional Council	14,676	14,676
Somerset Regional Council	13,804	13,804
	43,216	43,216

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

15. Loans and borrowings (continued)

Queensland Treasury Corporation (QTC)

(a) General purpose borrowings – the Authority borrows from QTC to fund a range of non-specific capital projects. Repayments are made monthly in accordance with the underlying borrowing rate after adjustment for new borrowings and earlier repayments. At year end, the outstanding QTC loan balance is disclosed at book value.

(b) Specific borrowings – the Authority borrows from QTC to fund a range of specific projects. Repayments are made in accordance with the arrangements set up for the specific loans, including frequency of loan repayments and new borrowings.

(c) The Authority has access to a working capital facility with QTC – refer to Note 5.2 for details of the funding facilities.

The weighted average borrowing rate for QTC borrowings as at 30 June 2018 is 4.490% (2017: 4.585%). Interest payments are made monthly in arrears at rates ranging from 2.10% to 4.55% (2017: 2.10% to 4.62%).

Participants' loans

At its inception, the Authority's Participating Councils provided the Authority with separate fixed rate loans ("Participating Local Government Fixed Rate Loan Agreement (Senior Debt)"), which expired on 30 June 2013. Prior to their expiry, these loans were extended for a further 10 years under separate loan agreements ("Participating Local Government Resetting-Rate Loan Agreement (Senior Debt)") until 30 June 2023. These loans are subject to an annually resetting fixed rate. The fixed rate for the year ended 30 June 2018 year was 4.84 % (2017: 4.78%), with the loans requiring monthly interest-only payments for 10 years from 1 July 2013. The Queensland Treasurer approved the extension in accordance with the SBFA.

No participating loans were repaid to Participating Councils during the year. No assets have been pledged as security for any liabilities.

All borrowings are in Australian dollar denominated amounts. No borrowing costs have been capitalised during the current year. There were no defaults or breaches of the loan agreements during the year. No fair value adjustment is made to the carrying amount of the borrowings.

16. Fair value measurement

16.1 Accounting policies and inputs for fair values

The Authority measures financial instruments and non-financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using or selling the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1 – quoted market prices in active markets for identical assets and liabilities;

Level 2 – inputs (other than quoted prices included within Level 1) that are directly or indirectly observable; and

Level 3 – inputs for the asset or liability that are substantially derived from unobservable inputs.

The Authority recognises any evident transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no transfers of assets between fair value hierarchy levels during the period. The key valuation assumptions used by the Authority are outlined in Notes 7, 8, 15, 16 and 17.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

16. Fair value measurement (continued)**16.2 Categorisation of assets and liabilities measured at fair value**

	Notes	Level 1		Level 2		Level 3		Total carrying amount	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Property, plant and equipment									
Land	8	-	-	-	-	59,628	57,804	59,628	57,804
Buildings	8	-	-	-	-	13,032	14,744	13,032	14,744
Water supply network	8	-	-	-	-	2,032,682	1,990,397	2,032,682	1,990,397
Sewerage network	8	-	-	-	-	2,943,086	2,946,150	2,943,086	2,946,150
Other assets									
Renewable energy certificates	7	649	-	-	-	-	-	649	-
Financial assets									
Cash and cash equivalents	5	116,968	177,887	-	-	-	-	116,968	177,887
Total		117,617	177,887	-	-	5,048,428	5,009,095	5,166,045	5,186,982

The Authority does not recognise any financial assets or financial liabilities at fair value except cash and cash equivalents and renewable energy certificates. The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

17. Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Authority becomes a party to the contractual provisions of the financial instrument. No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

Derivative financial instruments

The Authority is not a party to any derivative financial instrument and does not enter into transactions for speculative purposes.

Non-derivative financial instruments

Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, loans/borrowings, and trade and other payables. These are initially recognised at fair value plus any related transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

17. Financial instruments (continued)**17.1 Financial risk management**

Exposure to financial risks is managed in accordance with approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Authority. The Authority's activities expose it to a variety of financial risks as follows:

Risk	Definition	Exposure	Measurement Method	Risk Management Strategies
Credit risk	Credit risk exposure refers to the situation where a financial loss may be incurred as a result of another party to a financial instrument failing to discharge their obligation.	The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment (Note 6). No collateral is held as security relating to the financial assets held by the Authority. The Authority has minimum exposure to credit risk due to the large number of small value receivables.	Ageing analysis	The Authority manages credit risk through the use of credit management strategy.
Liquidity risk	Liquidity risk refers to the situation where the Authority may encounter difficulty in meeting obligations associated with financial liabilities.	The Authority is exposed to liquidity risk in respect of its trade and other payables (Note 11) and interest bearing liabilities (Note 15).	Maturity analysis	Liquidity risk is managed by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.
Market risk – interest rate	Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The Authority is exposed to interest rate risk through borrowings and cash deposited in interest bearing accounts.	Sensitivity analysis	The Authority manages its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract with QTC. The risk in borrowing is effectively managed through QTC's capacity to issue securities with variable terms allowing an appropriate duration for that of the Authority.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

17. Financial instruments (continued)**17.2 Credit risk exposure*****Ageing analysis***

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

Receivables	2018		2017	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	12,102	-	29,447	-
Past due 31-60 days	16,389	-	8,306	-
Past due 61-90 days	8,310	-	(103)	-
More than 90 days	23,245	10,255	20,607	12,061
	60,046	10,255	58,258	12,061

The method of calculating any provisional impairment for risk is based on past experience and determined as a percentage of receivables greater than 90 days. No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amount as indicated.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

17. Financial instruments (continued)**17.3 Liquidity risk*****Maturity analysis***

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

	2018 Payable in			Total
	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000
Financial liabilities				
Participant loans	-	-	43,216	43,216
QTC client specific pool	-	-	2,021,679	2,021,679
Trade and other payables	54,183	7,250	-	61,433
	54,183	7,250	2,064,895	2,126,328

	2017 Payable in			Total
	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000
Financial liabilities				
Participant loans	-	-	43,216	43,216
QTC client specific pool	-	-	2,021,679	2,021,679
Trade and other payables	22,413	5,027	-	27,440
	22,413	5,027	2,064,895	2,092,335

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

17.4 Market risk – interest rate***Sensitivity analysis***

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

2018		-1%		+1%	
		Profit	Equity	Profit	Equity
	Net carrying amounts				
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	116,968	(1,170)	(1,170)	1,170	1,170
QTC client specific pool	2,021,679	20,217	20,217	(20,217)	(20,217)
Overall effect on profit and equity		19,047	19,047	(19,047)	(19,047)

2017		-1%		+1%	
		Profit	Equity	Profit	Equity
	Net carrying amounts				
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	177,887	(1,779)	(1,779)	1,779	1,779
QTC client specific pool	2,021,679	20,217	20,217	(20,217)	(20,217)
Overall effect on profit and equity		18,438	18,438	(18,438)	(18,438)

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

18. Capital management

The Authority's objectives when managing capital are to:

- Ensure long term financial sustainability while considering appropriate returns on invested equity and benefits to other stakeholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

The Authority manages its capital structure by targeting at a minimum, an A- credit rating. This is achieved through maintaining of key credit metrics and supported through the adjustment of participation returns (effective 1 July 2018). The Participation Return Policy provides flexibility for the Board to balance long term financial sustainability, shareholder returns and capital expenditure funding requirements.

The Authority monitors capital using the following ratios:

	2018	2017
Funds from operations to net debt ¹	11%	10%
Net debt to fixed assets ²	35%	35%

¹ The funds from operations to net debt measures the Authority's ability to manage its debt obligations.

² Net debt to fixed assets measures the extent to which the Authority's assets are financed by debt.

Under terms of the Authority's borrowing facilities, it is required to comply with the following financial covenants:

- Earnings before interest, tax, depreciation and amortisation (EBITDA) (excluding developer contributions and asset revaluation increments or decrements) interest coverage ratio equal to or greater than 2.25 times; and
- A net debt to fixed assets ratio equal to or less than 60 per cent.

The Authority has complied with these throughout the reporting period. As at 30 June 2018, the EBITDA interest coverage ratio was 4.4 times (2017: 4.2 times)

The Authority's capital management activities are disclosed in the following notes:

Note 5.2 – Funding facilities

Note 14 – Participation returns

Note 15 – Loans and borrowings

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

19. Leases

	2018 \$'000	2017 \$'000
19.1 Leases as lessee		
Non-cancellable operating lease rentals payable:		
Less than one year	8,416	7,137
Between one and five years	29,352	34,804
More than five years	-	-
	37,768	41,941
	2018 \$'000	2017 \$'000
19.2 Leases as lessor		
Non-cancellable operating lease rentals receivable:		
Less than one year	396	371
Between one and five years	901	455
More than five years	103	299
	1,400	1,125

Operating lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and are not recognised in the Authority's Statement of Financial Position. Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed on a straight-line basis over the lease term.

Finance lease

The Authority is a statutory body under the *Statutory Bodies Financial Arrangements Act 1982* and cannot enter into a finance lease without the approval of the Queensland Treasurer. As at 30 June 2018, the Authority had not entered into any finance leases.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

20. Commitments

Commitments contracted for as at 30 June 2018 but not recognised as liabilities are as follows:

	2018 \$'000	2017 \$'000
20.1 Capital		
Within one year	138,404	74,765
Between one and five years	2,803	2,690
More than five years	-	-
	141,207	77,455
20.2 Other		
Within one year	134,054	105,990
Between one and five years	52,325	160,194
More than five years	-	-
	186,379	266,184

21. Contingencies

	2018 \$'000	2017 \$'000
21.1 Contingent assets		
Reimbursement of costs associated with damage claim, the maximum exposure is:	-	1,722
21.2 Contingent liabilities		
Compensation claims associated with compensation for land value, damage claim and latent condition, the maximum exposure of which is:	1,765	4,358

The Authority is not able to predict the likely outcome or reliably estimate the probability of payout of these contingencies at reporting date.

There is one (2017: one) appeal in the Planning and Environment Court. It is not possible to make an estimate of the final amount payable at reporting date.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

22. Funds held in trust

Funds held in trust include deposits received for standpipe bonds, security deposits to guarantee performance and unclaimed money. The Authority performs only a custodial role in respect of these funds. As such, the balances disclosed below are not recorded in the financial statements and are disclosed here for information purposes only.

	2018 \$'000	2017 \$'000
Standpipe bonds, security deposits and unclaimed money	2,956	2,394

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

23. Key executive management personnel and remuneration

Key executive management personnel and remuneration disclosures are made in accordance with section 3C of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury.

23.1 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 Authority during the year. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Contract classification and appointment authority	Dates position held
Chief Executive Officer	Board secretariat, external reporting, governance, insurance, legal counsel, risk and resilience, corporate property, stakeholder engagement, excellence program and strategic planning	Board appointed Band A Contract	Appointed 2 July 2012
Chief Financial Officer	Financial activities and regulation, shared services and strategic procurement	Board appointed Band A Contract	Appointed 12 February 2018
Executive Leader Operations and Service Delivery	Leadership and strategic direction of the Authority's operations and services delivery which includes the major projects and capital program, network operations, infrastructure maintenance and reliability and treatment business	Board appointed Band A Contract	Appointed 3 November 2014
Chief Information Officer	Managing all aspects of the Authority's information, communication and technology (ICT) environment, organisation's ICT strategy, investment, business engagement, innovation, delivery and continued development of the existing ICT function	Board appointed Band A Contract	Appointed 26 September 2016
Executive Leader People and Safety	People and Safety Group's program of work, supporting QUU's people, safety, wellbeing, culture, training, communication and leadership priorities	Board appointed Band A Contract	Appointed 22 September 2014
Executive Leader Commercial Customers	Overall business relationship between QUU and its largest water supply and trade waste customers, development of new services aligned to this market segment and the delivery of existing services provided by QUU's SAS Laboratory	Board appointed Band A Contract	Appointed 1 July 2014
Executive Leader Customer and Community	Leading and managing the Authority's retail business, including management of customer services, billing and collections, demand management, marketing communications and media management	Board appointed Band A Contract	Appointed 2 September 2013
Executive Leader Planning	Services strategy, infrastructure planning, capital inauguration, and development assessment and environmental and water quality strategy	Board appointed Band A Contract	Appointed 1 December 2013

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

23. Key executive management personnel and remuneration (continued)

23.2 Remuneration

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

The annual review of remuneration of key executive management personnel increased by 2.5% (2017: 2.5%) based on a market review of similar roles.

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

- Short term employee benefits include:
 - salaries, 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;
 - performance payments recognised as an expense during the year; and
 - non-monetary benefits.

- 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 a range of between 16% of total fixed remuneration and 27% of base salary amount. Amounts payable are tied to the achievement of pre-determined organisational and individual performance targets as agreed by the Board and the Chief Executive Officer.

Central SEQ Distributor-Retailer Authority

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For the year ended 30 June 2018

23. Key executive management personnel and remuneration (continued)**23.2 Remuneration (continued)**

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

2018						
Position	Short term			Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Monetary benefits \$'000	Non-monetary benefits \$'000	Long term employee benefits \$'000			
Chief Executive Officer	596	3	15	25	-	639
Chief Financial Officer (appointed 12 February 2018)	114	1	3	11	-	129
Executive Leader Operations and Service Delivery	356	3	9	31	-	399
Executive Leader Commercial Customers	269	3	7	24	-	303
Chief Information Officer	284	3	7	24	-	318
Executive Leader People and Safety	289	3	7	25	-	324
Executive Leader Customer and Community	266	3	7	23	-	299
Executive Leader Planning	335	3	8	25	-	371
Chief Financial Officer (resigned 11 January 2018)	223	2	6	14	-	245
Total remuneration	2,732	24	69	202	-	3,027

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

23. Key executive management personnel and remuneration (continued)**23.2 Remuneration (continued)**

2017						
Position	Short term			Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Monetary benefits \$'000	Non-monetary benefits \$'000	Long term employee benefits \$'000			
Chief Executive Officer	575	3	14	50	-	642
Chief Financial Officer	315	3	8	30	-	356
Executive Leader Operations and Service Delivery	347	3	9	33	-	392
Executive Leader Commercial Customers	278	3	7	26	-	314
Chief Information Officer (appointed 26 September 2016)	189	3	5	18	-	215
Executive Leader People and Safety	273	3	7	26	-	309
Executive Leader Customer and Community	261	3	7	25	-	296
Executive Leader Planning	320	3	8	30	-	361
Chief Information Officer (resigned 16 September 2016)	143	-	4	8	-	155
Total remuneration	2,701	24	69	246	-	3,040

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

23. Key executive management personnel and remuneration (continued)

23.3 Performance payments

Individual performance plans are based on achievement of targets for key result areas and tied to the Corporate Plan strategies for the basis for performance payments.

Performance payments are expected to be paid on or before 30 October 2018 (2017: 30 October 2017).

The aggregate performance payments expected to be paid to all key executive management personnel will not be determined until 15 October 2018. As the determination has not been made at the date of management certification of these financial statements, any performance payment approved will be reported as an expense during the year ending 30 June 2019.

The aggregate amount of performance payments made during the financial year with respect to the previous financial year was \$210,058 (2017: \$231,786).

24. Related parties

24.1 Board members

Board remuneration

The Participation Agreement specifies the remuneration and benefits of Board Members and the Chairperson. Reimbursements for reasonable travelling, accommodation and other expenses spent by a Board Member while attending Board Meetings or otherwise in connection with the business of the Authority are not included in Board remuneration. To the extent permitted by law, the Authority must indemnify each Board Member against a liability of that person and the legal costs of that person. The Authority has an appropriate insurance coverage for Directors and Officers liability.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

24. Related parties (continued)**24.1 Board members (continued)*****Board remuneration (continued)***

The Board Members who were paid directly or indirectly were:

	Salary and fees \$'000		Superannuation \$'000		Total \$'000	
	2018* \$'000	2017 \$'000	2018* \$'000	2017 \$'000	2018* \$'000	2017 \$'000
Geoff Harley	104	102	10	10	114	112
Dennis Cavagna ^{2, 4}	63	55	6	5	69	60
Diana Eilert ¹	-	55	-	5	-	60
Phil Kesby ⁴	53	51	5	5	58	56
Len Scanlan ²	63	51	6	5	69	56
John Cotter ²	63	55	6	5	69	60
Graham Thomsen ²	63	39	6	4	69	43
Kerian McNamara	53	39	5	4	58	43
Bronwyn Morris ³	53	-	5	-	58	-
	515	447	49	43	564	490

*A CPI increase of 1.9% (2017: 1%) was applied and monthly rates set at \$8,689 (2017: \$8,527) for the Board Chairperson and \$4,345 (2017: \$4,263) for the Board members.

¹ Appointment ended on 30 June 2017.

² Additional monthly rate of \$934 (2017: \$917) was paid to Committee Chairpersons from 13 February 2017.

³ Appointment commenced from 1 July 2017.

⁴ Appointment ended on 30 June 2018. Bruce Leslie and Julie-Anne Schafer were appointed effective 1 July 2018.

Central SEQ Distributor-Retailer Authority

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For the year ended 30 June 2018

24. Related parties (continued)**24.2 Loans to key management personnel**

There are no loans to key management personnel and their related parties during the financial year.

24.3 Other key management personnel transactions

There are no other transactions with key management personnel and their related parties during the financial year, other than on normal commercial terms.

24.4 Board member transactions

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

24.5 Returns to Participating Councils	2018 \$'000	2017 \$'000
Participation return, income tax equivalents and interest	263,584	271,689
24.6 Other Participating Councils' transactions	2018 \$'000	2017 \$'000
Receivables		
Utility	58	83
Accrued developer contributions	1,333	6,384
Other	6,518	336
Payables		
Income tax	(14,268)	(29,858)
Participation returns	(100,985)	(123,450)
Land tax	(2,017)	(2,702)
Stamp duty	(231)	(186)
Other	(353)	(227)
Net payables	(109,945)	(149,620)

These transactions were carried out under normal commercial terms.

Central SEQ Distributor-Retailer Authority

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For the year ended 30 June 2018

25. Financial sustainability

In November 2013 the Auditor-General tabled “Results of audit: Water sector entities 2012-13 Report to Parliament 7: 2013-14”. The report recommended that the water sector be encouraged to self-report against the measures of financial sustainability used in the report. These measures are:

- (a) Operating ratio – Operating profit before tax expressed as a proportion of total revenue. This ratio should be positive over the medium to long term in order to remain financially sustainable.
- (b) Capital replenishment ratio – Comparison of the annual net expenditure on non-current assets to annual depreciation. An average above one over time indicates that assets are being built or replaced at or above the rate the asset base is being depreciated.
- (c) Debt to revenue ratio – Assessment of the ability to pay the principal and interest on borrowings when they fall due, from the funds generated through operations.

The results have been disclosed for the current and comparative year as below:

	2018 \$'000	2017 \$'000
Operating ratio	27%	30%
Capital replenishment ratio	x 1.88	x 1.64
Debt to revenue ratio	153%	149%

26. Subsequent events

To date, no events have occurred subsequent to balance date that materially impact on these financial statements.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

27. New and revised accounting standards

The Authority did not voluntarily change any of its accounting policies for the year ended 30 June 2018. There are no Australian Accounting Standard changes applicable for the first time that have a material impact on the Authority's financial statements.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2018. The Authority does not plan to early adopt any other standards or interpretations. Expected impacts of new or amended standards with future commencement dates are set out below:

AASB 9 *Financial Instruments* (December 2014), AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* and AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)* will become effective for reporting periods beginning on or after 1 January 2018. The main impact of these standard changes on the Authority is that there is a new impairment model for financial assets based on an 'expected credit loss' model rather than an 'incurred loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. In determining the expected credit loss on receivables, the Authority will use a provision matrix for utility account balances greater than 90 days and individual assessments for sundry debtors. Both assessments will use the Authority's historical collection trend and forward-looking information. The Authority has assessed that the initial application of AASB 9 will have no impact on its financial statements as at 1 July 2018.

AASB 15 *Revenue from Contracts with Customers*, AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* and AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15* will become effective for reporting periods beginning on or after 1 January 2018. The main impact of these standards on the Authority is that it will change the requirements on whether, how much and when revenue is recognised. The Authority performed a detailed assessment of the effect of this standard and noted that further work is still required in 2018-19 financial year to complete the impact of assessment of AASB 15 on revenue related to developer cash contributions and donated assets.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

27. New and revised accounting standards (continued)

Source of revenue	Assessment of potential impact on revenue recognition
Utility charges	No change.
Trade waste	Unlikely, individual contracts will be reviewed.
Recycled water	Unlikely, individual contracts will be reviewed.
Interest on arrears (from customers)	Not material.
Developer cash contributions and donated assets	Revenue can either be recognised immediately upon service connection (point in time recognition) or as deferred revenue initially and released as revenue over the useful life of the related assets (over time recognition). Refer to Note 2.2 for the Authority's current revenue recognition. Due to the amount of judgement involved, it is not possible to quantify the impact at this time.
Property connections fees	Unlikely, individual contracts will be reviewed.
Other fees and charges	Unlikely, individual contracts will be reviewed.
Interest revenue (from investment)	No change.
Other revenue	Unlikely, individual contracts will be reviewed.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

27. New and revised accounting standards (continued)

The estimated impact of the adoption of AASB 15 on the Authority's equity as at 1 July 2018 cannot be estimated until further guidance from the industry and accounting profession is released.

AASB 16 *Leases* will become effective for reporting periods beginning on or after 1 January 2019. The main impact of this standard on the Authority is that a Right-of-Use (ROU) asset and lease liability will be recognised for long-term operating leases in the Statement of Financial Position. Under the new requirements:

- There will be a single lease accounting model for lessees.
- There will be an optional lessee exemption for short-term leases i.e. 12 months or less.
- Lease modification will be treated as a separate new lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration increases in line with the stand alone price of that increase in scope.
- The discount rate for a floating interest rate lease will be updated whenever the lease payments are updated because of a change in the interest rate used to determine the lease payments.
- Any costs associated to restoration obligations under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* will be included in the initial measurement of the right-of-use asset.
- Any changes in the measurement of the lease liability under AASB Urgent Issues Group (UIG) Interpretation 1 *Changes to Existing Decommissioning, Restoration and Similar Liabilities* will be treated as adjustments to the carrying amount of the ROU asset.

AASB 16 will affect the Authority's accounting for operating lease commitments of \$37.77M (Note 20). The Authority estimated that these lease commitments will result in an ROU asset of \$19.19M and a liability for future payments of \$20.78M as at 1 July 2019. The total estimated decrease to opening balance of the Authority's equity at 1 July 2019 is \$1.14M. The Authority will consider whether these lease commitments may be covered by the short-term and low-value leases exceptions provided under AASB 16.

The Authority elects to apply the modified retrospective approach which means that the Authority will not restate comparative information and will instead recognise the cumulative effect of the initial application of AASB 16 in equity at 1 July 2019 and disclose the effect of applying the cumulative catch-up.

Net impact on the Statement of Cash Flows will be the same each year except for the reclassification of cash flows from operating to financing activities.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable or have no material impact on the Authority's financial statements.

Central SEQ Distributor-Retailer Authority

CERTIFICATE OF THE CENTRAL SEQ DISTRIBUTOR-RETAILER AUTHORITY

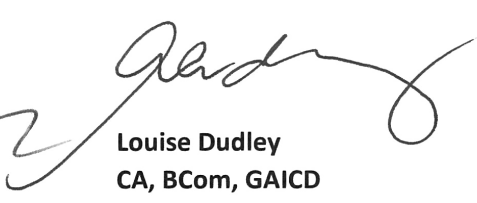
For the year ended 30 June 2018

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act, we certify that in our opinion:

- (i) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Central SEQ Distributor-Retailer Authority (trading as Queensland Urban Utilities) for the financial year ended 30 June 2018 and of the financial position of the Authority at the end of that year; and
- (iii) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Geoff Harley
LLB, FAICD
Board Chairperson



Louise Dudley
CA, BCom, GAICD
Chief Executive Officer



Ruth Coulson
CA, BCom, GAICD
Chief Financial Officer

Date: 30/6/18

Date: 20/8/18

Date: 20/8/18

INDEPENDENT AUDITOR'S REPORT

To the Board of Central SEQ Distributor-Retailer Authority

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Central SEQ Distributor-Retailer Authority.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity for the financial report

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

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.

- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

- I received all the information and explanations I required.
- In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



20 August 2018

V STEMMETT
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

APPENDICIES

Compliance letter to Minister

Office of the Board Chairman
Level 2, 15 Green Square Close
Fortitude Valley QLD 4006
GP Box 2765
Brisbane QLD 4001

14 September 2018

Hon. Dr Anthony Lynham, MP
Minister for Natural Resources, Mines and Energy

Dear Minister Lynham

Queensland Urban Utilities 2017/18 Annual Report

I am pleased to present the *Annual Report 2017/18* for the Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities.

I certify that this annual report complies with:

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

A checklist outlining the annual report requirements can be found at page 185 of the document.

Yours sincerely



GEOFF HARLEY

Board Chairman

Central SEQ Distributor-Retailer Authority trading as Queensland Urban Utilities

Compliance checklist

Summary of requirement	Basis for requirement	Page
Letter of compliance	▪ A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7 Page 184
Accessibility	▪ Table of contents	ARRs – section 9.1 Page 5
	▪ Glossary	Page 186
	▪ Public availability	ARRs – section 9.2
	▪ Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3
	▪ Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4 Page 4
	▪ Information licensing	<i>Queensland Government Enterprise Architecture – Information Licensing</i> ARRs – section 9.5
General information	▪ Introductory Information	ARRs – section 10.1 Page 6-11
	▪ Agency role and main functions	ARRs – section 10.2 Page 6-11
	▪ Operating environment	ARRs – section 10.3 Page 6-11
Non-financial performance	▪ Government's objectives for the community	ARRs – section 11.1 Not applicable
	▪ Other whole-of-government plans / specific initiatives	ARRs – section 11.2 Not applicable
	▪ Agency objectives and performance indicators	ARRs – section 11.3 Page 28-94
	▪ Agency service areas, and service standards	ARRs – section 11.4 Page 28-94
Financial performance	▪ Summary of financial performance	ARRs – section 12.1 Page 118-123
Governance – management and structure	▪ Organisational structure	ARRs – section 13.1 Page 97
	▪ Executive management	ARRs – section 13.2 Pages 99-107
	▪ Government bodies (statutory bodies and other entities)	ARRs – section 13.3 Not applicable
	▪ <i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 Page 81
	▪ Queensland public service values	ARRs – section 13.5 Not applicable
Governance – risk management and accountability	▪ Risk management	ARRs – section 14.1 Page 115
	▪ Audit committee	ARRs – section 14.2 Page 102
	▪ Internal audit	ARRs – section 14.3 Page 116
	▪ External scrutiny	ARRs – Section 14.4 Page 115
	▪ Information systems and recordkeeping	ARRs – Section 14.5 Page 117
Governance – human resources	▪ Workforce planning and performance	ARRs – section 15.1 Page 80-82
	▪ Early retirement, redundancy and retrenchment	Directive No.11/12 <i>Early Retirement, Redundancy and Retrenchment</i> Directive No. 16/1 <i>Early Retirement, Redundancy and Retrenchment</i> (from 20 May 2016) ARRs – section 15.2 Not applicable
Open Data	▪ Statement advising publication of information	ARRs – section 16 Page 4
	▪ Consultancies	ARRs – section 33.1 Page 117
	▪ Overseas travel	ARRs – section 33.2
Financial statements	▪ Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1 Page 180
	▪ Independent Auditors Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2 Page 181-183

APPENDICIES (CONTINUED)

Glossary

ADWG

Australian Drinking Water Guidelines

Board

The Central SEQ Distributor-Retailer Board

Board member

Means a person who is a member of the Board of Queensland Urban Utilities.

Central SEQ distributor-retailer

A statutory body supplying water and treating sewage to the service territories of Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset.

Executive Leadership Team

Means the Chief Executive Officer, and direct reports.

Megalitre (ML)

Measurement of volume equal to one million litres. One megalitre is approximately the volume of a one-metre deep Olympic-sized swimming pool.

Participation Agreement

A *Participation Agreement* under s20 or 23 of the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

Recycled water

Water taken from any waste (effluent) stream and treated to a level suitable for further use, where it is used safely and sustainably for beneficial purposes. This is a general term that can include reclaimed water.

SCADA

Supervisory Control and Data Acquisition is an operational technology system that monitors and controls our water and sewerage networks and sewage treatment plants.

Shareholder

Brisbane and Ipswich City Councils and the Lockyer Valley, Scenic Rim and Somerset Regional Councils.

Stakeholder

All those who are either affected by or who can affect the activities of an organisation, namely customers, governments, the media, non-government organisations, local residents and employees.

Sewage

Material transported in a sewerage system. Sewage is collected from all internal household drains; it contains all the contaminants of grey water and urine, plus high concentrations of faecal material from toilets and wastes from industrial and commercial premises. Sewage can therefore contain a range of infectious enteric pathogens and a range of physical and chemical contaminants.

Sewerage

The pipes and channels, including all trunk, pressure and reticulation pipes, via which sewage is transported from its point of origin (e.g. house or business) to a point of treatment and/or disposal.

Trade waste

Water-borne waste from a business or manufacturing premises, that is not:

1. a prohibited substance (for example, petrol, pesticide),
2. domestic sewage (human waste),
3. stormwater.

Some trade waste cannot be accepted at sewage treatment plants and must be disposed of through special facilities

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For more information visit
urbanutilities.com.au
or call **13 26 57**

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