

ENRICHING QUALITY OF LIFE

2016/17 ANNUAL REPORT



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 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 2016/17.

It details our performance between 1 July 2016 and 30 June 2017 and documents our progress against the outcomes specified in our *2016-21 Corporate Plan* and *2016/17 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 2017.

The letter of compliance and the compliance checklist can be found on pages 180 and 181.

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/corporate-information/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

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customerservice@urbanutilities.com.au

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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. 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 \$5.4 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:

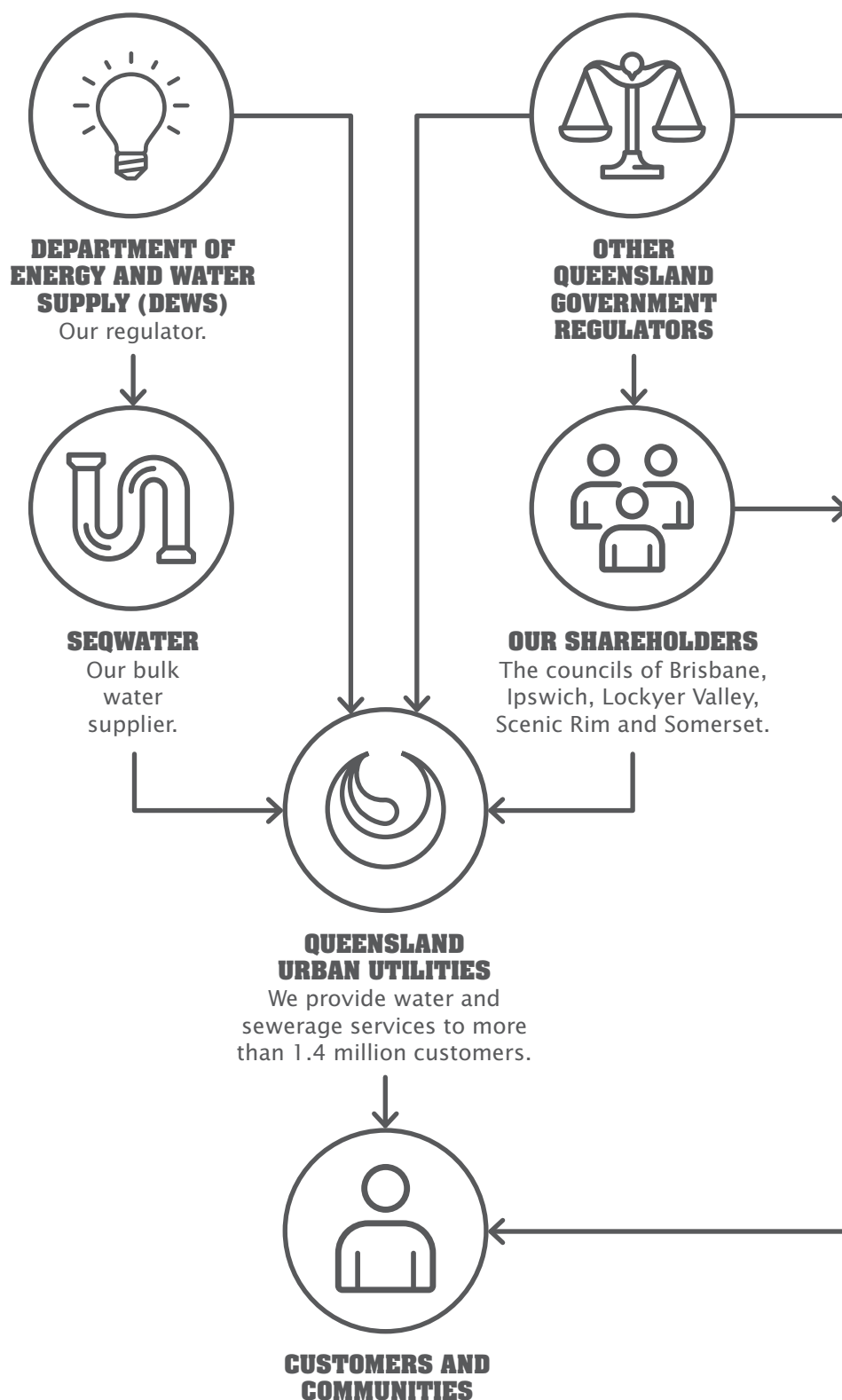
- asset planning and management,
- water meter management,
- development assessments and approvals,
- waste management (including trade waste), and
- research and development.

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.

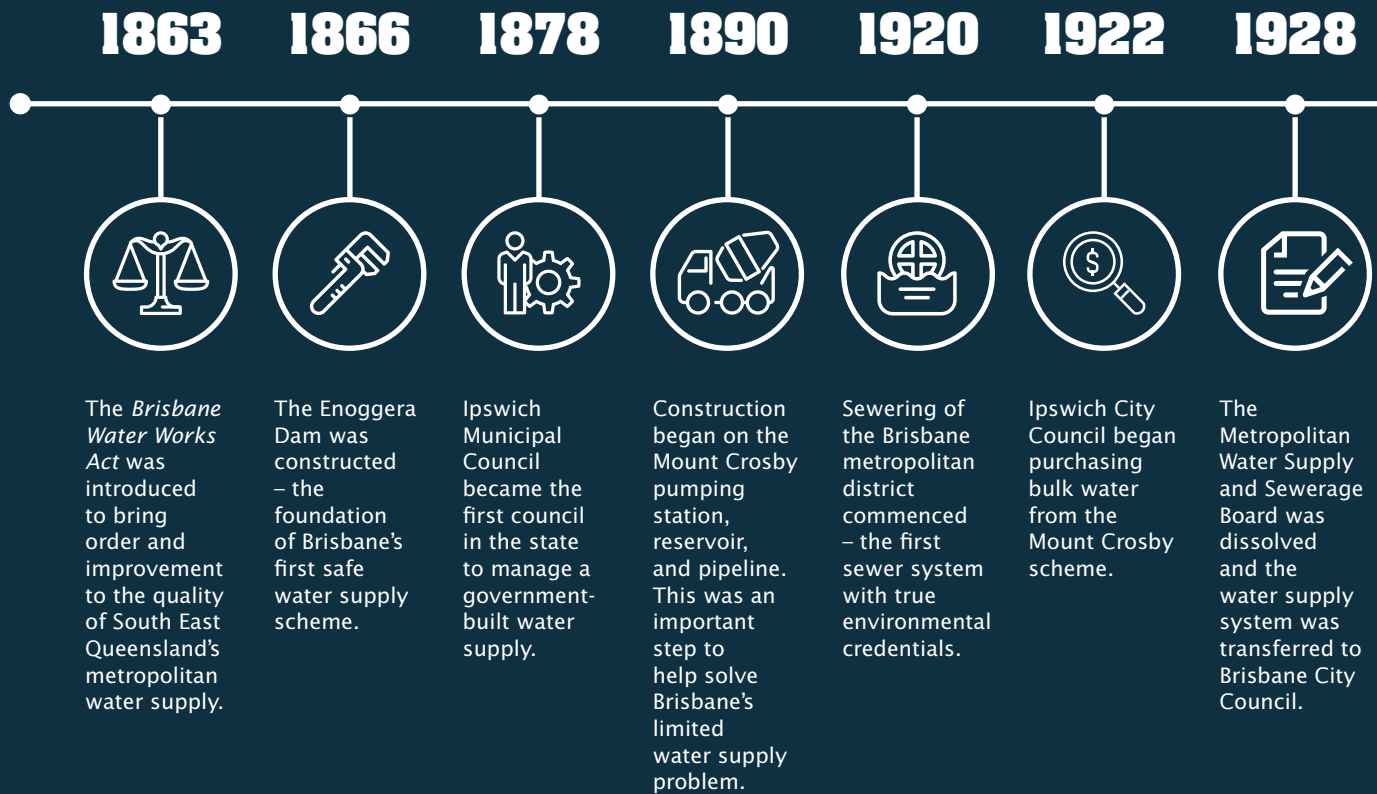
A snapshot of our business can be seen on page 14.

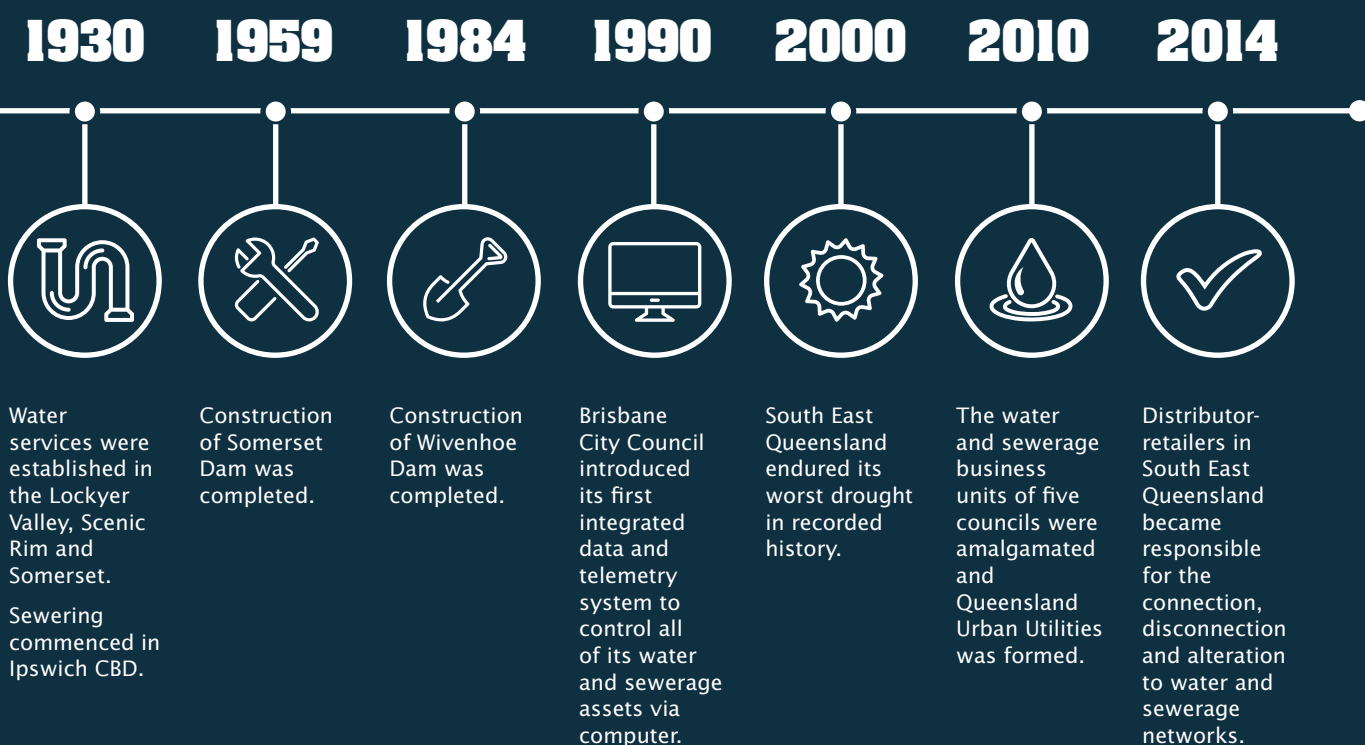
OUR KEY PARTNERS

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



OUR PROUD HISTORY





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.





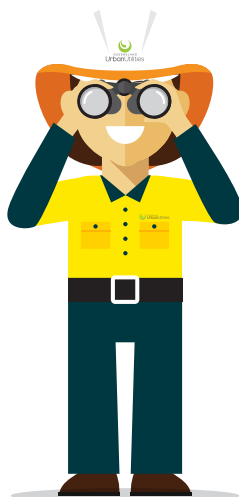
OUR STRATEGIC DIRECTION

As detailed in our *2016-21 Corporate Plan*, our strategic direction outlines where we want to be and how we plan to get there.



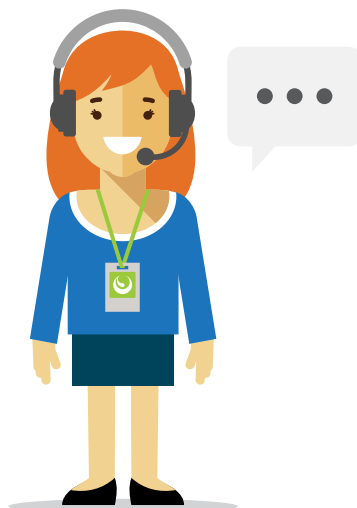
OUR PURPOSE

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 2016/17

1.4 MILLION
CUSTOMERS

128,700ML OF DRINKING
WATER SUPPLIED

117,110ML OF
SEWAGE COLLECTED,
TRANSPORTED AND
TREATED

9,066ML OF RECYCLED
WATER SUPPLIED



975
EMPLOYEES

\$5.4 BILLION
ASSET BASE

9,298KM OF
WATER MAINS

9,487KM OF
SEWERAGE MAINS

**4,800 NEW
CONNECTIONS**

**445,000 UNIQUE
WEBSITE USERS**

**268,700 PHONE CALLS
ANSWERED**

**19,000 FOLLOWERS ON
SOCIAL MEDIA**



**2.1 MILLION WATER
METER READINGS**

**114,000 DRINKING
WATER QUALITY TESTS**

**3,200 DEVELOPMENT
APPLICATIONS PROCESSED**

**14,300MWH 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 2017. It was a productive year, and we are proud to have achieved the majority of our goals listed in our *2016-21 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 esteemed state and national 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 2016/17 financial performance, see Chapter 5 (page 116).



AWARDS AND RECOGNITION

WINNER

2016 Australasian Reporting Awards

Gold Award for our 2015/16 Annual Report

2016 Auscontact Queensland Awards

Best Contact Centre (21-49 staff)

2016 Australian Water Association (Queensland) Awards

Infrastructure Project Innovation Award for our Flood Resilience Program

Program Innovation Award for our In Situ Calibration of Bulk Flow Meters

Water Industry Operators Association of Australia Conference

Best Operator Platform Paper, Queensland (Gary Fenwick, Service Delivery Leader)

2016 International Water Association Awards

Applied Research Award for our Advanced Condition Assessment and Pipe Failure Prediction Project

2017 Ozwater Conference

Best paper and presentation: Harnessing the power of innovation

CEB Global Internal Communications Awards

Strategic employee research and insight category for our safety behaviour research and PB5® safety communications

RUNNER-UP

2016 WaterAid Water Innovators Challenge

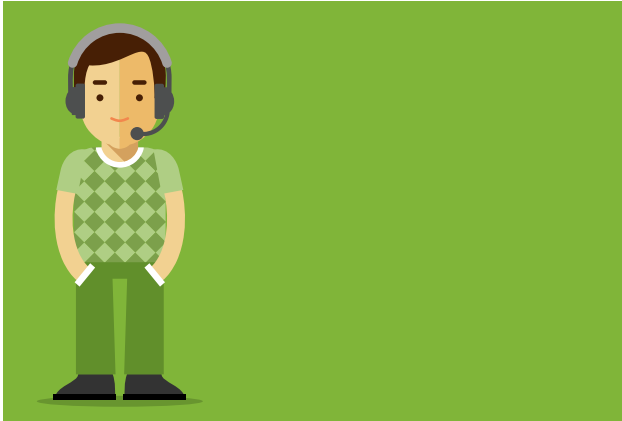
Best Innovation

HIGHLY COMMENDED

2016 Premier's Sustainability Awards

Minister's Award for Leadership in Sustainability for our Renewable Energy Strategy

PERFORMANCE SNAPSHOT



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

HIGHLIGHTS

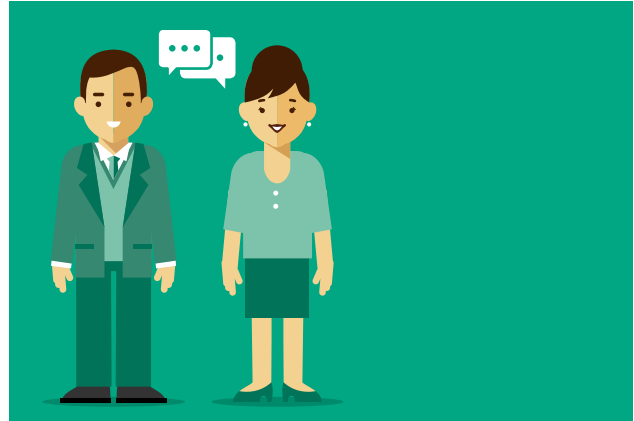
- Customer engagement
- Data analytics
- Customer education program
- Customer digital solutions
- Customers' awareness of sewerage services
- Collaboration with commercial customers and developers

CHALLENGES

- Brand recognition
- Value perception of our services
- Take-up of new products and services

SUCCESS MEASURES

Brand index	Achieved ✓
Customer experience	Achieved ✓
Water services reliability	Achieved ✓
Sewerage services reliability	Achieved ✓
First call resolution	Achieved ✓



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

HIGHLIGHTS

- Shareholder engagement
- Collaboration with regulators
- Recognition of innovation capability
- Global research partnerships
- Industry collaboration

CHALLENGES

- Managing multi-channel communication

SUCCESS MEASURES

Shareholder satisfaction	Not achieved ✗
--------------------------	----------------



PILLAR 3: OPERATIONAL EXCELLENCE (PAGES 58-73)

HIGHLIGHTS

- Utility of the Future research
- Trials for alternative ways to provide services
- Infrastructure investment
- Self-generation of electricity
- Innovative environmental solutions
- Operational improvements and efficiencies
- Innovation, research and development

CHALLENGES

- Service continuity during natural disasters

SUCCESS MEASURES

Operating cost	Achieved ✓
Return on assets	Achieved ✓
Capital delivery	Achieved ✓
Water quality incidents	Achieved ✓
Greenhouse gases	Achieved ✓
Research and development	Achieved ✓



PILLAR 4: PEOPLE (PAGES 74-93)

HIGHLIGHTS

- Safety programs and initiatives
- Collaboration with industry on safety
- Leadership development
- Diversity and inclusion
- Development of young professionals
- Future workforce planning

CHALLENGES

- Injuries from routine activities
- Employee engagement and enablement
- New enterprise agreements

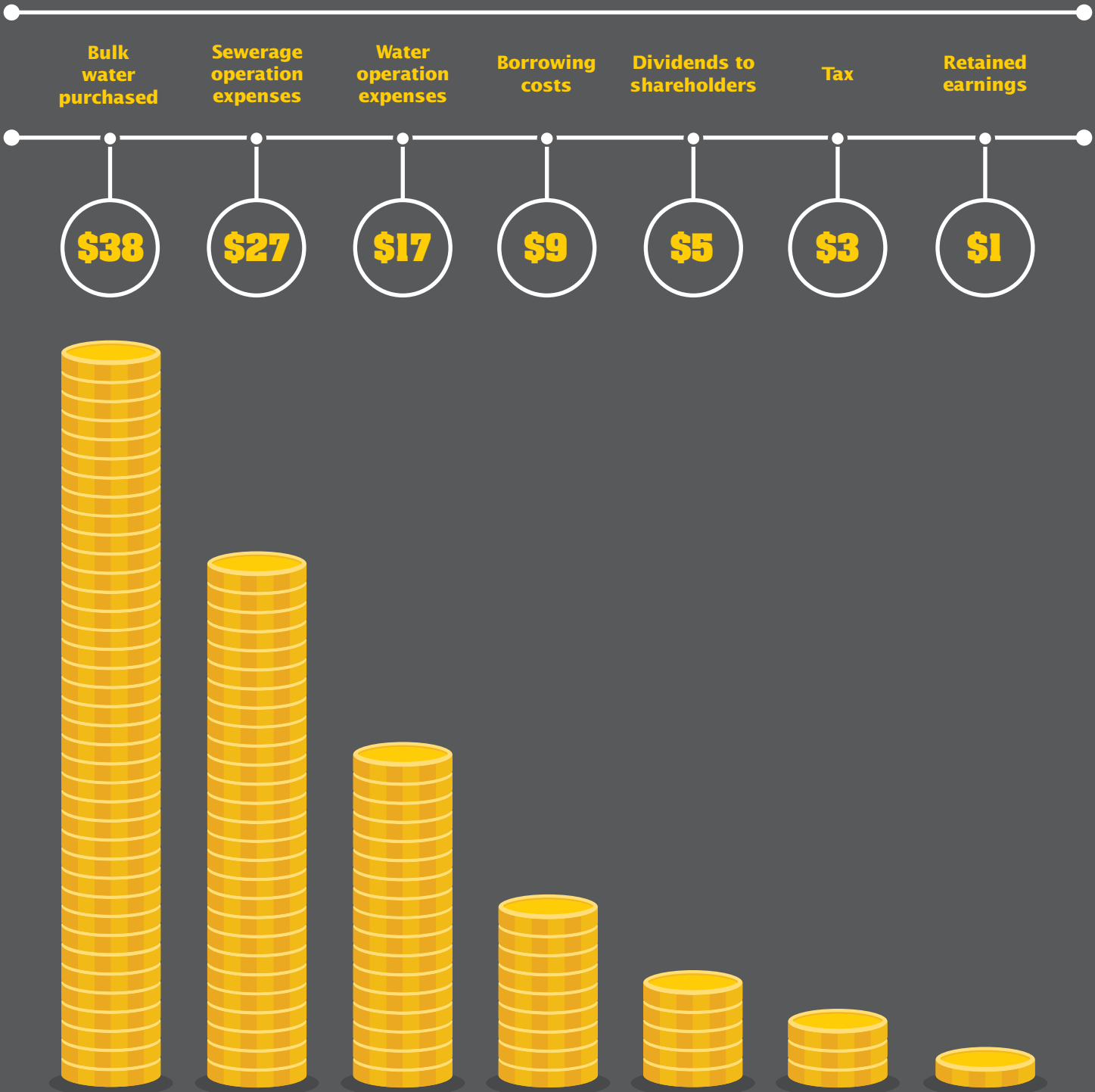
SUCCESS MEASURES

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

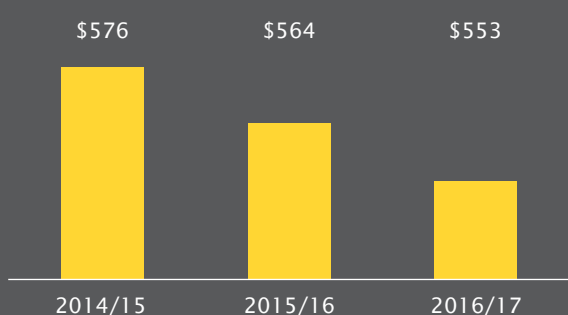
FINANCIAL SUMMARY

Where your \$100 goes...

The majority of revenue we receive from our customers is directly applied to the water and sewerage services we provide to them. For every \$100 from our customers, here's how we used it in 2016/17.



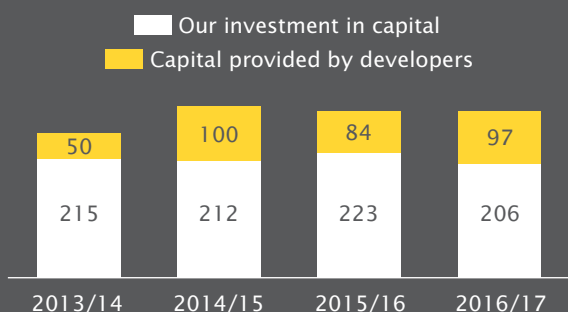
Operating cost per property



MINIMISING THE PRICE BURDEN ON CUSTOMERS

We are committed to delivering operational efficiencies to help keep our prices as low as possible. Between 2014/15 and 2016/17, we reduced our cost of service per property by \$23, or 4%.

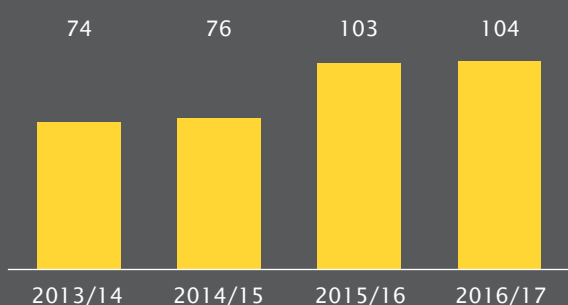
Capital investment (\$m)



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.

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.

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 2016/17.

JULY 2016

- Hosted a tour of our Oxley Creek Sewage Treatment Plant for the Oxley Creek Catchment Association.
- Promoted our Turn to Tap and Don't Flush That campaigns at the Peaks to Points Festival.
- Supported the Somerset Rail Trail Fun Run by distributing drinking water and reusable water bottles.
- Promoted our Turn to Tap campaign at the Scenic Rim Winter Harvest Festival.

AUGUST 2016

- Promoted our Don't Flush That campaign at the EKKA. Of particular interest was our flush simulator, which demonstrated that 'flushable' wipes don't break down in water.
- Sponsored the Australian Project Management Achievement Awards.

SEPTEMBER 2016

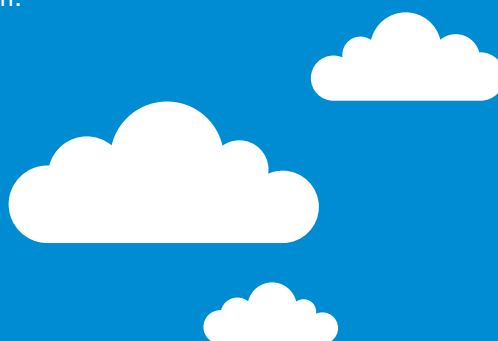
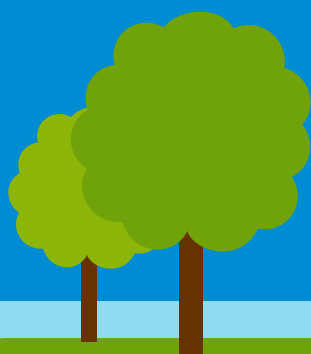
- Had a presence at the Green Heart Fair in Carindale where we promoted our Don't Flush That campaign, distributed reusable water bottles, and provided information about our nearby Bulimba Creek Sewer Upgrade Project.

OCTOBER 2016

- As part of the International Water Centre's World Water Congress, we hosted a tour of our Innovation Precinct for 50 delegates.
- Hosted our annual WaterAid Golf Day, which raised over \$18,000 to help provide access to water and sanitation in third world countries.
- Joined other utilities and government agencies at the RACQ Get Ready Queensland event to help residents prepare for the summer storm season.

NOVEMBER 2016

- In collaboration with Somerset Regional Council, Queensland Fire and Emergency Services, and Queensland Police Service, we supported Seqwater's annual Play it Safe Day, where approximately 600 school students learnt about water and water safety.
- Sponsored the Australian Water Association's 2016 QWater conference.
- Celebrated World Toilet Day by hosting a fitness challenge and barbeque breakfast. All money raised was donated to WaterAid.
- Supported Tangalooma EcoMarines' first movie night, which raised awareness of the importance of protecting Moreton Bay.



DECEMBER 2016

- Held our inaugural staff 'Happy Holiday Hamper Drive,' which saw us donate cash and food and gift hampers to the St Vincent de Paul Society to enrich the lives of those facing hardship.

MARCH 2017

- In collaboration with Tangalooma EcoMarines and Port of Brisbane, we supported Clean Up Australia Day by distributing free reusable water bottles.
- Sponsored the Future BNE Challenge at the World Science Festival in Brisbane, where 500 local students and 100 visiting Chinese students explored the concept of water security.

APRIL 2017

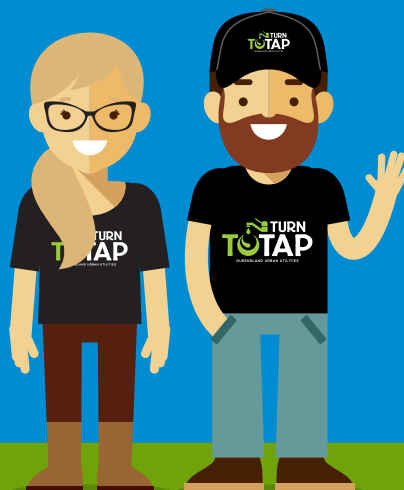
- Hosted our first schools tour of our Innovation Precinct, where 50 high school students from 20 Brisbane schools learnt about the urban water cycle and how we are innovating to improve the sewage treatment process.
- Sponsored the Ipswich Red Shield Appeal.

MAY 2017

- Sponsored the 2017 Ipswich Festival, which celebrates local talent, Ipswich heritage, and community spirit.
- Promoted our Turn to Tap campaign by distributed drinking water and reusable water bottles to participants of the Mother's Day Classic fun run.

JUNE 2017

- Sponsored the annual Ipswich Enviro Forum, which focuses on sustainable water management.
- Had a presence at the Green Heart Fair in Chermshire where we promoted our Don't Flush That campaign and distributed reusable water bottles.



A MESSAGE FROM OUR CHAIRMAN



In what was our seventh year of operations, we continued to support the needs of our customers and communities while remaining a sustainable and financially strong business.

PROACTIVELY ENGAGING WITH SHAREHOLDERS

This year, we remained focused on building solid relationships with our shareholders. We increased face-to-face interactions with councillors, and continued to evolve our suite of engagement tools to make it easier to share information in real-time (see page 52).

We were pleased to achieve a strong shareholder satisfaction score of 78%, which illustrates the effort we invest in regular, proactive and meaningful two-way communication.

BUILDING STRONG RELATIONSHIPS WITH OUR DEVELOPER CUSTOMERS

We continued to demonstrate our commitment to fostering robust relationships with our developer customers. This year, we launched our Developer Customer Experience Project to gain a deeper understanding of this segment's priorities and expectations.

To improve our insights, we undertook a series of engagement activities (see page 40), the

outcomes of which will help to guide our future business plans and investment decisions, and improve the customer experience for developers.

We were encouraged to receive a developer satisfaction score of 6.2/10, which was above target and a 13% increase on our previous measurement.

INVESTING IN INFRASTRUCTURE TO SUPPORT POPULATION GROWTH

The Board's commitment to supporting economic and population growth was demonstrated by our \$198.5 million investment in infrastructure across our five service regions (see page 64). One of the major projects we progressed was the \$20 million Murrarie-Pinkenba cross-river water pipe – our biggest water infrastructure project since our formation. Once completed, the three-kilometre-long trunk water main will cater for population growth and development in Brisbane's northern suburbs.



Over the next 10 years, we will invest a further \$3.1 billion in infrastructure across our service territory.

SUPPORTING ENVIRONMENTAL AND PUBLIC HEALTH

As an essential service provider, our primary focus is on protecting the health and wellbeing of our customers and communities. This year, we conducted 114,000 drinking water quality tests and achieved 100% compliance with the *Australian Drinking Water Guidelines 2011* against all health-, chemical- and aesthetic-related parameters.

We also continued to investigate and implement innovative environmental solutions that contribute to the livability of our communities. For example, we're investing in 'green infrastructure', converting waste into valuable resources, and reducing our carbon emissions by self-generating power (see page 67). By 2030, we are aiming to reduce our energy consumption by 25% and self-generate 50% of our electricity requirements.

These are just some of the initiatives we have in place to protect the health of our customers and the environment and, in turn, enrich quality of life.

MINIMISING HOUSEHOLD BUDGET PRESSURES

Cognisant of the financial pressures on our customers, we managed to keep our price increases to a minimum, while still allowing for continued investment in new and existing infrastructure to support our growing communities.

This year's average price increase of 2.3% was on the back of a 1.7% increase in 2015/16 (in line with CPI), and a 1.2% increase the year before (below CPI).

IMPROVING THE CUSTOMER EXPERIENCE

We remained focused on better understanding our customers and providing them with a consistently high standard of service.

Over the past 12 months, we have gained feedback from over 8,000 customers about their experiences with us.

These valuable insights are helping to determine where we need to improve in order to meet their needs and expectations.

Through a number of initiatives (detailed in Chapter 3), we've been able to increase our Customer Experience Score to 7.2/10 and achieve 368 customer commendations – an 18% increase on last year.

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 commitment to delivering on our purpose and vision.

Geoff Harley
Chairman

A MESSAGE FROM OUR CEO



The past year was defined by innovation, sustainability and customer-centricity – all hallmarks of a successful business, and one that I am proud to lead.

INNOVATING FOR A SUSTAINABLE FUTURE

Through our Innovation, Research and Development Program, we've been continuing to explore ways to make our services more sustainable, affordable, reliable and resilient for future generations.

In 2016/17, we invested a record \$2.9 million into research and development and delivered or advanced 53 projects in collaboration with our research partners. A selection of the projects we are currently working on can be seen on page 70.

A highlight for the year was the unveiling of Australia's first poo-powered car – a vehicle that runs on electricity produced by a cogeneration unit at our Oxley Creek Sewage Treatment Plant. By fuelling the car with a renewable energy source, we are reducing both our carbon footprint and our operating costs. This is just one of the employee-generated innovations that have been approved for delivery through our internal CEO Innovation Hour (see page 87).

ENCOURAGING POSITIVE BEHAVIOUR CHANGE

This year, we invested significant effort into promoting the value of our water and sewerage networks and the positive outcomes associated with our services.

As part of our 'Don't Flush That' campaign, we introduced 'The Rolls' – a family of talking toilet rolls who star in a series of light-hearted videos about what should and shouldn't be flushed. In just six weeks, the videos attracted over 500,000 views and 14,500 content clicks. Encouragingly, results from a customer survey showed that four out of five respondents who had seen the campaign had stopped flushing wet wipes. In addition, customer awareness of our sewerage services had increased from 40% to 62%.

We also continued to promote our Turn to Tap campaign and launched our dedicated Education Program to empower young people to become community-focused global citizens who understand and appreciate the importance of water and sewerage services. You can read more about these initiatives on pages 37 and 56.



BECOMING A UTILITY OF THE FUTURE

In last year's annual report, I touched on our aspirational plans to become a 'utility of the future', that is, an organisation that thinks about the future and responds accordingly. Over the past 12 months, we've conversed with 350 customers as part of our 'Let's Talk Water' customer engagement program and asked what they might expect from us in the future, what their priorities are, and what decisions they would want to be involved in. Based on this feedback (and our comprehensive research), we have insights into where we need to improve and transform in order to become a utility of the future (see page 71).

Moving forward, one of our key focus areas will be environmental leadership. Already, we're placing a greater emphasis on 'green infrastructure' projects, which are cost-effective, resilient and provide multiple community benefits. An example of this is our Laidley Nutrient Offsets Project, which is detailed on page 67.

We will also continue to explore a more agile and flexible service delivery approach for our commercial and developer customers (see page 72).

These forward-thinking projects are challenging the business to think and act in new and exciting ways and have the potential to transform the water industry as we currently know it.

ACKNOWLEDGEMENTS

Our strong 2016/17 results reflect the commitment and acumen of our workforce. As such, I must extend my thanks to Queensland Urban Utilities staff for their professionalism, and to the Board for its ongoing leadership and guidance.

I look forward to embracing the opportunities that lie ahead 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 *2016/17 Master Plan*, which supports our *2016–21 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 2016/17 under our multi-year strategic program.
- Detailed performance **highlights and challenges**, including a selection of case studies.



PILLAR I: CUSTOMERS AND COMMUNITIES

HIGHLIGHTS

- Launched our most comprehensive customer engagement program to date, 'Let's Talk Water'.
- Launched a dedicated Education Program for school students.
- Successfully trialled a new web-chat platform, which has since been adopted as a permanent customer communication channel.
- Increased customer awareness of our sewerage services by 22%.
- Increased developer customer satisfaction by 13%.
- Increased customer commendations for excellent service by 17.5%.

CHALLENGES

- Lower than anticipated take-up of our new leak insurance and leak detection system.
- Building the value perception of our water and sewerage services.
- Improving our brand recognition.
- Slower than expected rollout of Key Commercial Account initiatives.

OUR FOCUS FOR 2017/18

- Enhance the way we collect and analyse customer data.
- Continue to engage with our customers and communities to help us make strategic decisions.
- Improve the customer experience by delivering consistent service across all channels.
- Evolve our customer segments and how we manage them.
- Continue to use technology to enhance our products and services and how they are delivered.

FACTS AND FIGURES

1.4M
CUSTOMERS



562,000
RESIDENTIAL
PROPERTIES



37,000
COMMERCIAL
PROPERTIES



8,300
FOLLOWERS ON
FACEBOOK



25
COMMUNITY
EVENTS

FEEDBACK ON

8,200
CUSTOMER EXPERIENCES

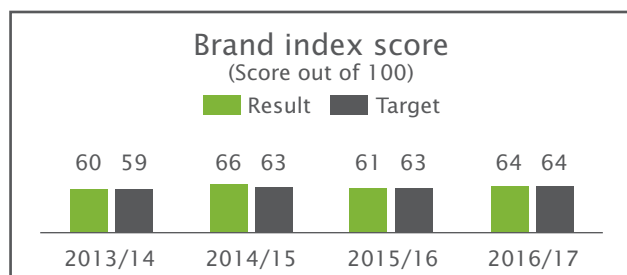


268,700
CONTACT
CENTRE CALLS



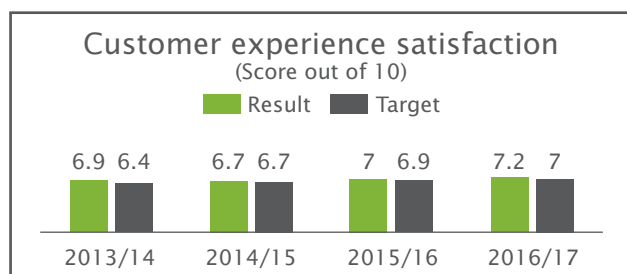
2,600
FOLLOWERS
ON TWITTER

PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



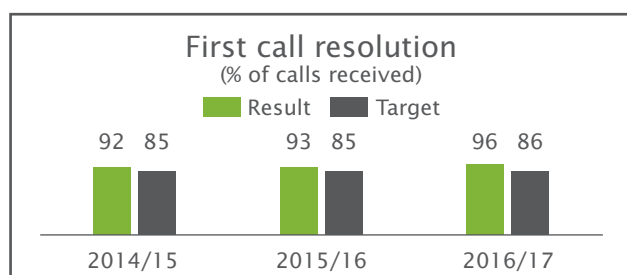
STATUS: ACHIEVED

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.



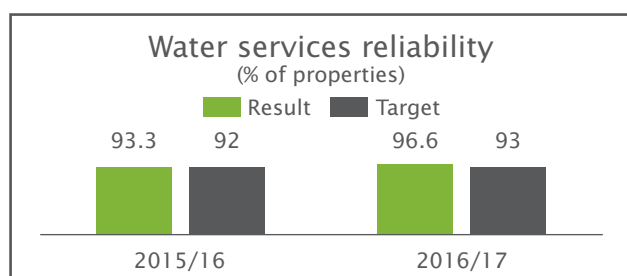
STATUS: ACHIEVED

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.



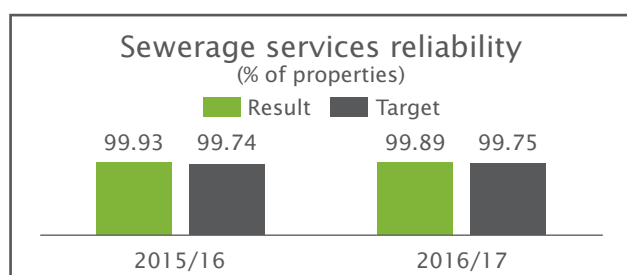
STATUS: ACHIEVED

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.



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 5 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 2016/17	Status as at 30 June 2017	What we achieved in 2016/17
Strategically engage with customers and communities on matters that impact how we operate and the services we provide.	Improve engagement with customers on strategic matters.	On schedule	<ul style="list-style-type: none"> Developed and finalised our Strategic Customer Engagement Strategy. Appointed a Strategic Customer Engagement Leader. Implemented our new Customer and Community Engagement Policy based on International Association of Public Participation (IAP2) principles. Implemented our 'Let's Talk Water' customer engagement program.
	Increase engagement with communities on the services we provide.	On schedule	<ul style="list-style-type: none"> Updated our Community Engagement Model to align with IAP2 standards. Delivered IAP2 training to customer-facing employees and contractors. Delivered 'The Rolls' social media campaign as part of our ongoing 'Don't Flush That' campaign.
	Implement a Customer Service Relationship Management system to enhance customer service delivery and support improved customer data and decision making.	On schedule	<ul style="list-style-type: none"> Appointed a vendor and established a project team to commence implementation of a new Customer Service Relationship Management system in 2017/18.
Enhance our customer data analytics capability to help us better understand our customers' current and future needs.	Improve performance management and decision making.	On schedule	<ul style="list-style-type: none"> Updated our Business Intelligence Strategy to incorporate customer-focused data analytics, supporting our customer engagement programs. Established a corporate data warehouse and migrated key data. Commenced analytics on key customer-focused opportunities.
Improve how our services support the needs of our commercial customers.	Improve support for key developer customers.	On schedule	<ul style="list-style-type: none"> Appointed a new Developer Relationship Manager. Commenced development of Developer Key Account Management Model, based on our successful Key Commercial Account Management Model.
	Improve security for key commercial customers.	Behind schedule	<ul style="list-style-type: none"> Implemented customer agreement terms sheets for high value commercial customers. Implemented a new Business Customer Charter, focused on how we support our business customers.

PERFORMANCE AGAINST STRATEGIC PRIORITIES (CONTINUED)

Our strategic priorities	Where we focused our attention in 2016/17	Status as at 30 June 2017	What we achieved in 2016/17
Develop our digital channel capability to meet our customers' evolving needs.	Deliver improved customer outcomes using digital solutions.	On schedule	<ul style="list-style-type: none"> ▪ Updated our Customer Digital Strategy, including a roadmap and action plan. ▪ Delivered a number of digital solutions to improve how our customers interact with us and how we serve them.
Improve support to customers when their services are interrupted or impacted.	Improve the customer experience when services are interrupted.	Completed	<ul style="list-style-type: none"> ▪ Implemented customer-driven improvements to how we support our customers when services are interrupted. ▪ Maintained high customer experience scores. ▪ Updated our Customer Charter and Customer Service Standards to address regulatory changes and incorporate customer feedback.
Improve our pricing tariffs, how we meter customers, and how we bill customers.	Improve the customer billing experience.	On schedule	<ul style="list-style-type: none"> ▪ Updated our Billing Strategy based on engagement with customers on their preferred billing experience. ▪ Delivered process efficiencies to improve bill quality and accuracy and support implementation of daily billing (bills issued when meter read) in 2017/18. ▪ Introduced additional electronic payment options to support electronic billing. ▪ Implemented campaigns to transition customers from paper bills to electronic bills, with expectations exceeded.
	Review pricing tariffs to ensure pricing reflects services received.	On schedule	<ul style="list-style-type: none"> ▪ Placed our pricing tariff reforms on hold, pending finalisation of changes to bulk water costs being considered by Seqwater.
Broaden our product and service offerings to meet our customers' and communities' evolving needs.	Implement new products and services to meet customers' evolving needs.	Behind schedule	<ul style="list-style-type: none"> ▪ Delivered new Aquatrip® leak detection and Concealed Leak Insurance products to assist customers in identifying and managing concealed leaks on their properties. As take-up of these products did not meet expectations, alternative delivery models are being considered.

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

Indicator	Service standard	2012/13 result	2013/14 result	2014/15 result	2015/16 result	2016/17 result	Achieved?
Water quality							
Annual chemical compliance with <i>Australian Drinking Water Guidelines</i> health limits	All relevant schemes compliant	N/A	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	N/A	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	N/A	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	8/8 schemes compliant	Yes
Water quality complaints	≤8 per 1000 properties	3.2	2.7	2.5	1.7	1.75	Yes
Water quality incidents	≤10 per 1000 properties	0.03	0.04	0.03	0.02	0.02	Yes
Water supply							
Water pressure	Urban area ≥210 kPa Trickle feed areas (and private booster) ≥100 kPa	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 volume	Urban areas ≥25 L/min Trickle feed areas ≥3.2 L/min						
Customer service							
Calls answered (within 30 seconds)	80%	76%	67%	72%	80%	71% ¹	No

¹ This is a legacy service standard, and will not be measured moving forward. We are focused on measuring our performance by means of first-call resolution, against which we are performing above target.

PERFORMANCE AGAINST CUSTOMER SERVICE STANDARDS (CONTINUED)

Indicator	Service standard	2012/13 result	2013/14 result	2014/15 result	2015/16 result	2016/17 result	Achieved?
Service connections							
Standard connection decisions completed and standard notice issued	100% completed within 10 business days from properly made application	Commenced 1 July 2014 in line with legislated changes to the management of new developments.			100%	100%	Yes
Continuity of supply							
Number of unplanned water supply interruptions	≤100 per 1000 properties per annum	62	95	91	67	66	Yes
Restoration of water supply	≥90% unplanned interruptions restored within 5 hours	88%	94%	94%	95%	97%	Yes
Response to incidents							
Urgent water & sewerage	80% within 1 hour	93%	83%	80%	80%	91%	Yes
Non-urgent water & sewerage	80% within 24 hours	92%	69%	76%	67%	73% ²	No
Notification of interruptions							
Notification of planned interruptions water and sewerage	48 hours' notice given	N/A	96%	99%	100%	100%	Yes

Table 1: Our performance measured against our Customer Service Standards.

² Our overall performance for 2016/17 did not achieve target, however, it showed an improvement of six percentage points on the previous year. Non-urgent incidents that did not meet our response target were identified as complex, requiring a high degree of planning and could only be completed at night to ensure traffic disruptions were kept to a minimum.

HIGHLIGHTS

Customer education

Encouraging positive behaviour change to protect our sewerage network

Annually, we spend around \$1.5 million clearing blockages from our sewers and remove around 20 million wet wipes from our sewage treatment plants – a problem that has been exacerbated since the proliferation of ‘flushable’ wipes.

To inform our customers about how flushing wipes – among other things – can damage both our sewerage network and their household plumbing, we continued to promote our Don’t Flush That campaign and its key message: Only flush the three P’s – pee, poo and paper. This year, we expanded the campaign by introducing The Rolls, a family of talking toilet rolls who star in a series of light-hearted videos about what should and shouldn’t be flushed. In its initial six-week run on Facebook and Youtube, the highly successful series attracted over 2,000,000 impressions, 514,000 views and 14,500 content clicks.

Our overall campaign results are extremely positive. In a customer research survey from March 2017, four out of five respondents who had seen our Don’t Flush That material said they had stopped flushing wet wipes labelled ‘flushable’. In addition, customer awareness of our sewerage services increased from 40% in December 2015 to 62% in June 2017.

WHAT OUR CUSTOMERS SAID ABOUT THE ROLLS:

“Very clever!!”

“A masterpiece”

“Really love these posts”

“Keep ‘em coming! They’re hilarious”

“Clever wording!”

“A good way to spread a message”

Motivating our customers to swap bottled water for tap water

We continued to promote our Turn to Tap program, which encourages customers to swap bottled water for tap water and, in turn, create a better future for the environment, their health and their hip pocket.

In 2016/17, we expanded the program by installing seven portable water stations and one permanent water station at South Bank Parklands, allowing visitors to fill their reusable bottles for free. These portable stations, in addition to the four permanent stations that were installed last year, remain well utilised, especially during popular community events that attract thousands of participants.

For the fourth consecutive year, we joined forces with the Tangalooma EcoMarines to host the Turn to Tap bag tag challenge, where children designed a bag tag to act as a reminder to pack a reusable water bottle for school. To date, over 8,000 primary school students have participated in the challenge, all receiving a reusable Turn to Tap water bottle for their efforts.

Community sponsorship and support

Supporting our communities through sponsorship

Each year, we support a variety of community initiatives through our dedicated Sponsorship Program, examples of which can be seen on page 22.

Building on our sponsorship of Orange Sky Laundry – a mobile laundry service for the homeless – we became a key sponsor of a trial Orange Sky shower van. Following the success of the trial, the van is now a permanent service in Brisbane. Aligning with our purpose, to enrich quality of life, our support of Orange Sky helps to connect the homeless with both practical services and the broader community.

We also sponsored the development of *Communities Living with Water*, a design-focused publication that proposes a range of water management and urban design solutions and strategies that will protect South East Queensland during periods of drought and flood, build community resilience and reduce our ecological impact.

HIGHLIGHTS (CONTINUED)

Working with WaterAid to create change

We are dedicated to enriching quality of life, not just for customers residing in our service territory, but for those living in third-world countries, without access to basic water and sewerage facilities. Since our formation seven years ago, we have been a strong supporter of WaterAid – an international organisation focused on improving access to safe water, sanitation and hygiene in some of the world's poorest communities. As a water and sewerage services provider, we are acutely aware that fresh water and adequate sanitation underpin health and livelihoods, yet hundreds of millions of people live without these basic human rights. To support WaterAid in its delivery of life-changing projects, we are proud to champion a number of fundraising initiatives every year.

In 2016/17, we:

- Participated in 'Water Innovators' – WaterAid's international employee development challenge, which required teams to devise a solution to encourage the employees, patients, and visitors at provincial Cambodian hospitals to consume safe tap water. Our team was awarded runner-up in the 'Best Innovation' category, and raised \$12,000 to contribute to WaterAid's water, sanitation and hygiene projects.
- Sponsored the WaterAid Golf Day, which raised over \$18,000.
- Hosted the third annual Queensland WaterAid breakfast to launch the 2017 Queensland WaterAid Ball.
- Participated in World Toilet Day by holding a 'How long can you hold on?' fitness challenge. All donations collected on the day went to WaterAid.

Customer service improvements

Improving our digital capability

Demonstrating our commitment to becoming a 'digital utility', we developed a Customer Digital Strategy, the purpose of which is to leverage the potential of digital technologies to enhance the customer experience, and to improve the efficiency and digital acumen of our workforce.

In 2016/17, we delivered a number of initiatives that were guided by this strategy. For example, we:

- Launched the MyAccount customer portal for residential customers who own one property (around 90% of residential properties). This is explained further on page 39.
- Completed a three-month trial of Inside Web-Chat – a cloud-based live chat and customer engagement platform. Encouragingly, 92% of customers rated their web-chat experience between 4 and 5 stars (out of 5). Based on this positive feedback, Inside Web-Chat has been adopted for permanent use, giving our customers an additional communication channel to utilise.
- Commenced a pilot of Atlassian software to enable a more agile workforce and promote greater collaboration across the business.
- Completed a trial of email platform Vision6 to help our customer-facing teams target email communication to their respective customer segments. This trial will be further rolled out in 2017/18.
- Upgraded our social media management platform to improve collaboration across our five channels (Facebook, Instagram, Twitter, YouTube and LinkedIn), and provide access to valuable analytics.

In 2017/18, we will continue to integrate the aforementioned initiatives into the organisation, commence new digital trials and increase customer research to inform our digital solutions moving forward.

WHAT CUSTOMERS SAID ABOUT THEIR INSIDE WEB-CHAT EXPERIENCE:

"Very quick, efficient and polite"

"Answered my questions quickly and accurately"

"Nice and quick response/problem solved"

"I got my answers"

"Immediate clarification of an issue"

Increasing customer convenience by moving to paperless billing

In 2016/17, we made significant progress on the delivery of our Billing Strategy, the objective of which is to provide a customer-focused billing experience. Insights and feedback from customer research informed the strategy to ensure it aligns with customer expectations and delivers an improved customer experience. Part of the strategy has involved encouraging customers to move to paperless billing. By 30 June, almost 49,000 customers (8.3%) had chosen to receive their bill via email or BpayView, which exceeded expectations.

Aligning to the Billing Strategy was the launch of 'MyAccount' – a customer portal that gives residential customers the ability to view, pay and manage their accounts easily and securely online. It allows customers to update their personal details, opt to receive their bills via email and access their bills at the click of a button, anytime, anywhere.

Highlighting the ease of using MyAccount, one customer said, "I just created my online account and switched to paperless bills – very nice experience!"

Assisting our financially vulnerable customers

This year, we engaged a specialist third party provider to assist in developing and implementing our revised Hardship Policy. This policy will improve how we identify customers who may be experiencing financial hardship. It will also sharpen our focus on offering tailored payment plans, advice to keep water use to a minimum and referrals to a network of community support organisations.

In 2017/18, our frontline telephone staff will undergo hardship training to better enable them to identify and support vulnerable customers.

To further assist, we have appointed a dedicated hardship officer to provide specialist support for financially vulnerable customers, and to ensure customers in hardship are treated with fairness, integrity and compassion.

Supporting our people to deliver a positive customer experience

We continued to roll out our CustomerCARE program, the objective of which is to ensure our employees and contractors are provided with the right systems, processes and training to help them deliver great customer experiences. To date, our CustomerCARE foundation training has been delivered to over 2,270 employees and contractors.

In 2016/17, we:

- enhanced the program by rolling out a suite of online training modules for corporate employees and contractors, and
- hosted our third annual CustomerCARE CEO Recognition Breakfast, where we celebrated the 44 employees who received four or more customer commendations throughout the year.

The success of our CustomerCARE program is evident in the overall number of customer commendations received for excellence in customer service, with 368 received in 2016/17 (a 17.5% increase on 2015/16).



HIGHLIGHTS (CONTINUED)

Commercial and developer customer support

Improving the developer customer experience

As one of our most critical customer segments, it is vital that we build and maintain strong relationships with our developer customers. This year, the Development Services team commenced a comprehensive review of our services and processes to improve the developer customer experience and our operational performance.

To gain a deeper insight into this customer segment, we:

- Launched a Developer Customer Experience Project, which exemplifies our commitment to providing a seamless connection process that delivers mutually beneficial outcomes. To improve our understanding of the customer experience during new connections, we undertook a series of staff focus groups, and conducted interviews with a range of developers and consultants. As a result, we identified key issues and opportunities that will help us enhance both our business performance and the customer experience.
- Hosted two consultation events to understand the development industry's high-level priorities and expectations. The outcome of this engagement will help to guide our investment decisions and, over time, more closely align our business plans with our customers' expectations.

In May 2017, we conducted a developer customer satisfaction survey, with 366 customers taking part. We were encouraged to receive a satisfaction score of 6.2/10, which was above our target of 6, and a 13% increase on our previous measurement (5.5/10) in November 2016.

Building supply-chain resilience with our commercial customers

Our Key Commercial Accounts team is committed to building strong, mutually beneficial relationships with our largest commercial customers. In 2016/17, we launched a Customer Resilience Pilot Program, with a focus on our Accommodation, Entertainment and Shopping Centre Commercial Customer Portfolio. We actively engaged Suncorp Stadium, Indooroopilly Shopping Centre and Treasury Hotel and Casino in the pilot, the objectives of which were to:

- improve the customers' understanding of their supply chain risk and vulnerabilities for the provision of potable water, water for fire fighting, sewage transportation and trade waste disposal,
- improve our understanding of our customers' level of resilience, for example, what contingencies they have available to minimise the impact of a disruption to their business,
- inform how we allocate resources to manage the impact of disruptions in a more timely and cost-effective manner, and
- identify market opportunities to further strengthen supply chain resilience.

Based its success, the pilot may be extended to other customer segments in 2017/18.

In addition to this targeted pilot, we continued to partner with other critical infrastructure providers in South East Queensland and nationally to understand the dependencies between each organisation and how supply chain risks and vulnerabilities can be better understood to minimise and manage a service disruption.

"It was great to work with Queensland Urban Utilities on the resilience program. Being able to draw on the Key Commercial Account team's resources and experience has given us confidence in our ability to meet the operational demands of the stadium."

Ian Chalmers
Director of Operations, Suncorp Stadium

Customer and community engagement

Implementing a whole-of-business approach to best-practice community engagement

This year, the Community Engagement team focused on developing a model of engagement that supports a whole-of-business approach to best-practice community engagement. The team collaborated across the organisation to develop a Customer and Community Engagement Policy that applies to all staff and contractors who undertake customer and/or community engagement on behalf of Queensland Urban Utilities.

To support the implementation of this policy, we also developed a Community Engagement Governance Framework, based on the principles of best-practice engagement endorsed by the International Association of Public Participation (IAP2). The stewardship of the framework is the responsibility of the newly formed Community Engagement Capability Centre (CECC), which is centrally led by IAP2-certified practitioners within our organisation and locally deployed by community engagement ‘champions’ embedded across the organisation. The CECC nurtures a community of best-practice through leadership, knowledge transfer, shared learnings and a customised training program.

Since September 2016, more than 75 staff, including senior management, have participated in certificate or customised IAP2 training. In addition, all contractors delivering major infrastructure projects or water and sewer main replacement packages now must attend a community engagement workshop prior to construction, as must site crews on high-impact projects, to ensure they uphold our commitment to a ‘no surprises’ approach during project delivery.

While the journey is ongoing, in less than two years we have successfully built a strong engagement platform that enhances our ability to liaise confidently and proactively with our customers and the community. This allows us to better understand their concerns, priorities and preferences, and take them into account prior to commencing works.

Listening to what our customers have to say

As our customers’ expectations evolve, so too must our products and services.

To help guide the future of our organisation, we commenced work on our Customer Engagement Program, ‘Let’s Talk Water’ – our most comprehensive customer engagement initiative to date. The first step in this journey was to undertake broad preliminary engagement across our customer base to establish, at a high level, what matters most to our customers and what decisions they want to be involved in.

We partnered with engagement specialists to gain insight into customers’ preferences, expectations and values when it comes to water and sewerage services. We explored what life might look like in the future, what customers will require from a utility of the future, and how we can prepare to meet challenges in an ever-changing environment.

We engaged around 350 customers across our residential, commercial and development services sectors using a variety of techniques, including focus groups, one-on-one interviews and industry forums. Outcomes from this preliminary engagement (expected in 2017/18) will inform the next stage of our Customer Engagement Strategy, which will:

- provide insights on high-level expectations and priorities across each of our key customer segments,
- identify further engagement requirements, and
- inform business planning and future strategies.

‘LET’S TALK WATER’ – WHAT CUSTOMERS TOLD US:

“Really excited and surprised that Queensland Urban Utilities is being so creative and innovative.”

“I don’t mind paying for water now I realise all that is involved.”

“We would like to access real time data, alerts when we are using too much water.”

“I never realised they had such a wide variety of employees, just thought of the guys taking the meter readings.”

HIGHLIGHTS (CONTINUED)

Designing products and services with our customers in mind

Demonstrating our commitment to building a proactive, customer-focused culture, we continued to embrace customer-based design – an approach that focuses on the needs and expectations of our customers at each stage of the design process. Across the business, 45 employees are now trained to drive improvement using this approach (30 more than last year).

This year, we applied customer-based design practices to assist in our billing review. During the initial (discovery) phase of the project, we engaged over 70 customers to understand how our processes impacted their experience. During this phase, our customers told us they were generally content with the billing process. They also identified the top five drivers of satisfaction when it comes to bills. They said consistency was important to them but they found it difficult to understand the detailed charges on their bill.

We are now in the next phase of the project and are working with our frontline employees and customer focus groups to make it easier for customers to understand how their bills are calculated, and to develop billing processes to help maintain the consistency that our customers expect.

Furthermore, we adopted customer-based design to assist in our development services review (see page 40). Now in the discovery phase, the approach is helping us to understand how our processes impact the broader spectrum of development and how we can better align with our stakeholders and partners.

In 2017/18, we will finalise this phase of the project and focus on progressing further improvements for change of ownership and concealed leaks.



SPOTLIGHT ON...

Building the capability of our Scientific Analytical Services Laboratory

Queensland Urban Utilities owns the Scientific Analytical Services (SAS) Laboratory, which offers sampling, analytical and consulting services for a variety of public- and private-sector clients. As SAS Laboratory operates in a highly competitive and price-driven market, we are continuously identifying and pursuing new business and growth opportunities.

In 2016/17, we delivered a number of initiatives to increase SAS Laboratory's competitive advantage. For example, we:

- expanded our external customer base,
- enlarged the footprint of our operations from Newcastle in the south, to Cairns in the north, and Longreach in the west,
- broadened our range of services in organic chemistry and reduced our subcontracting expenses,
- extended our current capabilities to other matrices, such as biosolids,
- expanded our fleet of field vehicles and increased our response coverage to 24/7/365, and
- developed a SAS Innovation Group, which will trial and prototype localised solutions to help the lab work more effectively and efficiently.





CHALLENGES

Improving customer awareness of concealed leaks

Concealed leaks are an ongoing issue for water utility customers around the world. Not only do they result in wasted water and increase customers' bills, they can also cause significant damage to private property.

To help mitigate the risks associated with concealed 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.

To date, we have received positive feedback from our customers who have purchased these products; however, customer take-up has been lower than expected, largely due to low awareness of concealed leaks and their potentially distressing impacts.

To increase awareness and, in turn, encourage customers to embrace the products available for purchase, we must better understand our customers' current level of knowledge regarding concealed leaks. In 2017/18, we plan to conduct customer research and use our findings to inform both our communications around the issue, and the promotion of our products on offer.

Building recognition of our brand and improving perceived value of our services

Through our Customer Insights Program, we know that our customers want us to deliver value for money, and be customer focused, reliable and transparent. We measure our performance against these expectations – also known as our brand drivers – to determine the strength of our brand. We closed out the year with a brand score of 64/100 – a strong result, and two points higher than the year prior. That said, there's still plenty of room for improvement.

Based on our customer research, we know that our water and sewerage services are often taken for granted and rarely considered in day-to-day life. As such, we must continue to find new ways to promote the value of our networks and the positive customer outcomes associated with our services. Our key campaigns, Turn to Tap and Don't Flush That (page 37), are helping to build this value.

We are listening to what our customers want and are responding accordingly. For example, we are building our education program, which has seen us out and about in our region's schools and supporting programs that deliver positive environmental outcomes (page 56). We are also using various communication channels, such as our quarterly newsletter and social media, to promote our innovations and their associated benefits. These initiatives are designed to not only build our brand awareness, but to highlight the value of our essential services.

Creating shared value through commercial service agreements

To help our commercial customers achieve their respective business outcomes, our Key Commercial Accounts team has commenced the development of individual service agreements, each comprising a standard set of terms and conditions with specific schedules that can be applied according to customer needs. Key elements may include pricing, product and service assurance, flexible trade waste terms, account management, and non-standard offerings.

By agreeing to a tailored contract, our business customers could benefit from:

- increased price certainty and earlier notification of price paths,
- service standards matched with the needs of their business, such as prioritised emergency response, earlier notification of planned supply interruptions, billing enquiry response times, notification of changes to water quality, and development of trade waste conditions that suit the needs of both parties, and
- opportunities to partner in non-standard offerings that create shared value, such as infrastructure co-investment and onsite wastewater treatment.

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

While developing the agreements has taken longer than anticipated, a significant amount of work has been undertaken to develop term sheets (including in-principle terms and conditions) with ten identified customers. In the lead-up to reaching this milestone, we:

- identified and engaged with key customers using customer-based design principles (see page 42),
- benchmarked the approaches of industry peers, and
- considered the associated economic, regulatory and legal implications.

In 2017/18, we plan to move to formal commercial agreements on a negotiated basis once term sheets have been agreed with customers. We will also work to target additional customers using an established risk evaluation matrix.

By implementing these agreements, we hope to strengthen our commercial customer satisfaction score, which is currently sitting at 7.1/10 – just below our target of 7.3.



PILLAR 2: SHAREHOLDERS AND STRATEGIC STAKEHOLDERS

HIGHLIGHTS

- Added to our already comprehensive suite of shareholder engagement tools.
- Hosted shareholders at our Innovation Precinct.
- Influenced decisions through collaboration with industry and regulators.
- Forged strategic partnerships with international research bodies to promote information sharing, co-design of innovative technologies, and access to research funding.
- Hosted over 100 international delegates.

CHALLENGES

- Managing multi-channel stakeholder communication.

OUR FOCUS FOR 2017/18

- Continue to engage with shareholders to ensure our strategic priorities align.
- Continue to influence the regulatory environment we operate in.
- Strengthen partnerships with key stakeholders to deliver shared value.

FACTS AND FIGURES

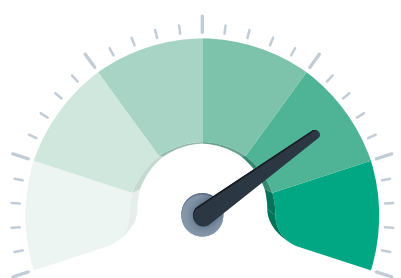


FIVE
SHAREHOLDING
COUNCILS

59
COUNCILLORS



FOUR
SHAREHOLDER
PERFORMANCE
REPORTS



78%
SHAREHOLDER
SATISFACTION

100+
INTERNATIONAL
DELEGATES



30
RESEARCH &
DEVELOPMENT
PARTNERSHIPS

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 (see page 7) 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?

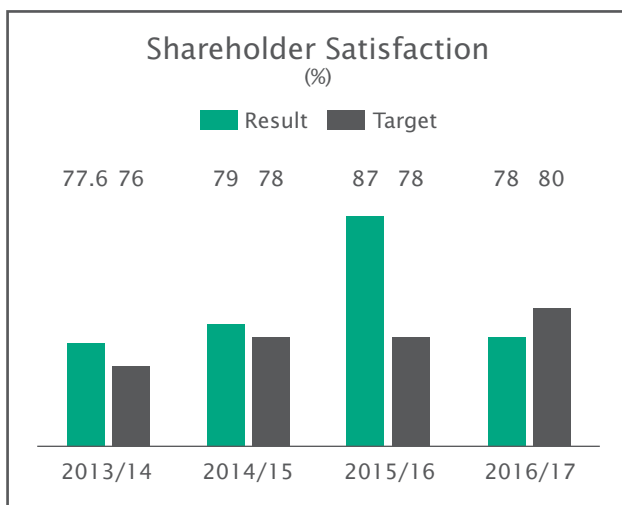
Our shareholders are our five owners: Brisbane City Council, Ipswich City Council, Lockyer Valley Regional Council, Scenic Rim Regional Council, and Somerset Regional Council.

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 PRIORITIES

Our strategic priorities	Where we focused our attention in 2016/17	Status as at 30 June 2017	What we achieved in 2016/17
Enhance our capabilities to better understand our shareholders and strategic stakeholders, and enable more meaningful engagement and collaboration.	Increase engagement with shareholders and stakeholders on strategic and future-focused matters.	Ongoing	<ul style="list-style-type: none"> ▪ Increased face-to-face engagement with shareholders on higher-order, strategically focused matters. ▪ Continued ongoing reporting to shareholders and regulators on operational performance and delivery of strategic actions. ▪ Introduced new communication channels.
Improve our collaboration with shareholders and strategic stakeholders on strategic matters that contribute to the sustainability of both the water and sewerage industry and our communities.	Understand the role of a utility in the future to provide foresight for the industry and inform our strategic focus.	Completed	<ul style="list-style-type: none"> ▪ Finalised our <i>Utility of the Future Direction Paper</i>.
	Increase engagement with shareholders and stakeholders on strategic and future-focused matters.	Ongoing	<ul style="list-style-type: none"> ▪ Continued participation in key industry working groups to improve legislation and policy relating to water and sewerage services. ▪ Continued support and engagement with key industry and environmental advocacy groups. ▪ Greater collaboration and communication with shareholders to deliver shared value.
	Implement an industry-unified, customer-focused, self-regulatory framework to support prudent and efficient investment decisions.	Completed	<ul style="list-style-type: none"> ▪ New economic regulatory framework developed with water industry.

PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



STATUS: NOT 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.

OUR PERFORMANCE CHALLENGE

Our shareholders' satisfaction score for 2016/17 is consistent with previous years. The spike for 2015/16 is attributed to the survey being a 'pulse' survey issued to a smaller number of elected representatives who were retained in the March 2016 local elections. Newly elected representatives were not surveyed as they had not been appointed for the period the survey covered.

HIGHLIGHTS

Shareholder engagement

Expanding our suite of shareholder engagement tools

Our commitment to fostering open and transparent relationships with our shareholders is reflected by our comprehensive suite of engagement tools, which continues to evolve to meet our shareholders' needs (see page 48). This year, we added a new channel to the suite – an e-newsletter containing performance data and matters of strategic importance. Following a successful trial e-newsletter that was emailed directly to shareholders in November 2016, we will begin quarterly dissemination in 2017/18.

We also continued to update our dedicated shareholder portal, which gives our shareholders the ability to quickly and conveniently access a range of information about our business on a variety of devices. The secure web-based platform provides data on our performance, financials and current network upgrades, and is tailored to each council region to ensure a customised experience.

Hosting Ipswich City Council at our Innovation Precinct

We were proud to host a number of elected representatives from Ipswich City Council at our Innovation Precinct, located at our Luggage Point Sewage Treatment Plant. During their personalised tour, the councillors learned of our heritage, our plans to become a utility of the future, and how we are educating our customers – their constituents – about our vital services.

They also witnessed a number of ground-breaking research trials that we are conducting onsite, including nitrogen-eating anammox bacteria and the world's largest replica sewer main.

The tour was exceptionally well-received by our guests, and was a welcome opportunity for us to showcase how our research will ultimately improve our service delivery, reduce our environmental footprint and enhance our customer service.

Industry and regulator engagement

Improving water industry performance reporting

During 2016/17, we were a member of the Performance Reporting Steering Committee, established by our industry regulator, the Department of Energy and Water Supply (DEWS). The committee's role was to review the water service provider performance reporting framework implemented for 2015/16.

The purpose of a performance reporting framework is to improve openness and give the public more insights into service provider performance and challenges. Through the reporting, all Queensland water service providers need to show sound strategic and financial planning to ensure they can continue to deliver safe and reliable services. The framework also allows water service providers to monitor and compare their performance with that of other providers, thereby encouraging voluntary performance improvements.

We were active in ensuring changes to the framework focused on providing customers with certainty that water service providers were sustainable, without placing unnecessary regulatory burden on those water service providers.

Increasing our operational flexibility

After extensive consultation with our environmental regulator, the Department of Environment and Heritage Protection, we became the first water utility in Queensland to be issued with an Environmental Authority that incorporates a nutrient mass load 'bubble' licence condition.

The bubble licence allows our nine participating sewage treatment plants to adjust their individual nutrient discharges, provided the annual total nutrient load limit for the scheme is not exceeded. This flexibility allows us to focus our efforts on cost-effective nutrient management solutions, such as recycling water for farm irrigation and undertaking water quality offset projects (see page 67).

Influencing industry decisions

As a key player in the evolving urban water industry, we understand the importance of collaborating with other industry members. Through our involvement in a series of networks and committees, we are able to influence national and state policies, promote debate, improve industry performance, and foster information exchange.

In 2016/17, we were represented on a number of cross-collaborative water industry committees, including the SEQ Strategy and Planning Committee and the Water Services Association of Australia (WSAA) Utility Excellence Committee (UEC). Key focus areas of the WSAA UEC cover all internal business levers that water utilities have direct control over, including people and culture, asset management and optimisation, and the future shape of water utilities. Louise Dudley, our Chief Executive Officer, remained a Board Member of WSAA. She was also the Chair of the Liveable Communities Committee, which oversees a number of strategic priority areas of the association, including, but not limited to, water quality and health, research and development and wastewater source management.

From a safety perspective, we were represented on the WSAA Safety Network, SEQ Regional Safety Network and National Road Safety Network.

Global representation

Showcasing our innovations to international delegates

Our commitment to innovation and excellence continued to attract interest on a global scale. Throughout the year, we hosted over 100 international delegates who were keen to discover more about Queensland Urban Utilities' processes and initiatives.

- **September 2016** – Hosted delegates from the Bangkok Metropolitan Electricity Authority who learnt about our employee engagement and innovation activities.
- **October 2016** – As part of the International Water Association's World Water Congress, we welcomed 50 delegates into our Innovation Precinct where they learnt about our culture, history and the innovations being trialled onsite.
- **November 2016** – Hosted a team of 16 public sector wastewater professionals from South Korea who visited our Oxley Creek Sewage Treatment Plant and learnt about how we overcame the Brisbane floods in 2011. They also welcomed the opportunity to learn about Australian water treatment processes, technologies and standards.
- **January 2017** – Hosted a delegation from South Korea, consisting of senior representatives from the Ministry of Strategy and Finance and the Ministry of Environment, as well as representatives from Trade Investment Queensland. During their visit, delegates learnt of our Water Leak Management Strategy and took a tour of our Control Centre.

HIGHLIGHTS (CONTINUED)

Fostering partnerships with global utilities

We continued to establish and foster strategic partnerships with international research bodies and utilities. These partnerships provide opportunities for information sharing, co-design of innovative technologies and access to research funding. This year, our Innovation, Research and Development Manager undertook the following international engagements:

- **Utility Management Conference, Florida** – Presented on our Innovation Program and shared our successes and lessons learnt with personnel from leading United States water utilities.
- **Water Environment and Reuse Foundation, Virginia** – Presented a “lunch and learn” session for WERF employees on our Innovation Program, our approach to balanced portfolios, and the development of our decision-making framework.
- **Alexandria Renew Enterprises, Virginia** – Toured one of the most advanced water resource recovery public utilities in the United States to gain insights on their environmental leadership and integrated sustainable practices.
- **DC Water, Washington, D.C.** – Presented on our Innovation Program to assist them in establishing their own cultural innovation program. As a result of this engagement, a Memorandum of Understanding for knowledge sharing is currently being drafted.
- **Water Research Foundation, Washington, D.C.** – Met with WRF’s Executive Director to discuss collaborative opportunities.

Representing South East Queensland at the Global Water Summit

In April, our Chief Executive Officer Louise Dudley represented Queensland Urban Utilities at the Global Water Summit in Madrid, Spain. Each year, the summit attracts over 500 senior executives – including water business leaders, industrial water users, utility managers, leading water technology providers, and major investors – from 70 countries, and is vital in shaping the movements of the water industry each year.

At the summit, Louise spoke about disaster risk management in Queensland and the strategy for negotiating both floods and scarcity into the future – a topic that attracted considerable interest from audiences. Our attendance gave us insight into growing our business and understanding how core markets are developing, and allowed us to forge relationships with global industry players.

SPOTLIGHT ON...

Preserving indigenous history

Prior to us commencing works on a seven-kilometre water pipeline in Bromelton – a rural locality in the Scenic Rim – we employed Turnstone Archaeology to conduct a survey of the site, which has a strong cultural and historical link to the local Mununjali people.

As a result, the experts identified three culturally important areas within the construction site, and unearthed over 4,000 stones and tools, including blades, axes, grinding stones and an earth oven.

Queensland Urban Utilities was proud to return the artefacts, along with a documented report of each tool, to Mununjali elder Aunty Nanette Currie, who was appreciative of our efforts to preserve her nation's history.



SPOTLIGHT ON...

Providing an interactive learning experience for leaders of the future

In March, we held our first schools tour of our Innovation Precinct and Luggage Point Sewage Treatment Plant as part of Brisbane City Council's Green Heart Schools' 2017 Student Environmental Leadership Network (SELN). During the visit, 50 high school students from 20 schools across Brisbane learnt about the urban water cycle and how we are working with researchers and industry to improve the sewage treatment process.

School tours of the site are a key part of our Education Program, which informs students across South East Queensland about the role water and sewerage services play in enabling community wellbeing and protecting the environment. Councillor David McLachlan, sponsor of SELN, also attended the tour, saying, "It was a great opportunity for Year 10 students to view this cutting edge and Australian-first innovation that is taking place at the Precinct. They undertook a classroom activity on the urban water cycle, and toured the physical Luggage Point Sewage Treatment Plant, hosted by the technical experts. So they had a great opportunity to see what's happening out there."

STUDENT FEEDBACK

- 100% would recommend the tour to other students.
- 96% 'agree' or 'slightly agree' that tap water is good for your health and wellbeing, and the environment.
- 100% 'agree' that we should all only ever flush the three P's – poo, pee and paper.
- 80% of students gave the tour a 'usefulness' rating of 7 or higher (out of 10).

“

LET'S HEAR FROM THE STUDENTS....

"I really enjoyed the tour today. I learnt many new things and observed people talk very passionately about the work they do."

"The tour displayed how big QUU actually is and how much work they do."

"I learned that QUU uses scientific technology to enhance sustainability."



CHALLENGES

Managing multi-channel stakeholder communication

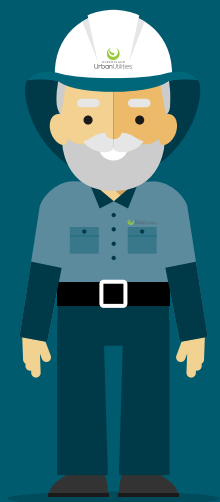
The pervasiveness of digital devices, social media and 24/7 news means the requirement to reach our stakeholder groups through multi-channel communication is no longer an option, but a necessity.

The nature of our business can demand instantaneous communication – a benefit not afforded by some traditional methods of communication, such as a letter in the mail, a physical newsletter, or a face-to-face meeting. As such, we must also use an array of real-time channels, including text messages, social media, web portals, emails and phone calls.

While we are committed to fostering effective communication amongst our stakeholder groups, we must balance the convenience and timeliness offered by multi-channel communication with the resources required to facilitate and manage all incoming and outgoing information.

Each year, we conduct satisfaction surveys with a number of our stakeholder groups, including shareholders (see page 51), to determine the effectiveness of our communication. The feedback gleaned from each survey is then used to inform our engagement strategies for the following year. This year, shareholder satisfaction remained strong at 78%, with feedback indicating they are appreciative of the level of engagement they receive from us.





PILLAR 3: OPERATIONAL EXCELLENCE

HIGHLIGHTS

- Developed our view of a 'utility of the future', following a comprehensive research and engagement process.
- Successfully trialled two alternative ways to provide our services.
- Invested \$198.5 million in infrastructure to support economic and population growth.
- Unveiled Australia's first poo-powered vehicle.
- Increased our cogeneration performance by 35%, which reduced onsite electricity costs by over \$860,000.
- Commenced work on a 'green infrastructure' project in Laidley, which will prevent over 10,000 tonnes of sediment from polluting the local catchment every year.
- Saved over 1,500ML of water through the use of TaKaDu – a software system that identifies leaks and pressure issues in the water network.

CHALLENGES

- Maintaining continuity of service during ex-tropical Cyclone Debbie.

OUR FOCUS FOR 2017/18

- Improve the way we invest in and deliver our infrastructure.
- Develop alternative ways to deliver water and sewerage services.
- Identify and implement innovative environmental solutions that contribute to the liveability of our communities.
- Invest in technology that improves how we monitor and control our water and sewerage networks.
- Identify and implement improvements to processes, systems and data that will improve performance and reduce cost.

FACTS AND FIGURES

OUR \$5.4 BILLION INFRASTRUCTURE NETWORK INCLUDES:



108
WATER RESERVOIRS

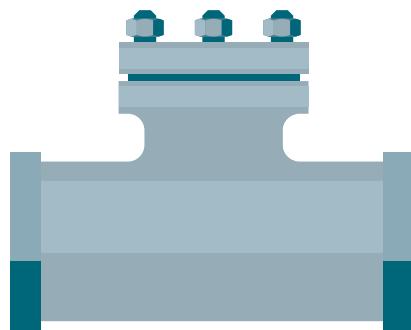
332
SEWAGE PUMP
STATIONS

9,298KM
OF WATER PIPES

63
WATER PUMP
STATIONS



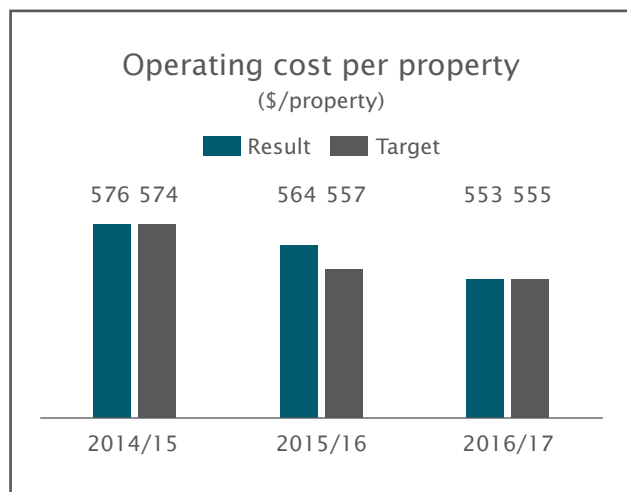
83
WATER
BOOSTERS



9,487KM
OF SEWERAGE PIPES

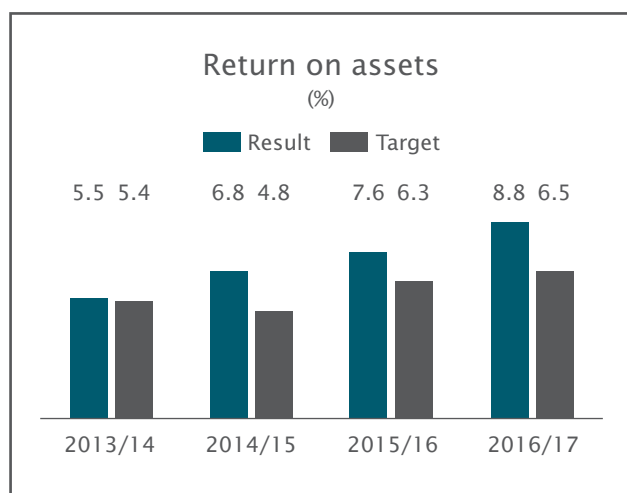
29
SEWAGE
TREATMENT
PLANTS

PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES



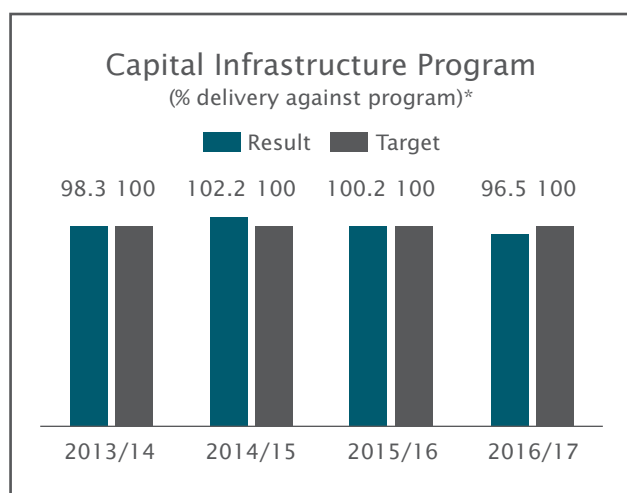
STATUS: ACHIEVED

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

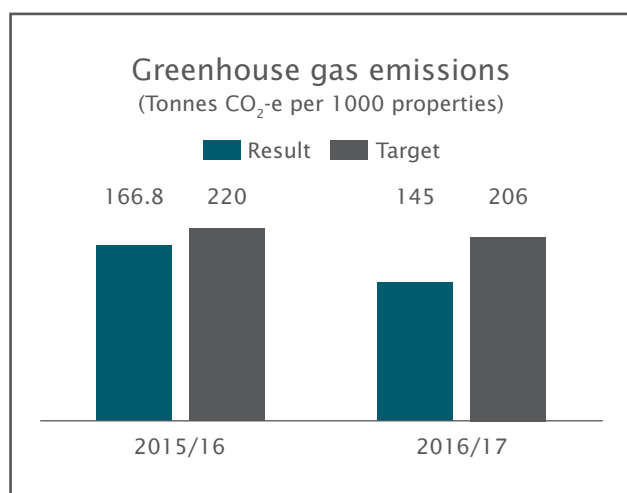
Return on asset reflects the cost on investing in assets to provide services to our customers and communities.



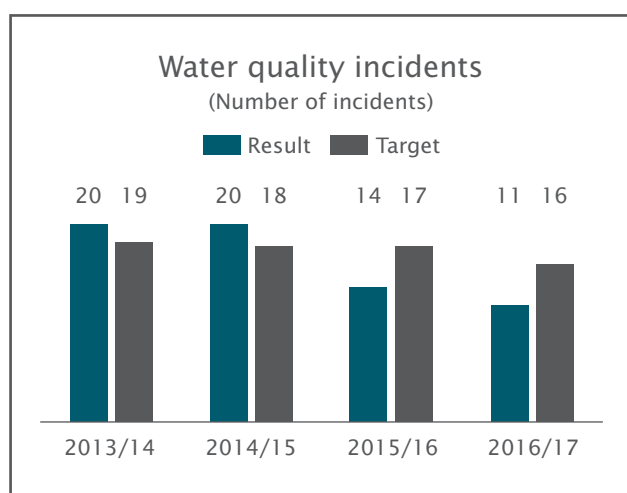
STATUS: ACHIEVED

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.

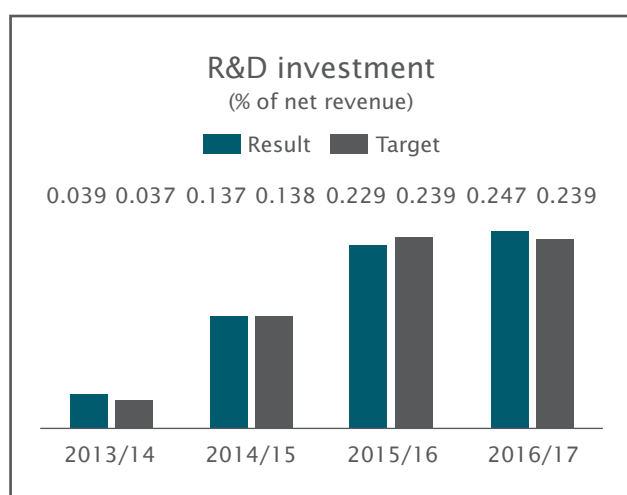
*(+/- 5%)

**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: 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.

**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 2016/17	Status as at 30 June 2017	What we achieved in 2016/17
Identify and develop alternative water and sewerage solutions and services to support sustainable communities in the future.	Deliver value for customers and communities through non-traditional decentralised-network solutions.	On schedule	<ul style="list-style-type: none"> Progressed trials with commercial customers for on-site solutions that deliver shared value for the customers and Queensland Urban Utilities. Completed the trial of an alternative sewerage servicing solution, supported by the developer and Ipswich City Council, to enable new development outside our traditional nominated connection area.
Identify operating and infrastructure investment efficiencies to optimise the cost of providing water and sewerage services.	Integrate our infrastructure planning, delivery, operations and maintenance 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 our traditional infrastructure-focused planning approach to accommodate emerging customer and community requirements, and consider emerging non-traditional servicing solutions. Updated our asset management policy and strategic plans to align to the International Infrastructure Management Manual, and incorporate the ISO55000 Asset Management Standard. Finalised our program development and delivery partner approach and engaged the market. The new approach will support a multi-year infrastructure delivery and procurement approach, which will enable more dynamic investment decisions and reduce infrastructure delivery costs. Developed a pilot project to implement a Building Information Management (digital engineering) capability to improve infrastructure planning, design, delivery and operation. Developed an Intelligent Network Strategy to inform future investment in digital solutions to improve how we monitor and operate our vast networks and improve services to customers and communities.
Improve our investment in ICT that improves services to customers, builds capability and reduces costs.	Develop a digital strategy that outlines how technology will support the achievement of strategic objectives.	Completed	<ul style="list-style-type: none"> Digital Strategy approved, informing investment in digital solutions to improve customer, shareholder, operational and people outcomes.

Our strategic priorities	Where we focused our attention in 2016/17	Status as at 30 June 2017	What we achieved in 2016/17
Develop new business opportunities that deliver value to customers and improve our sustainability.	Contribute to business growth by extracting value from sewage treatment by-products.	On schedule	<ul style="list-style-type: none"> Completed market assessment to confirm commercial opportunities for treatment by-products. Continued trials to test the viability of treatment by-products as commercial products.
Deliver sustainable environmental solutions that support the future needs of our communities.	Transform Queensland Urban Utilities to be recognised as a leader of environmental solutions that enhance quality of life.	On schedule	<ul style="list-style-type: none"> Energy Strategy approved and implementation commenced. By 2030, the strategy aims to reduce electricity consumption by 25% and increase our electricity generation by 50%. Updated our Environmental Policy and commenced development of our Environmental Leadership Strategy and Roadmap to support our desire to be recognised as an environmental leader.
	Challenge traditional sewerage system design principles to deliver community-focused outcomes.	On schedule	<ul style="list-style-type: none"> Progressed trials with Brisbane City Council to develop community-focused solutions that minimise the impact that stormwater flooding and wet weather sewage overflows have on communities.

MAJOR INFRASTRUCTURE PROJECTS COMPLETED OR PROGRESSED IN 2016/17

In 2016/17, we invested \$198.5 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 \$198.5 million was invested in ongoing programs for the renewal, enhancement and replacement of existing infrastructure across our service territory.

Region	Project Name	2016/17 Investment (\$m)	Total Project Investment (\$m)	Commenced	Estimated Completion
Brisbane	S1 & S18 Main Sewer Rehabilitation	11.4	77.5	2015/16	2018/19
	Bulimba Creek Trunk Sewer Stage 2 Upgrade	17	53.1	2015/16	2018/19
	Rochedale Water Infrastructure Upgrade	0.7	23.5	2015/16	2020/21
	Bartleys Hill / Wellers Hill Zone Connection including river crossing	9.3	21.5	2015/16	2018/19
	Luggage Point STP Dewatering Upgrade - Portions A, B and C	2.5	10.7	2016/17	2018/19
	Fortrose Street Sewer Rising Main Rehabilitation	4.6	10.8	2014/15	2017/18
	Jindalee Water Trunk Main Replacement	4.7	10.8	2014/15	2017/18
	Luggage Point STP Blowers Replacement Stage 1	2.0	5.7	2016/17	2017/18
	Luggage Point STP Rotary Sludge Thickener	1.5	5.7	2015/16	2017/18
	Highgate Hill No 1 & 2, Mt Gravatt and Milne Hill Reservoirs Rehabilitation	0.4	3.8	2016/17	2017/18
Ipswich	Ipswich GRP Water Mains Replacement	0.3	11.0	2014/15	2016/17
	Ipswich Bulk Water Meters Implementation Program	1.2	6.0	2015/16	2017/18
	Interim Tivoli Catchment Upgrade	0.2	1.4	2014/15	2016/17
	Kruger Parade, DN450 GRP Pipe Replacement	0.3	1.1	2014/15	2016/17
	Rosewood Wastewater Catchment Optimisation Phase 1	0.5	1.0	2015/16	2016/17

Region	Project Name	2016/17 Investment (\$m)	Total Project Investment (\$m)	Commenced	Estimated Completion
Lockyer Valley	Laidley STP Interim Enhancement Upgrade	0.5	5.0	2015/16	2017/18
	Douglas McInnes Drive Reservoir Rehabilitation	0.6	0.6	2015/16	2016/17
	Laidley STP Nutrient Offset Scheme	0.7	1.6	2016/17	2017/18
Scenic Rim	Bromelton State Development Area Stage 1 Trunk Water Main	5.1	6.2	2015/16	2017/18
	Boomerang Drive Reservoir R135 Roof and Wall Replacement	0.7	0.8	2015/16	2016/17
	Canungra STP Additional Membranes and Permeate Tank Cover	0.3	0.5	2016/17	2016/17
Somerset	Kilcoy STP Augmentation - Stage 1	0.5	2.4	2014/15	2016/17
	Lowood Catchment Upgrade (Eagle Rise Development) Stage 1	1.0	1.9	2015/16	2016/17
	Esk Water System Improvements	0.3	0.4	2015/16	2016/17

HIGHLIGHTS

Community and shareholder outcomes

Supporting population and economic growth

As per our 2016-21 *Corporate Plan*, one of our core capabilities is to plan and invest in infrastructure to deliver shareholder and community outcomes and promote economic growth. In 2016/17, we undertook a number of initiatives demonstrating this capability, including, but not limited to, the following:

- Commenced construction on a \$6.5 million trunk water main supporting the development of the Bromelton State Development Area (SDA). This SDA is set to become an economic engine for new employment and business opportunities in the Scenic Rim and South East Queensland.
- Commenced work on the \$20 million Murarrie-Pinkenba cross-river water pipe – our biggest water infrastructure project since we formed in 2010. Once completed, the pipe will cater for population growth and development in Brisbane's northern suburbs, particularly the North Shore Hamilton Urban Development Area. The 800mm-diameter trunk water main will be tunnelled 10 metres under the Brisbane River and measure three kilometres in length.
- Commenced work on a \$55 million project to construct a new sewer pipe along the Bulimba Creek sewer catchment area. The 1.5 meter-diameter pipe will stretch 4.25 kilometres, and is expected to accommodate population growth for at least another 50 years.
- Completed a \$3 million upgrade to the Kilcoy Sewage Treatment Plant to ensure the long-term sustainability and efficiency of the town's sewerage infrastructure. The facility now has a new recycled water pump station, high-tech switchboard and septic tanker receival system.
- Provided a \$0.3 million reduction to water infrastructure charges for a new 600-bed, purpose-built backpacker/farmworker accommodation facility at Grantham. By supporting this regional development, we are assisting the Lockyer Valley Regional Council to attract investment and development in the region.

- Continued our partnership with Brisbane City Council to deliver a student accommodation development stimulus program to support the tertiary education sector and bring quality student accommodation to Brisbane. In 2016/17, we executed four water infrastructure agreements under the program, resulting in an additional 1,670 student accommodation beds within four contemporary accommodation developments. This project is expected to inject \$8.78 million into the development industry.

Minimising the impact of wet weather overflows

Wet weather overflows can occur when rainwater overwhelms the stormwater network and spills over into the sewerage system. Like all sewerage service providers, we face the ongoing challenge of managing system overflows during wet weather and are continuously investigating and implementing solutions to reduce both the occurrence of these overflows and the impacts they have on our business, customers and communities.

In 2016/17, we:

- performed 400 CCTV inspections in known 'hot-spot' areas to identify blockages in pipes or damaged structures that could be contributing to recurring wet weather overflows,
- smoke tested 4,000 private properties to identify sources of stormwater entry into the sewer,
- inspected 1,500 maintenance holes, and subsequently identified the need to repair 220 to reduce stormwater infiltration,
- installed 80 overflow relief gully caps to prevent rainwater entering the sewerage network through drainage located on private properties, and
- offered reflux valves to 538 customers, and installed 466. These valves prevent stormwater from backing up into private drainage when the sewerage system is surcharging.

Environmental leadership

Reducing our energy costs and carbon footprint

This year, we introduced our Energy Strategy and associated Implementation Roadmap, the objectives of which are to guide the delivery of initiatives that efficiently and effectively reduce our energy costs and carbon footprint.

As one of the largest energy consumers in South East Queensland, our Energy Strategy builds on the existing initiatives we have in place to generate energy and reduce our reliance on the grid. Such initiatives include our three cogeneration engines running on biogas produced during our treatment processes, and the ten solar arrays at our regional facilities.

Over the coming years, we plan to:

- deliver multiple megawatts of large-scale solar across key sites,
- optimise existing cogeneration capacity at our Luggage Point and Oxley Creek sites, and
- deliver initiatives to reduce our energy use at our top five energy-consuming sites, including sub-metering to increase visibility of power usage.

Delivering these projects, amongst others, will move us closer to achieving the strategic targets set out in our Energy Strategy:

1. 25% energy consumption reduction by 2030 – This measure will be influenced not only by process efficiency, but by the types of treatment processes we select to meet regulatory and sustainability outcomes, such as nutrient removal.

2. 50% electricity generation of consumption by 2030 – This strategic target seeks to both optimise existing generation assets, aligning output with installed capacity, and exploit available onsite resources such as biogas, solar, heat, wind and hydro to displace site energy purchases.

We were proud to have our Energy Plan 'highly commended' at the 2016 Queensland Premier's Sustainability Awards.

Investing in green infrastructure to improve waterway health

In May, we commenced work on our \$1.6 million Laidley Nutrient Offsets Project to tackle sediment and nutrient pollution in the Brisbane River and Moreton Bay. The project involves rehabilitating more than two kilometres of degraded banks along Laidley Creek in the Lockyer Valley, which will be achieved by planting more than 14,000 native trees and grasses, and installing two rock chutes to stabilise the waterway. In doing so, we expect to prevent 10,000 tonnes of sediment, 5,000 kilograms of nitrogen and 10,000 kilograms of phosphorous from entering the catchment every year due to natural erosion.

To date, we have prepared the native flora for planting, completed feasibility and design, and commenced earthworks. The project is due to be completed by the end of 2017, with bank and vegetation management ongoing for at least five years.

Our investment in this green infrastructure project will defer a costly upgrade to our Laidley Sewage Treatment Plant.

Operational efficiency

Reducing our reliance on the electricity grid

We operate in an environment where electricity is one of our core production costs. To offset the rising cost of this commodity, we not only invest in solar but in proven co-generation technologies.

In 2016/17, we continued to operate three cogeneration units, which produce electricity from biogas – a by-product of our treatment process. We use this generated electricity onsite to offset our operational costs. This year, we produced more than 14,000MWh from cogeneration – a 35% increase on cogeneration performance in 2015/16 – and saved around \$860,000 in onsite electricity costs. These results can be attributed to numerous focus improvements and the transition from a treatment mentality to production mentality.

HIGHLIGHTS (CONTINUED)

We also developed a Resource Recovery Centre (RRC), located at our Oxley Creek Sewage Treatment Plant. There, biosolids are separated from the biological process, dewatered and pumped through the CAMBI Thermal Hydrolysis Process (an industrial pressure cooker) into the digesters. Bacteria then break down the organic waste and produce biogas, which is subsequently used to fuel the onsite cogeneration unit.

Since launching the RRC in July, we have doubled our daily biosolids throughput, significantly decreased downtime across the plant, and reduced onsite electricity costs.

Delivering sustainable operational efficiencies in service delivery

In 2016/17, we made significant progress on our Service Delivery Improvement Program, the purpose 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 over the next five years.

This year, we undertook a comprehensive review of the Service Delivery group to better understand, and subsequently streamline, its cost drivers and operating processes.

Following the review, we began implementing a number of improvement initiatives, including a restructure of the Field Services leadership team, altering work arrangements to better align with the job demands, and expanding the range of tools available to workers to encourage efficiency.

As a result of these initiatives, we will improve our financial sustainability, increase the productivity of our field staff, enhance customer service (through improved response times), and reduce our cost-to-serve.

In 2017/18, the Service Delivery Improvement Program team will continue to implement and embed these changes.

Improving the way we store, access and manage engineering drawings

In November 2016, we introduced RedEye – a cloud-based, purpose-built drawing management system that allows users to store, find, use, share and manage engineering drawings more effectively.

The system – used by almost 400 of our Planning, Service Delivery and Trade Waste employees – delivers a number of benefits, including:

- risk management – reduces the risk of people working from the wrong drawings,
- collaboration – facilitates better collaboration with staff, contractors, partners and clients,
- cost effectiveness – reduces the cost and time associated with locating drawings,
- safety and compliance – improves safety, compliance, governance and control,
- improved workflows - reduces reworks and project delays and variations by supporting our internal workflows.

In the seven months since its introduction, over 800,000 engineering drawings have been added to the system.

Streamlining the way we deliver our planned maintenance services

In our ever-changing business environment, we work hard to ensure our services remain affordable for our customers and valued by our community and shareholders. With this in mind, we established a Maintenance Service Model Review (MSMR) project to review how we structure our business to best deliver our planned maintenance services.

On 1 July 2016, we successfully transferred the delivery of our planned maintenance services to Utilita Water Solutions (Utilita) – a joint venture between two highly regarded organisations.

As a result of this arrangement, we are delivering reliable, efficient, cost-effective and safe planned maintenance of our infrastructure, and improving our service to customers.

Enhancing our approach to managing water losses

In 2013, we began trialling TaKaDu, a software system that uses advanced statistics to identify leaks and pressure issues within our water network, and prompts us to investigate for leaks if water usage is trending above average. If a leak is detected, we are able to conduct repairs at a time that is convenient to our customers.

In 2016/17, we prevented 1,549ML of water loss from the network, a 32% improvement on 2015/16. This positive result can be attributed to enhanced performance management of the water distribution network. Since 2013, TaKaDu has prevented over 4,800ML of water leaking from the network – the equivalent to 1,920 Olympic-size swimming pools, and equating to savings of around \$15 million.

By the end of 2017/18, TaKaDu will be rolled out across five areas, including the Ipswich and Lockyer Valley regions. After this work is complete, we will have the capacity to remotely monitor 51% of our water distribution network, compared with 40% in 2015/16.

**Employing new technology to manage our water quality**

In 2016/17, we embarked on a trial of new technology known as Chloroclam® to further enhance our water quality management, in particular the monitoring of chlorine residuals. Chlorine is important in the distribution network as it provides an additional barrier to protect the health of the public and that of our pipes and storage structures.

The introduction of Chloroclam® – a continuous chlorine monitoring device – is enabling simpler management of chlorine across the water network based on real-time data. Through early warning of potential water quality issues, we are able to initiate timely, preventative measures to ensure the continued supply of safe and aesthetically pleasing drinking water.

At present, we operate 26 Chloroclam® units – the largest fleet in Queensland – and, moving forward, intend to expand this number across our service territory.

This program demonstrates our commitment to keeping abreast of and trialling innovative technologies to help us deliver safe and reliable drinking water to our customers.

HIGHLIGHTS (CONTINUED)

Innovation, research and development

Unveiling Australia's first poo-powered vehicle

In May, we officially unveiled Australia's first poo-powered car – a vehicle that runs on electricity produced by a cogeneration unit at our Oxley Creek Sewage Treatment Plant. Cogeneration involves capturing the biogas produced from the sewage treatment process, then using it to drive an engine that creates electricity.

The Poo Car – a Mitsubishi innovative Electric Vehicle (i-MiEV) – plugs into a 240-volt power point, charges overnight, and has a range of up to 150km. It is estimated that a similar-sized petrol-powered car would incur an annual fuel cost of around \$1,900.

What originated as an idea from one of our employees, the Poo Car not only reduces our operating costs but helps the environment by using a renewable energy source.

In the future, we hope to see our entire fleet powered by biogas.

Collaborating with research partners at our Innovation Precinct

Our Innovation Precinct, located at our Luggage Point Sewage Treatment Plant (STP), is the first of its kind in Australia and is integral in supporting and developing our innovative and collaborative culture.

We are working with various industry and research partners to identify opportunities to maximise the potential of our resources, reduce our operating costs, lower our emissions and improve our revenue sources.

In 2016/17, we launched or progressed a number of trials, including:

- **Liquid online analysis** – We have been trialling an optical water quality monitoring system, known as Liquid. Using absorbance, fluorescence and reflectance measurement techniques, the system simultaneously measures a wide range of water quality parameters and provides real-time results. Based on the success of the trial, we have procured a Liquid station to operate on a two-year trial basis.
- **Ferrous dosing** – This trial removes harmful sulphides from within our digesters and cogeneration engines. If successful, the process will increase the digester life and reduce maintenance costs by around \$200,000 per year. The technology may be utilised for other cogeneration processes in the future.
- **Microbial fuel cells (UGold)** – Using microbial fuel cells, we are treating source-separated urine without the use of power or chemicals. This blue-sky technology aims to reduce treatment costs by up to 25%, while generating products for reuse, such as liquid fertiliser.
- **Lodomat technology** – One of the main costs of treatment plants is the disposal of sludge, a by-product of the treatment process. By employing Lodomat technology (which uses free nitrous acid), we expect to reduce the amount of sludge produced at our Luggage Point STP by up to 10%. Lodomat also has the potential to increase biogas production from anaerobic digestion of sludge by 20-30%, thereby improving our self-generation of electricity (see page 67).



SPOTLIGHT ON...

Our journey to become a utility of the future

As one of Australia's largest water and sewerage service providers, we understand that quality drinking water and adequate hygiene and sanitation facilities are essential to the health and wellbeing of our communities, hence our purpose: Enrich quality of life.

It is the expectation of our shareholders, customers, communities and regulators that, not only will these essential services continue to be provided for future generations, they will also be more affordable, reliable, resilient and sustainable.

We are committed to delivering on these expectations, which is why, in July 2015, we commenced a two-year journey to develop a greater understanding of what a utility of the future might look like, that is, an organisation that considers future opportunities and possibilities and responds accordingly.

Our approach

We began by carrying out a great deal of research. This included gathering information on mega trends and macro trends (environmental, economic, political, technological and social), collecting data, reviewing case studies, collating views and insights from internal and external sources, and performing a detailed review of existing research into current states and future possibilities for our industry.

Armed with this bank of knowledge, we then engaged widely within the organisation, with key stakeholders, and with thought-leaders in the industry and academia.

As part of our Customer Engagement Program, 'Let's Talk Water' (see page 41), we engaged around 350 customers across our residential, commercial and development services sectors using a variety of techniques, including focus groups, one-on-one interviews and industry forums. We asked them to consider the world 30 years from now: What will it be like to be a customer? How will communities change? How might water utilities be doing business? What will Queensland Urban Utilities look like? We also asked them what their priorities are, what decisions they want to be involved in, and what they might expect from us in the future.

Our view of the utility of the future

This year, we completed this comprehensive research and engagement process, and have now developed our view of a utility of the future, which is based around five themes:

- Customer and community centricity – Delivering products and services that provide social, economic and environmental value to the community, and heavily involve customers and communities in the decision-making process.
- Environmental leadership – Creating a vision for an environmentally sustainable future, and setting new standards that will outlast and outperform traditional regulatory regimes and paradigms.
- Commercial viability and acumen – Identifying and fostering synergistic commercial relationships to generate circular economies and create shared value.
- Balancing risks and opportunity – Embracing risk and opportunity, and having a flexible and nimble structure in order to adapt to and take advantage of disruption.
- Our attributes and capability – Having the right people, technology and assets to effectively connect, create and enrich.

Our vision of a utility of the future is one that is not only able to adapt to the prevailing conditions, but can create the ideal conditions to successfully deliver its services and achieve its purpose. It will do this through successfully connecting with its identified stakeholders, creating shared value, and enriching quality of life for the community as a whole.

Where to from here?

We will use these five themes to inform our strategic direction from 2018 and beyond, as well as our planning activities and strategies.

SPOTLIGHT ON...

Developing alternative servicing solutions to create shared value

One of our strategic priorities is to identify and trial alternative water and sewerage servicing solutions to create shared value.

This year, we trialled an alternative sewage treatment solution to service a 185Ha subdivision development in Walloon, west of Ipswich.

We are working closely with Ipswich City Council and the site developer to deliver a temporary 'package-style' sewage treatment plant capable of servicing up to 2,500 people. The plant, which is expected to become fully operational in August 2017, is an interim 'decentralised' servicing solution. It will enable residential development in the short-term, and provide a mechanism to fund the construction of planned 'ultimate' sewerage infrastructure in 2026.

This year, we also partnered with one of our major commercial customers to develop an onsite process sewage treatment solution to manage industrial intensification needs. This project will deliver mutual benefits through better onsite resource utilisation and improved network management.

Traditionally, this customer's trade waste was discharged directly into the sewer and treated by one of our largest sewage treatment plants. This traditional approach can be problematic when industry intensification exceeds the treatment capacity available at public sewage treatment plants.

The alternative solution involves treating the customer's high-strength waste at the source to produce high-quality recycled water, suitable for onsite use.

With Queensland Urban Utilities operating an onsite treatment plant, it will allow the customer to concentrate on its core business, and to intensify and expand its operations without the limitations associated with traditional wastewater infrastructure. The onsite solution will also significantly reduce the customer's operational risks and improve its brand and environmental credentials.

In return, the solution will allow us to defer capital investment in major infrastructure upgrades on account of high-strength waste being removed from our network. It will also allow the development of specialised capabilities aligned with our core business, improve customer relationships by securing long-term contracts with high-value commercial customers, and enhance our reputation as a relevant business partner to commercial clients.

It is expected that contract negotiations will be completed in 2017, and construction of the onsite treatment plant will be completed in late-2018.



CHALLENGES

Minimising the expected impact of ex-tropical Cyclone Debbie

On 30 March 2017, ex-tropical Cyclone Debbie passed over Queensland, causing widespread damage to parts of our service territory. On account of our comprehensive preparedness activities, we were able to keep disruption to our services and infrastructure to a minimum.

Two days prior to the cyclone's peak, we activated our Flood and Storm Emergency Management Sub-Plan. This ensured all risks relevant to the pending weather event were assessed and appropriate mitigations were put in place, including deployment of backup generators, relocation of at-risk assets, ramping up of response staff resourcing capabilities, and heightened monitoring of the weather and evolving operational situation.

Our most affected service area, the Scenic Rim, was hampered by significant rainfall and damaging winds. While our water and sewerage infrastructure coped well with the impact, a number of our bulk water supplier's water treatment plants were badly affected, impacting their ability to provide drinking water.

Due to the resultant pressure on local water storages, we released voluntary water conservation messaging to reduce the use of non-essential potable water supply. This messaging was supported by the Scenic Rim's Mayor and, ultimately, reduced demand across the region.

Throughout the event, we worked closely with Seqwater on bulk water supply issues, and our shareholder councils (through their Local Disaster Management Groups) to keep them informed of potential issues in their regions.





PILLAR 4: PEOPLE

HIGHLIGHTS

- Launched Contractor Safety Partnering Forums.
- Following our CEO Roadshow, 81% of employees said they felt empowered to contribute to helping build a more positive and constructive culture.
- 210 employees undertook 'Drive for Life' training.
- Delivered our first Diversity and Inclusion Strategy.
- Partnered with Diverse City Careers – a unique jobs board that exclusively supports companies with female-friendly policies.
- Launched the Young Water Professionals group to support and harness the potential of our young talent.
- 95% of employees reported a safe work area.

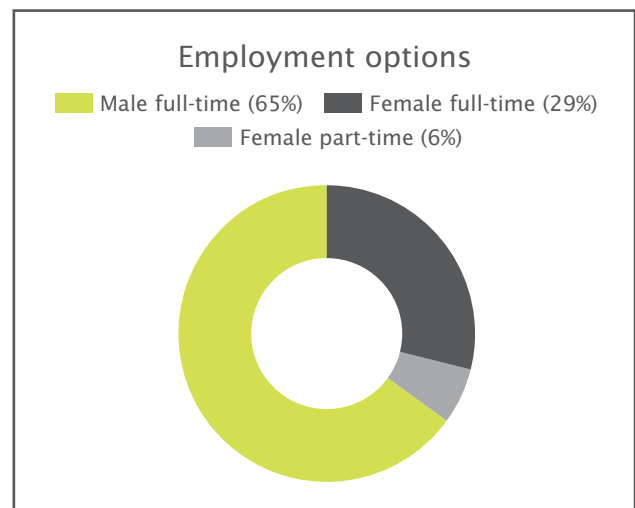
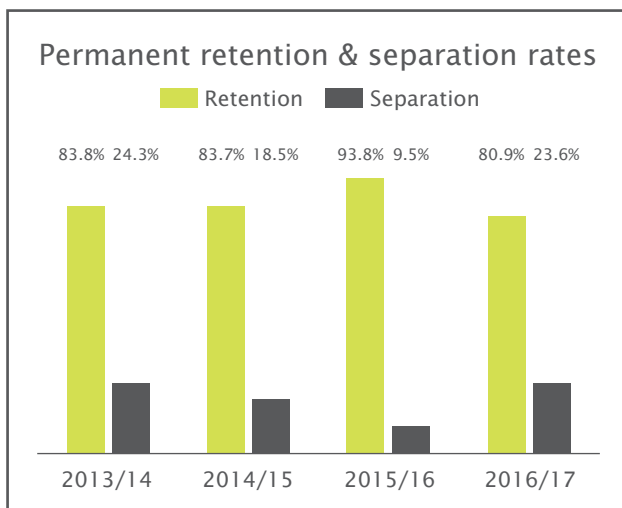
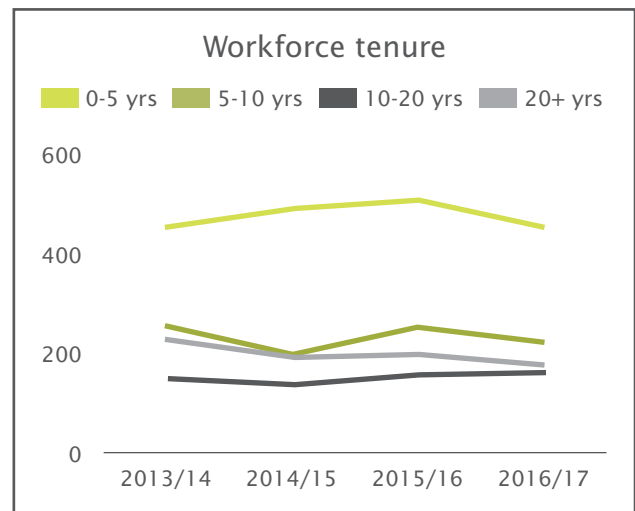
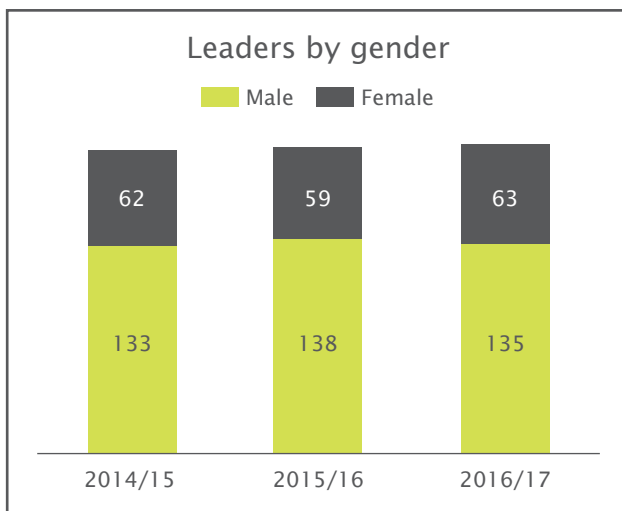
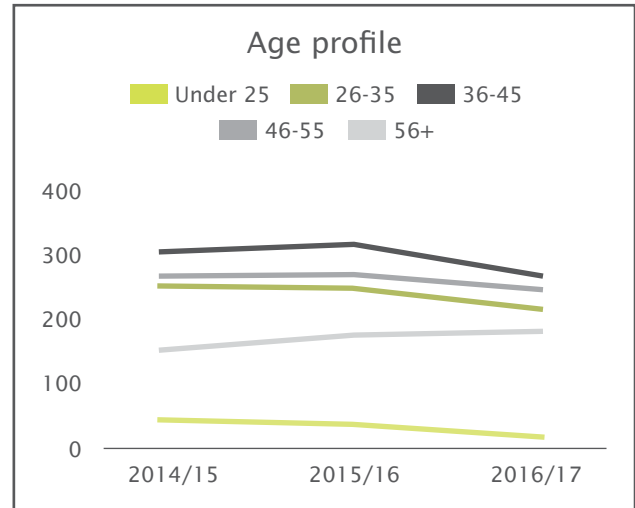
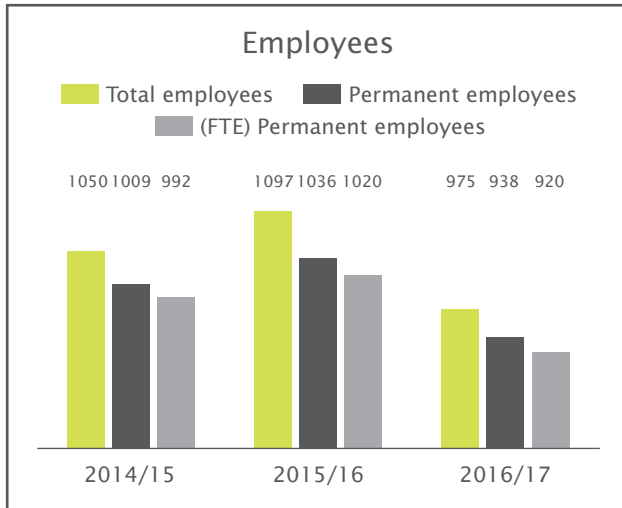
CHALLENGES

- Higher than anticipated number of lost-time injuries from routine activities.
- Our employee effectiveness survey highlighted a number of areas for improvement.
- Negotiating a series of enterprise agreements.

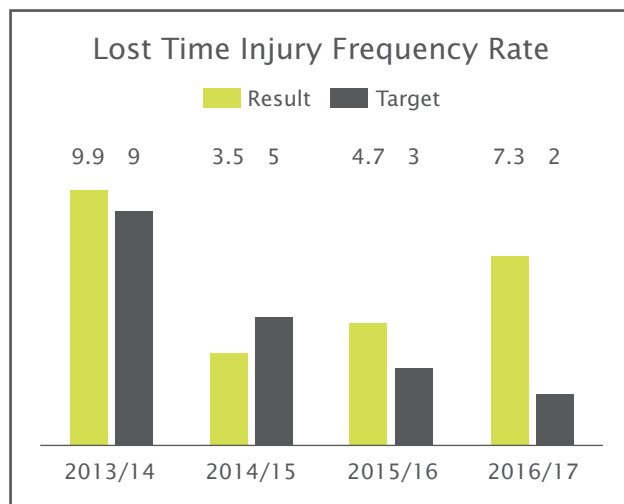
OUR FOCUS FOR 2017/18

- Greater attention on employee safety and that of our contractors and suppliers.
- Better support our leaders to engage and enable their teams.
- Acquire or develop talent that meets our workforce of the future requirements.

OUR WORKFORCE PROFILE



PERFORMANCE AGAINST STRATEGIC SUCCESS MEASURES

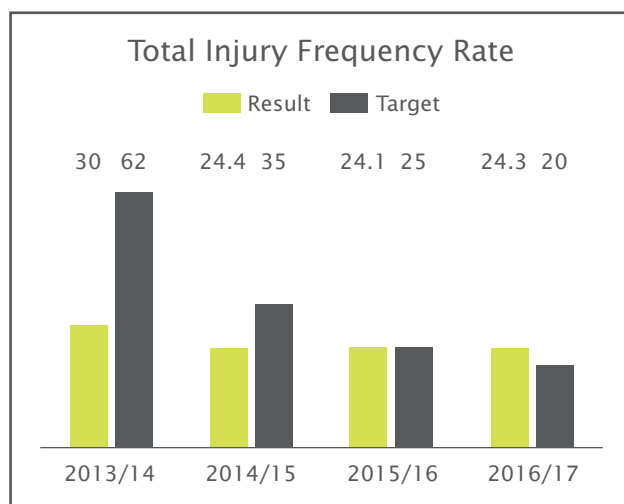


STATUS: NOT ACHIEVED

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

We did not meet target due to an increase in manual handling and slip/trip/fall injuries that occurred during routine work activities. As a direct response to these issues, we implemented programs designed to minimise the risk of manual handling injuries and encourage situational awareness.

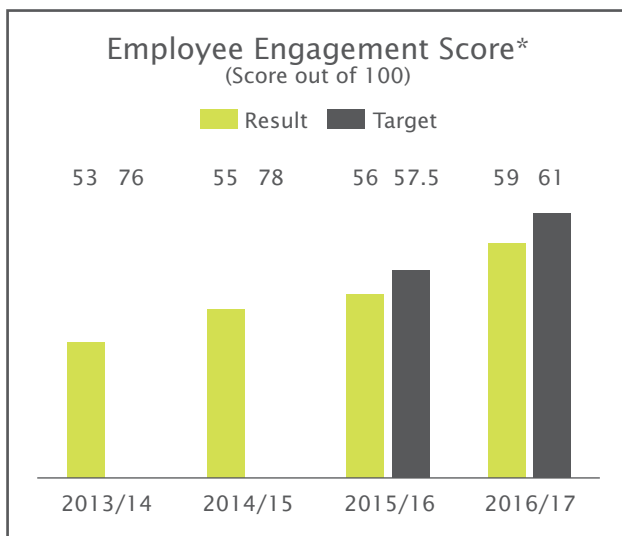


STATUS: NOT ACHIEVED

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

OUR PERFORMANCE CHALLENGE

Despite our consistent year-on-year performance, the increase in lost-time injuries impacted our overall result. In 2017/18, we plan to bolster our safety program by implementing or continuing a number of safety initiatives.



*Became a strategic success measure in 2015/16

STATUS: NOT 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.

OUR PERFORMANCE CHALLENGE

While our results fell just short of our target, we continued on an upwards trajectory and, for the first time in four years, saw improvements in all dimensions measured in the employee survey. Over the coming 12 months, we will focus on addressing the priority areas identified in the survey.

PERFORMANCE AGAINST STRATEGIC PRIORITIES

Our strategic priorities	Where we focused our attention in 2016/17	Status as at 30 June 2017	What we achieved in 2016/17
Broaden our safety mindset by supplementing our safety processes with attitudes and behaviours that promote a safe workplace.	Enhance our safety management system to focus on an agile, resilient and interdependent workforce.	On schedule	<ul style="list-style-type: none"> ▪ Safety Management System re-certified to Australian (AS4801) and international (ISO18001) safety standards. ▪ Safety psychometric assessment tool introduced into recruitment process for roles with higher safety risks. ▪ 'Switch on and Refocus' safety campaign implemented to address increase in injuries from employees completing routine tasks. ▪ Frontline Safety Leadership Program developed to support leaders to manage safety in teams with higher safety risks, with training to be delivered in 2017/18. ▪ Safety business partner model implemented to increase support to operational areas.
	Align our safety management systems with our key contractors to collectively improve safety focus.	On schedule	<ul style="list-style-type: none"> ▪ Hosted multiple forums with key industry contractors to discuss and align safety approaches. ▪ Industry safety performance reporting developed to support ongoing focus on safety.
Enhance our leadership tools and offer ongoing support for leaders.	Focus our program of initiatives on providing leaders with tools and support to continue to build our preferred culture.	On schedule	<ul style="list-style-type: none"> ▪ Developed a leadership philosophy, incorporating Requisite Organisation Theory and 'Just Culture' principles and frameworks, to improve leaders' effectiveness. ▪ Cultural diagnostic tool developed to assist in identifying teams considered to be high priority for cultural improvement, and to deliver cultural improvement. ▪ Employee Performance Planning Framework updated to include leadership and cultural principles and support leaders to align all employees to our purpose.
Develop how we engage with and enable our employees.			

Our strategic priorities	Where we focused our attention in 2016/17	Status as at 30 June 2017	What we achieved in 2016/17
Build our capability to support our future workforce needs.	Create a diverse and inclusive workforce that supports our preferred culture.	On schedule	<ul style="list-style-type: none"> ▪ Diversity and Inclusion Strategy approved, with initial initiatives being implemented. ▪ Partnerships formed with niche diversity and inclusion-focused recruitment agencies and advocacy groups. ▪ Established internal recognition and mentoring programs.
	Understand our future workforce requirements and mobilise to acquire that workforce.	On schedule	<ul style="list-style-type: none"> ▪ Future workforce plan finalised, incorporating insights from our extensive utility of the future research and highlighting the skillsets that will be required in the future. ▪ Attraction and Retention Strategy approved, focussing on attracting a diverse range of quality candidates that align with our preferred culture and support our future skills requirements.

OUR WORKFORCE

Our workforce profile

In 2016/17, our total workforce reduced by 11% (as graphically depicted on page 75). This was primarily due to the transfer of 75 staff to Utilita on 1 July 2016. The 'total employees' figure (975) covers a range of professional and trade roles in permanent full-time, permanent part-time and casual capacities and includes 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, 94% were employed in full-time roles, while 6% of our female permanent employees were employed in part-time roles, demonstrating our commitment to flexible working arrangements.

Diversity and inclusion is important to us (see page 88). The different behavioural propensities people have and how they work together can help us build our constructive culture. Our leadership gender profile of 32% female leaders – including at the Executive level – in a typically male-dominated industry, shows our support of women in leadership roles. This is further illustrated by our new partnership with 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). We are proud to have aligned with an organisation that supports and empowers women, and welcome the assistance to attract talented female candidates for leadership and non-traditional roles.

During 2016/17, our workforce profile by age and tenure remained fairly consistent.

Finally, our retention rate (80.9%) declined by 12.9 percentage points, while our separation rate (23.6%) increased by 14.1 percentage points. As previously mentioned, this can be significantly attributed to the transfer of 75 staff to Utilita at the start of the financial year.

This resulted in a minor decrease in the under-25 and 36-45-year age bracket, and a reflective increase in 56+ year age bracket.

(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

In April 2015, a High Court of Australia decision in relation to Queensland Rail impacted our industrial arrangements leading to a change of jurisdiction from the State to Federal system. The result of this change is that our industrial arrangements are now determined through the *Fair Work Act 2009 (Cth)*, the *National Employment Standards (NES)*, and the *Water Industry Award 2010 (Cth)*.

As a result, the *Queensland Urban Utilities Enterprise Bargaining Agreement (2011)* became null and void. We are currently bargaining for new enterprise agreements (EA) under the *Fair Work Act 2009 (Cth)*, and are undertaking an interest-based approach to bargaining. This year, the first of three EAs was approved (see page 92), with negotiations on the remaining two progressing well.

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, such as annual and long service leave.



OUR WORKFORCE (CONTINUED)

Workforce planning, attraction and retention

This year, we developed a two-phase Workforce of the Future Implementation Plan to help us better understand our future workforce requirements and mobilise to develop or acquire that workforce. We successfully delivered phase one of the plan, which involved several programs of work, including, but not limited to:

- Establishing an in-house Talent Acquisition team to draw closer connections between our cultural aspirations, our immediate operational requirements, and our assessment of 'workforce of the future' behaviours and capabilities (which include resilience, leadership, data, customer service and entrepreneurship).
- Implementing a more comprehensive on-boarding process to enable better skills data collection.
- Developing a Diversity and Inclusion Strategy.

In 2017/18, we will focus on phase two of the plan, which includes:

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

A subset of our Workforce of the Future Implementation Plan is our Talent Acquisition and Retention Strategy, which was reviewed and updated this year. The strategy, which will be delivered from July 2017, will focus on three objectives:

1. Developing and providing support to enhance leadership capability.
2. Developing and delivering a contemporary, fit-for-purpose assessment and selection framework to attract, assess and recruit talent.

3. Developing and delivering targeted initiatives aligned with the Diversity and Inclusion Strategy.

In addition to these new initiatives, we continued to invest significant time and resources into our leadership programs to ensure our employees are engaged and enabled to do their work (see page 85). 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, which oversees:
 - Petroleum and Gas Advisory Group.
 - Electrical Safety Advisory Group.
 - Infrastructure Delivery Contractor Advisory Group.

HIGHLIGHTS

Safety

Working with our contractors to deliver positive safety outcomes

We are committed to fostering a culture of safety, not just for our employees, but for our contractors. To demonstrate this commitment, we introduced quarterly Contractor Safety Partnering Forums, hosted by our Infrastructure Delivery team.

The purpose of the forums is to bring together workplace health and safety (WH&S) professionals from our key infrastructure contractors to discuss common safety issues and hear from key note speakers on a variety of topics, with past examples including the Queensland Confined Space Code of Practice and the Queensland Excavation Work Code of Practice. This year, we hosted two forums and, as a result, our contractors have gained a stronger understanding of our safety standards and are better placed to work with us to deliver projects that meet WH&S legislative requirements.

To date, anecdotal feedback has been positive, with one attendee referring to the forum as “a valuable learning experience.”

These forums are part of an initiative to extend our safety value beyond our workforce to include principle contractors and sub-contractors.

Hiring employees with the right safety mindsets

As part of our recruitment process, we introduced the Davidson safety assessment tool – a psychometric tool that assesses the safety mindsets, behaviours and abilities of employees undertaking safety-critical roles. Developed by organisational psychologists at Davidson Recruitment, the tool uses a combination of cognitive ability, personality assessment and exclusive psychomotor testing, and has been proven to help organisations decrease the risk of injury.

The tool is helping us to hire the right people (typically in operational roles at treatment plants and in the field) which, we anticipate, will improve our organisational safety performance. We are also encouraging our labour-hire suppliers and contractors to adopt this tool as part of their own recruitment processes.

In addition, we are working with Davidsons to develop a safety leadership version of this assessment tool to further improve our selection and development of leaders of employees who perform safety-critical work.

Encouraging our employees to ‘Switch on and Refocus’

There is ample safety research available that highlights the links between familiarity, complacency, distraction and rushing with a greater likelihood and incidence of injury. As a direct result of our unfavourable lost time injury performance, we introduced our ‘Switch on and Refocus’ safety campaign to emphasise that frequent and familiar work still requires our full attention and appropriate levels of caution.

While the campaign’s overarching message featured in all communications (including posters, computer wallpaper, and the employee safety newsletter), safety performance data was tailored to specific work locations to foster greater relevance and meaning for local audiences. Enterprise-wide communications included tips to help employees refocus their attention between work tasks, reduce distraction and maintain awareness of safety risks.

While the Switch On and Refocus posters remain in depots and plants as a call to action, the campaign will be supplemented with training support of our health and safety representatives and crew leaders to encourage safety conversations amongst teams about frequent and familiar work tasks and the inherent risks they may present.

HIGHLIGHTS (CONTINUED)

Helping our employees stay safe on the roads

Road safety continues to be one of Australia's most serious public health issues, yet road crashes are largely preventable. Many of our people spend a significant amount of time on the road, driving long distances, day and night. To empower our people to stay safe on the roads, we gave them the opportunity to attend 'Drive for Life' training, which was held at various sites across our service territory.

Presented by a driver training expert – a former NSW Police Forensic Crash Investigator – the workshops included a combination of classroom theory, practical techniques and examples of driving behaviours. The aim of the training was to help participants think differently about their attitudes towards safety by motivating their intrinsic desire to stay safe for themselves and their loved ones.

In 2016/17, 210 employees undertook the training (160 from operational/field teams and 50 from our corporate areas).

In 2017/18, we will offer additional sessions, with the potential to include practical training using Queensland Urban Utilities' fleet trucks and vehicles to further enhance the effectiveness of the program.

Leadership and culture

Realigning our People and Safety group to improve our workforce capability

To ensure we have the right people in the right roles to support our organisation's growth, we undertook a review and subsequent realignment of our People and Safety group. As a result, we have sharpened our focus on generating the appropriate leadership skills and workforce capability to foster a safe and constructive business.

Following a period of employee consultation, we began our transition to the new structure in March 2017.

Our revised People and Safety group comprises the following teams:

- **Leadership and Talent:** responsible for the development of a broad range of evidence-based approaches to support culture, organisational design and workforce skills and capability, including identifying the best possible talent from within our own ranks, as well as finding the right people from outside of our business.

- **Culture and Performance:** responsible for identifying performance and effectiveness opportunities across the organisation and improvement in the use, integration and integrity of data and systems to better support leaders in their decision making.
- **Workplace Health and Safety:** responsible for leading the development and implementation of our health and safety strategies, and supporting and training leaders in the application of our Safety Management System.
- **Employee Relations:** responsible for supporting employee remuneration and benefits, injury management, our employment and industrial relations frameworks, and human resources support services.

Developing our leaders to be the best they can be

In 2016/17, we continued to roll out our 'Building the Blue' culture program, which aims to build a constructive culture by giving our leaders the right tools to improve their self-awareness, willingness to learn and ability to coach and communicate more effectively.

The Building the Blue culture program is split into the three fundamental areas of leadership development:

- Leading self
- Leading others
- Leading Queensland Urban Utilities

The program's focus is for leaders to learn how to be a team player, to take accountability for culture and to be a role model for their team. It recognises that leaders must first look within and build their own self-awareness before they can effectively lead their teams.

Programs of development are summarised below.

Program	Overview	Outcome	Participation to date
Leading self			
Life Styles Inventory 360-degree feedback	Provides leaders with an opportunity to look at their thinking and behaviour and gain input from up to 10 colleagues.	<ul style="list-style-type: none"> Increased role satisfaction Improved relationships Increased leadership effectiveness Reduced likelihood of stress 	250+
Blue Leader Program	Provides leaders with an opportunity to reflect on and grow their leadership effectiveness.	<ul style="list-style-type: none"> Greater awareness and insight of constructive leadership styles Increased leadership effectiveness Increased personal resilience Greater ability to implement changes 	230+
Leading others			
Coaching Skills Program	Provides leaders with the framework and practice to have purposeful coaching conversations using the GROW Model aimed at enabling performance across multiple scenarios.	<ul style="list-style-type: none"> Improved team effectiveness Improved goal setting and performance management abilities 	175+
Structural Dynamics (individual and team)	A theory of how face-to-face communication works when there are more than two people conversing utilising the Kantor Behavioural Profile.	<ul style="list-style-type: none"> Increased awareness of own style Increased ability to change action style Improved relationships with others in team Increased team effectiveness 	<ul style="list-style-type: none"> 240 individual reports 21 team reports
Leading Queensland Urban Utilities			
Career Development Program	A program for all employees to discuss their career aspirations with their leaders and identify appropriate development options aligned with Achieving Success priorities.	<ul style="list-style-type: none"> Succession program 	All employees

To further enhance our leaders' skills, we:

- Launched our Leaders' Centre – a secure intranet portal through which leaders can access the news, key dates, tools, data and information they need to help them manage their teams and develop as leaders.
- Commenced an external review of our current leadership framework, the outcome of which will inform our preferred leadership philosophy, that is, a clear set of beliefs about leadership at Queensland Urban Utilities. This set of beliefs will give context and meaning to the strategies and initiatives we put in place and will help current and future employees to connect their personal values to those of the organisation.

HIGHLIGHTS (CONTINUED)

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

Program	Overview	Outcome
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
Achieving success	A structured program of employee-initiated conversations with leaders about performance, behaviours and culture.	<ul style="list-style-type: none"> ▪ Open and constructive relationships ▪ Increased job clarity and satisfaction ▪ Collaboration

Reconnecting our employees with our purpose and values

In April, our CEO and members of the Executive Leadership Team took a road trip across our service territory to present the biannual CEO Roadshow, the purpose of which is to gather employees together to reflect on our business performance and discuss plans for the future. This particular roadshow was dedicated to discussing and reconnecting with our purpose, 'enrich quality of life', and our corporate values: safety, participation, accountability, customers and community, deliver value, and creativity. Tying in with our purpose, all employees took part in a hands-on team-building challenge to build pushbikes for local children living with illness or disability.

Teams built more than 70 bicycles, which were donated to children through Camp Quality and the Deaf Society. Employees said it was a rewarding experience, not only to build the bikes, but to see many of the children and their families personally collect them at the roadshows.

The success of the roadshow was evident in employees' survey responses, with 71% believing Queensland Urban Utilities is becoming a more positive and constructive place to work, 72% saying they had a better understanding of why culture is important to performance, and 81% indicating they felt empowered to contribute to helping build a more positive and constructive culture.

In addition to the enterprise-wide roadshows, we hosted a Leaders' Forum in January, where over 100 leaders gathered to reconnect with and recommit to our purpose. The day was facilitated by leading management consultant and author, Karen James, who helped groups of leaders address challenging questions about how best to achieve our purpose through more effective leadership, operations and technology.

Fostering an innovative culture

We recognise that our capacity to create new knowledge, find new ways of doing business, and transform bright ideas into tangible results is vital to maintaining a modern and sustainable business. To help us achieve this, we have a dedicated Innovation Program in place, which supports our employees to generate ideas and follow them through, share innovative stories, and inspire others to be creative and inventive.

In 2016/17, our employees generated 80 new ideas, which, once implemented, are expected to deliver social, economic, environmental and operational benefits for both the business and our customers and communities. We also hosted six CEO Innovation Hours (a dedicated forum where staff can pitch their ideas directly to the CEO for approval), and had an additional 36 employees undertake training to become champions of the Innovation Program.

This year, employee-generated ideas approved for implementation included:

- **QR2ID** – An asset management system that allows Queensland Urban Utilities and contractors to operate off the same platform. It provides insight into the number of physical security devices installed in our network, where they are located and the age of the equipment, and provides visibility regarding contractors' activities.
- **Inside Web Chat** – A cloud-based customer engagement platform that allows us to address customer enquiries in real time (see page 38).
- **Mobile reservoir** – Provides an alternative, reliable water supply when a reservoir is offline during a disruption or maintenance works. This ensures continuity of water supply for fire fighters and access to drinking water for customers.
- **Reverse Alert** – A novel technology that engages an automatic braking system to eliminate reversing incidents in fleet vehicles.

“

I feel a real sense of pride with what I have been able to achieve through the Innovation Program. To be a great innovator, a person needs to recognise there is a problem and apply themselves to either solving it or coming up with a solution to manage it better. The group gives me a true sense of belonging and it's been a great journey to date.

PHIL RICHTER, TECHNICAL OFFICER



HIGHLIGHTS (CONTINUED)

Future workforce

Embracing diversity and inclusion

We are working to enhance our current and future capability by creating a culture where difference is respected and tolerated, and where individuals' contributions, knowledge, skills and experiences are valued and encouraged.

To help us achieve this vision, we have developed a Diversity and Inclusion Strategy, which outlines specific initiatives to be undertaken over a five-year period. Planned initiatives include, to:

- develop targeted recruitment campaigns to ensure candidate representation from key priority areas (women, indigenous Australians, youth, and culturally and linguistically diverse backgrounds),
- implement unconscious bias training for all leaders, and
- implement a Graduate, Vacation Student and Trainee Program.

Delivering on these initiatives will lead to a flexible, agile and adaptive workforce of the future, which will result in:

- improved organisational performance, productivity and decision making,
- enhanced reputation as an employer of choice,
- improved ability to remain competitive and sustainable with increased innovation and creativity, and
- greater employee effectiveness.

We have already begun delivering diversity initiatives, as demonstrated by our new partnership with 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). This information is not publicly listed, but has become an essential tool for women to assess employers. We are proud to have aligned with an organisation that supports and empowers women, and welcome the assistance to attract talented female candidates for leadership and non-traditional roles.

In addition, we continued our involvement in the Leaders in Infrastructure, Diversity and Inclusion group – an industry working group that aims to create a common diversity and inclusion focus across the infrastructure industry.



Welcoming new employees

In late 2016, we launched our new on-boarding program, 'Welcome with Wow', which aims to create a positive experience for new starters, and to support leaders to effectively transition new employees into the organisation.

As part of the program, new employees are:

- linked to an on-boarding welcome page prior to their start date, where they can learn more about the organisation and local area information (e.g. parking, transport, eateries) to help ease any concerns around their first day,
- provided with a welcome pack, including relevant literature, a Turn to Tap drink bottle, a new employee plan, and a welcome card signed by their team,
- appointed with a 'buddy' to support them during their transition period, and
- sent a 'Welcome to QUU' video message from our CEO.

We also redesigned our Corporate Orientation Program to maximise its value for new employees. Based on employee feedback, the revitalised program includes a morning tea with senior leaders from around the business; a visit to the Contact Centre to listen in on real customer calls; activities around constructive behaviours; training on the worksite risk assessment process; a scavenger hunt around head office to build relationships and understanding of the functions of different departments; a tour of a sewage treatment plant; and a lunch with our CEO.

Since the program's launch, feedback from new employees has been positive, with many praising their on-boarding experience as being comprehensive and personalised.

Supporting our young water professionals

Demonstrating our commitment to building a positive and constructive workforce, we launched the Young Water Professionals (YWP) group to support and harness the potential of our bright, young talent.

Conceived by two of our passionate employees, the YWP program:

- offers valuable opportunities for members to access resources and attend events that contribute to their personal and professional development,
- offers a peer and mentor support network, along with an opportunity to knowledge-share between business areas,
- brings a fresh perspective into the business, and
- increases employee capability and job satisfaction.

The group, which currently has over 125 members, is open to those either 'young in age' or 'young in industry'.

In March, members were given the opportunity to attend an insightful and practical presentation by Jono Nicholas, CEO of ReachOut Australia – the nation's leading online mental health organisation for young people. As a token of their appreciation, YWP group members raised over \$1,000 to donate to ReachOut and, in 2017/18, are looking forward to collaborating with other like-minded charities.

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 our CEO's discretion.

This year, the **URBANHERO** award was presented to two exceptional employees at the CEO Roadshow in April.

Kevin Fiteni, Operations and Service Delivery Group

Kevin Fiteni was honoured for the commitment and hard work he has shown to our industry and his Treatment and Production team mates during his 50 years of service. "He's the quiet achiever who you can just trust to get the job done," said CEO Louise Dudley of Kevin, who works across many of our sewage treatment plants. "His colleagues regard him very highly because of his extensive industry knowledge, his quiet disposition and his commitment to hard work and doing a good job," said Louise.

"Whether it is fencing out kangaroos or cleaning sites, Kevin is known for quietly trouble-shooting issues to help his work mates, our customers, and the organisation."

Tess Gilfedder, Customer and Community Group

Tess Gilfedder was honoured for the participation, enthusiasm, energy and commitment that she brings to our organisation. Beyond her talents in her role as Digital Marketing Consultant in the Marketing and Digital Team, Tess is always first on the list of volunteers for industry events and special interest groups. She has played a key role in establishing and managing our Young Water Professionals group, dedicating much of her own personal time to ensure its success. In addition, she is involved in our Innovation Program and Emergency Response Teams, is a Fire Warden, and leads the Customer iQ Group.

"Tess has the kind of attitude and commitment that I want us to recognise and celebrate at Queensland Urban Utilities – she's a real asset to our team and I want to thank her for demonstrating the 'blue culture' in everything that she does," Louise said.



CHALLENGES

Safety performance

Delivering programs to reduce injuries

This year, we saw our overall safety performance (Total Injury Frequency Rate) remain constant, which can be attributed to our ongoing focus on protecting our employees from workplace hazards and risks. While we did not reach our target, we continued to bolster our safety program by implementing or progressing a number of programs:

- a 'Driving Safely' video to give employees a quick visual reminder of their responsibilities while driving a fleet vehicle,
- Safety Innovation Awards to encourage employees to look for smarter ways of working in the field,
- regular Contractor Safety Partnering Forums (see page 83),
- our 'My Health' program, which includes health assessments for employees aged 45+, partial reimbursement of exercise or healthy eating programs, ergonomic assessments, and complimentary flu vaccinations,
- PERforM – an online course that educates employees on how to identify, assess and control the risks associated with manual handling,
- our drug and alcohol testing program to support the safety of our employees and the general public, and
- CERT IV WHS training for our leaders and health and safety representatives (HSRs).

This year, we experienced an increase in our Lost Time Injury Frequency Rate (LTIFR) – rising from 4.73 in 2015/16 to 7.29 in 2016/17. This lost time was the result of increased manual handling and slip/trip/fall injuries that occurred during routine work activities such as digging, lifting and walking up or down stairs. As a direct response to these issues, we implemented programs designed to minimise the risk of manual handling injuries, including:

- our 'Switch on and Refocus campaign' to raise safety awareness when undertaking routine activities (see page 83),
- increasing our catalogue of SafeSpine videos, which include exercise routines to improve core strength and flexibility, and
- coaching for our leaders and HSRs to increase the efficacy of leader-led safety conversations.

In 2017/18, we intend to further enhance our safety performance by:

- continuing to up-skill and enable HSRs to focus on monitoring and improving group-specific safe systems of work,
- refining our hazard inspection and reporting program, and
- continuing to promote and extend our contractor partnering program.

CHALLENGES (CONTINUED)

Bargaining for new Enterprise Agreements

This year, we continued our bargaining process for three new Enterprise Agreements: SAS Laboratory employees; Operational and Field employees; and Administrative and Technical employees.

The objectives of these new agreements are to:

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

The Enterprise Agreements have been negotiated using an approach that optimises employee engagement and is consistent with our values and culture.

The first of the agreements to be approved – the SAS Laboratory Employees' Enterprise Agreement 2017 – was signed off by the Fair Work Commission in June 2017. This outcome was the result of our SAS Laboratory employees engaging in an interest-based approach to bargaining. Consequently, we took the important step of creating a single agreement for them. The fact that 90% of the employees voted was also testament to their level of engagement in the process.

The new agreement provides specific terms and conditions and competitive wage increases for our SAS Laboratory employees, which will position SAS to become a 'laboratory of the future' in support of our overall 'utility of the future' vision (see page 71).

We were pleased to confirm that the vote was successful, with 87% of voters saying 'Yes' to the proposed agreement.

We are continuing to negotiate new agreements with both our Operational and Field Employees and our Administrative and Technical Employees, and we anticipate that these will be implemented in 2017/18.



Measuring our employee engagement and enablement

It is important for us to know how engaged and enabled our employees feel, as these factors contribute to our overall effectiveness as an organisation. To measure our performance in this area, we conducted an externally designed and collated Employee Effectiveness Survey in May 2017. This was the fourth consecutive year we have run the survey.

Encouragingly, it had an impressive response rate of 84% – a 2% increase on last year, and an 18% increase on 2015.

Our overall engagement score increased by 3 points (59), and our overall enablement score increased by 2 points (also 59). While these results fell just short of our target of 61, we continued on an upwards trajectory and, for the first time, saw improvements in all dimensions measured in the survey.

The survey revealed a number of factors employees value about working at Queensland Urban Utilities. Our commitment to respect and recognition, work/life balance, and individual respect were all rated highly by staff. In addition, 95% of respondents reported a safe work area, and 89% said the people in their team had a strong commitment to delivering high quality products and services.

The survey also revealed a number of areas for improvement, including a need for more opportunities to access available training, enhanced leadership capability, and improved performance management.

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

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.



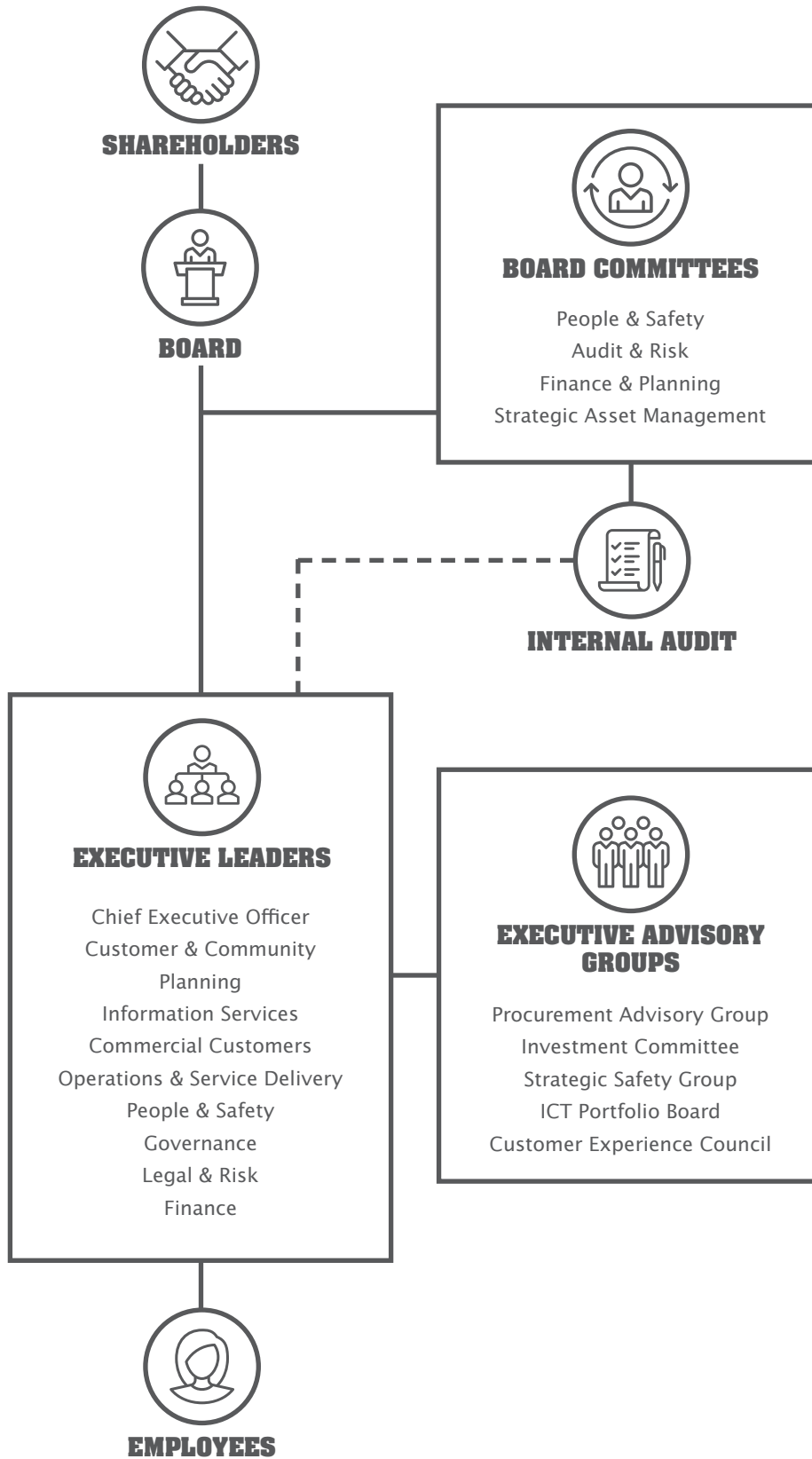
We are committed to a high level of corporate governance, and to fostering a culture that values ethical behaviour, integrity and respect.

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 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), Gladstone Agricultural Terminal, 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.



DIANA EILERT

BSc (Maths), MCom (Financial and Marketing), GAICD

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

Diana is a professional Non-Executive Director and is presently appointed to the Boards of ASX-listed companies Navitas, Super Retail Group and Essential Energy. Her 25-year executive career includes Group Executive roles with Suncorp and Citibank, and strategy leadership roles with consulting firms AT Kearney and IBM. Diana has significant digital experience and was previously Non-Executive Director on the Boards of realestate.com.au and digital businesses "onthehouse" and "Our Deal."

Diana's term on the Queensland Urban Utilities Board concluded on 30 June 2017.



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, managing all aspects of a legal practice in Ipswich and the Lockyer Valley areas. 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.



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 Table 2 (see page 101).

Audit and Risk Committee

In 2016/17, the Audit and Risk Committee included Len Scanlan (Chair), Geoff Harley, John Cotter, Diana Eilert, 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 2016/17, the Finance and Pricing Committee included Diana Eilert (Chair), Geoff Harley, Dennis Cavagna, Len Scanlan, and Graham Thomsen. The executive sponsor was Darryl Rowell.

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 2016/17, 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 2016/17, the Strategic Asset Management Committee included Dennis Cavagna (Chair), Geoff Harley, Phil Kesby, John Cotter, and Graham Thomsen. 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	11	5	4	4	5
Geoff Harley	10	4	4	4	4
Dennis Cavagna	11	-	4		5
John Cotter	11	4	-	4	4
Phil Kesby	10	-	-	3	4
Len Scanlan	9	4	3	-	-
Diana Eilert	10	4	4	-	-
Kerian McNamara	8	4	-	2	-
Graham Thomsen	8	-	3	-	4

Table 2: 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.



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 customer relationships, the performance of its NATA-accredited SAS Laboratory division, and the development of new products and services.



MARK LETICA
Executive Leader Governance
BCom, GIACD

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.

Mark is Chairman of the Customer and Community Reference Group.



TRACEY MOORE
General Counsel and Board Secretary

BA LLB (Hons), MA (Hons)

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.

Our Executive Leadership Team
continued over page...

OUR EXECUTIVE LEADERSHIP TEAM (CONTINUED)



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.



DARRYL ROWELL
Chief Financial Officer

BCA, MBA, CPA

Darryl is responsible for Queensland Urban Utilities' financial activities and shared services, which includes transactional accounting, collections, billing, and business support administrative services.

Darryl previously held executive and senior management roles at Energex, Meridian Energy and RoyalSunAlliance.



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).



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.

Complete biographies are available on our website.



OUR EXECUTIVE ADVISORY GROUPS

During 2016/17, 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

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. The results of that scan, which informed our 2017-22 strategic direction, are summarised in the table below.

Political	Government debt Changing governments Deregulation	Technology	Speed of change Real time monitoring Bio & nano technology
Economic	Economic growth Investment Cost of living Asset sales	Environmental	Extreme events Regulatory pressures
Social	Urbanisation Elderly population Vulnerability Liveable communities Digital and social media	Legal	Flexible regulation Competition Consumer protection
		Water industry	Sensitive urban design Energy generation Resource recovery

The trends on the left are considered when updating our internal strengths and weaknesses, and the external opportunities and threats we face. They form the basis of consultation with our Board and shareholders, who provide the guidance to determine where we need to focus our day-to-day efforts and where we need to improve over the next five years.

Our Board sets our strategic direction, which includes our purpose, vision and strategic pillars (see page 12). This is documented in the five-year Corporate Plan, which is approved by our shareholders.

Our *2017-22 Corporate Plan* was approved by our shareholders in early 2017/18. Our Corporate Plan is used to develop our Master Plan, which outlines the actions we need to complete to achieve the objectives and strategies in our strategic pillars.

Finally, our values are embraced by our teams and employees every day, as they work towards achieving of our purpose and vision. Our values are described on page 13.

Incorporating the above elements, our strategic planning framework (Figure x) aligns the work of every employee to our purpose and vision.



Figure 1: Our strategic planning framework.

OUR PLAN FOR THE FUTURE (CONTINUED)

Our strategic planning (continued)

In developing our *2017-22 Corporate Plan*, we retained our purpose, vision and four strategic pillars, with no significant changes to our strategic direction from 2016-21. A review of our strategic direction, informed by the utility of the future research we have undertaken (see page 71), shows we are currently on the right path to achieving our vision.

A summary of our 2017-22 strategic direction can be seen below.

Strategic pillar	We will focus on improving in the following areas
Customers and Communities We are easy to deal with, understand our customers and communities, and deliver services that meet their evolving needs.	<ul style="list-style-type: none"> ▪ Enhancing the way we collect and analyse data to improve our understanding of our customers and the services they receive. ▪ Continuing to engage with our customers and communities to help us make strategic decisions about our products and services. ▪ Improving the customer experience by delivering a consistent level of service across all channels. ▪ Evolving our customer segments and how we manage them in order to build stronger relationships. ▪ Continuing to use technology to enhance the products and services our customers receive and how they receive them.
Shareholders and Strategic Stakeholders We partner with our shareholders and strategic stakeholders to achieve mutually beneficial outcomes for our shared customers and communities.	<ul style="list-style-type: none"> ▪ Continuing to engage with shareholders to ensure our strategic priorities align. ▪ Continuing to influence the regulatory environment we operate in. ▪ Strengthening partnerships with key stakeholders to deliver shared value.
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.	<ul style="list-style-type: none"> ▪ Improving the way we invest in and deliver our infrastructure. ▪ Developing alternative ways to deliver water and sewerage services. ▪ Identifying and implementing innovative environmental solutions that will contribute to the liveability of our communities. ▪ Investing in technology that improves how we monitor and control our water and sewerage networks. ▪ Continuing to identify and implement improvements to processes, systems and data that will improve performance and reduce cost.
People We are safe, adaptable and capable, and committed to living our values and achieving our purpose and vision.	<ul style="list-style-type: none"> ▪ Having a greater focus on employee safety and that of our contractors and suppliers. ▪ Supporting our leaders to engage and enable their teams. ▪ Acquiring or developing talent that meets our workforce of the future requirements.

Current strategic risks

Our strategic risks are reviewed by management and approved by our Board every six months. Our current strategic risks are set out below.

Strategic pillar	Strategic risk
Customers and Communities	<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 financially viable and meet customer needs. ▪ Failure to define the customer experience and support it with business processes that achieve customer expectations. ▪ Loss of revenue streams from large commercial customers.
Shareholders and Strategic Stakeholders	<ul style="list-style-type: none"> ▪ Loss or impairment of shareholder trust or support. ▪ Failure to establish and maintain collaborative stakeholder relationships.
Operational Excellence	<ul style="list-style-type: none"> ▪ Asset planning and management strategies do not meet customer service standards, growth requirements and are not prudent and efficient. ▪ Failure to maintain financial sustainability. ▪ Failure to prevent and manage significant environmental impacts. ▪ Failure to implement adaptive solutions relating to the environmental resilience of our infrastructure and service delivery. ▪ Failure of internal controls leads to fraudulent or corrupt behaviour. ▪ Failure to develop strategies that enable us to meet the risks of new market entrants. ▪ IT security breach leads to extensive business interruptions and/or reputational impacts. ▪ ICT roadmap is not delivered on time and is not responsive to operational efficiencies, customer service improvements and strategic growth opportunities. ▪ Failure to adopt innovative ideas that meet the evolving needs of customers.
People	<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.

OUR PLAN FOR THE FUTURE (CONTINUED)



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.

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.

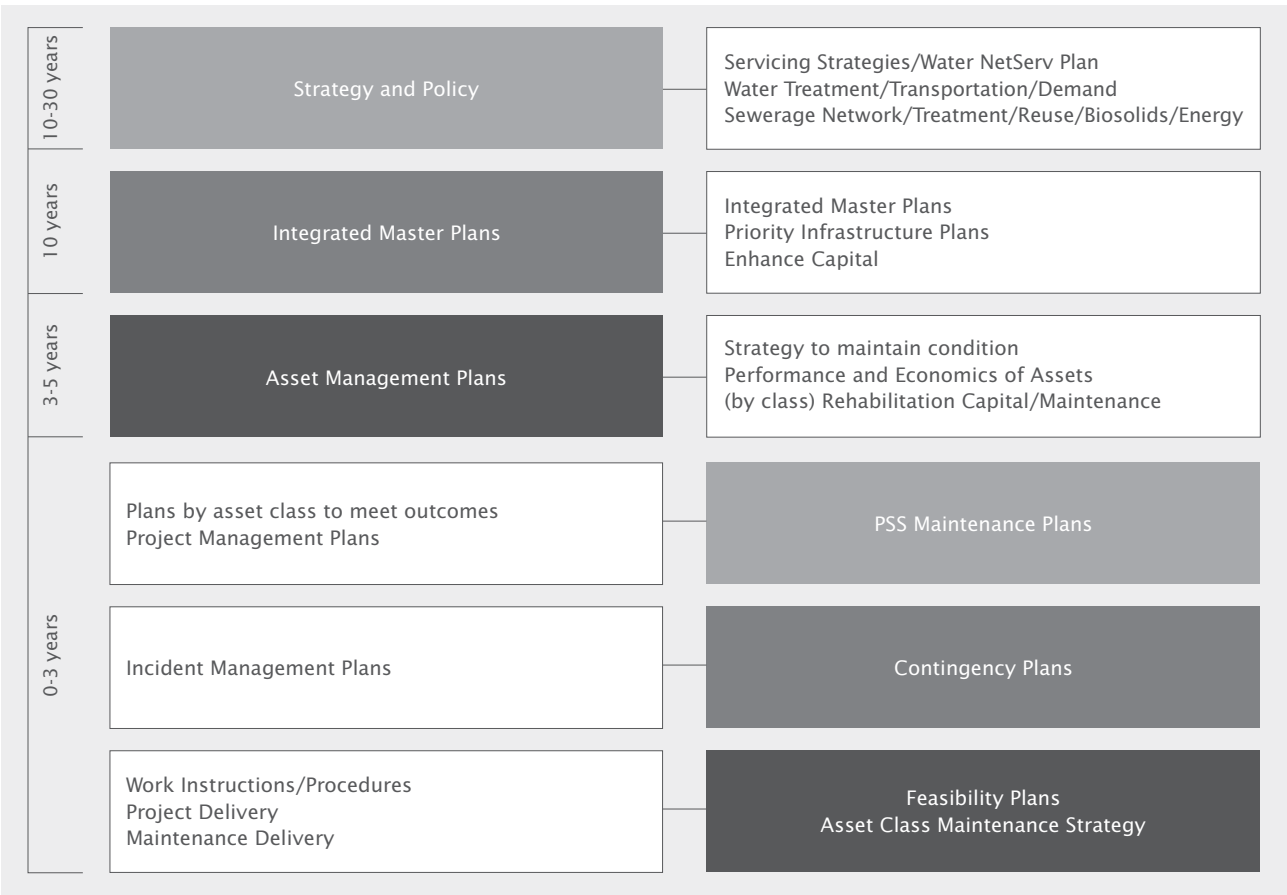


Figure 2: Our approach to infrastructure planning, delivery and maintenance.



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 106).

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 177).

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, 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.

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 2016/17, 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 2016/17 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 2016/17, Internal Audit undertook eight 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 2016/17, 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.

During 2016/17, the program did not identify any adverse findings.

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 and strategies is tracked and reported to our Executive Leadership Team on a monthly basis and to our Board and shareholders on a quarterly basis. It also forms the basis of our Annual Report.

Performance against our strategic success measures and customer service measures are reported to our Executive Leadership Team and Board on a monthly basis. This information is also reported to our shareholders on a quarterly basis and included in our Annual Report.

Our operational measures predominately act as lead indicators to our strategic success measures and customer service measures, providing early insight into challenges that may impact the delivery of services to our customers and achievement of our strategic direction. Key operational measures are reported monthly to the Executive Leadership Team, and discussed at meetings of our Executive Leadership Team and managers across the business.

Our strategic, customer service and operational performance measures are aligned to industry reporting, enabling us to deliver efficiencies in the management of data and benchmarking our performance against our peers. They also incorporate our customer, shareholder, asset, environmental, financial and employee requirements and strategies.

We also support and comply with various industry and regulatory reporting requirements, 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, which are both available 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 our current eDRMS (electronic data and records management system) to ensure it continues to meet our legislative and operational requirements.

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: \$104 million, up 1% on 2015/16.
- Profit after tax: \$291.4 million, up 25% on 2015/16.
- Revenue: \$1,382.1 million, up 8.9% on 2015/16.
- Operating cost base: \$965.3 million, up 3.3% on 2015/16.
- Capital expenditure (including developer donated assets): \$292 million.
- Gearing reduced to 35%.

Financial performance for the year ended 30 June 2017

For the year ended 30 June 2017, Queensland Urban Utilities reported an operating profit before tax and capital revenues of \$104 million. This figure was consistent with our 2015/16 result of \$103 million. The net profit after tax figure of \$291 million was \$59 million higher than 2015/16. This was largely due to an increase in developer contributions (capital revenues) to \$313.2 million, 35% higher than 2015/16.

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

Our five-year financial performance summary is detailed below:

\$m	2012/13	2013/14	2014/15	2015/16	2016/17
Revenue	846	950	996	1,037	1,069
Operating expenses	(808)	(876)	(920)	(935)	(965)
Operating profit before tax and capital revenues	38	74	76	103	104
Capital Revenues	105	119	197	232	313
Profit before tax	143	193	273	335	417
Taxation expense	(40)	(60)	(85)	(103)	(125)
Profit after tax	103	133	188	232	291

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 2016/17 was \$272 million, an increase of \$37 million against 2015/16. These funds will be invested back into our shared communities.

Revenue summary

Queensland Urban Utilities' gross revenue for the year ended 30 June 2017 was \$1,382 million and came from two main sources: \$1068.9 million from customers and \$313.2 million from developers.

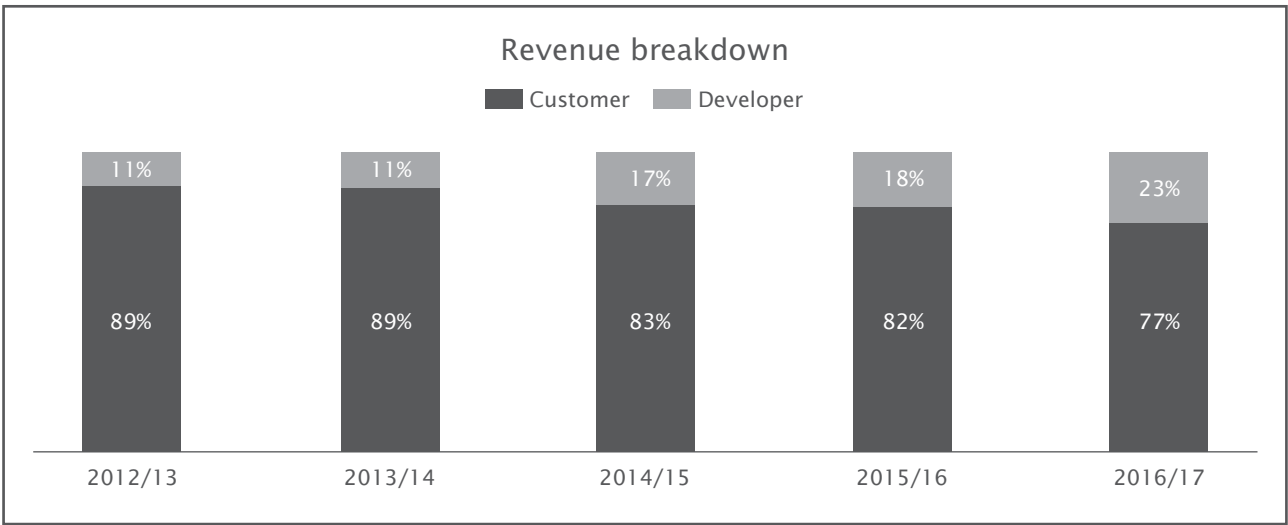


Figure 3: Queensland Urban Utilities' historical developer and customer revenue.

Customer revenue was generated through \$619 million in water utility charges and \$420 million in wastewater utility charges, with the remainder from our professional services, such as SAS laboratories and developer services. For 2016/17, customer revenue represented 77% of our total revenue, compared to 82% for 2015/16.

Customer revenue increased by \$32 million (3%) on 2015/16, which was proportional to property growth, water usage and an average price increase of 1.8%. Around 17,600 properties were added to our customer base in 2016/17.

Developer revenue from cash contributions and donations of assets rose from 18% in 2015/16 to 23% in 2016/17.

Developer revenue increased by \$81 million (35%) on 2015/16, which was a reflection of both the level of construction activity and the economic environment at the time.

Operating expense summary

The overall increase in total operating expenses was \$31.1 million. Of this, \$24.4 million accounted for bulk water charges, while the remaining \$6.7 million was associated with the delivery of our services to customers. Bulk water charges were impacted by an average 3.5% price increase imposed by the State Government, with these costs passed directly on to customers. Bulk water costs accounted for 41% of our operating expenses in 2016/17.

The increase in the cost of service delivery to customers was impacted by a \$3.3 million increase in our finance and borrowing costs, due to higher interest rates. Depreciation costs, which represent the consumption of the useful life of our assets, increased by \$2.5 million during 2016/17. 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.

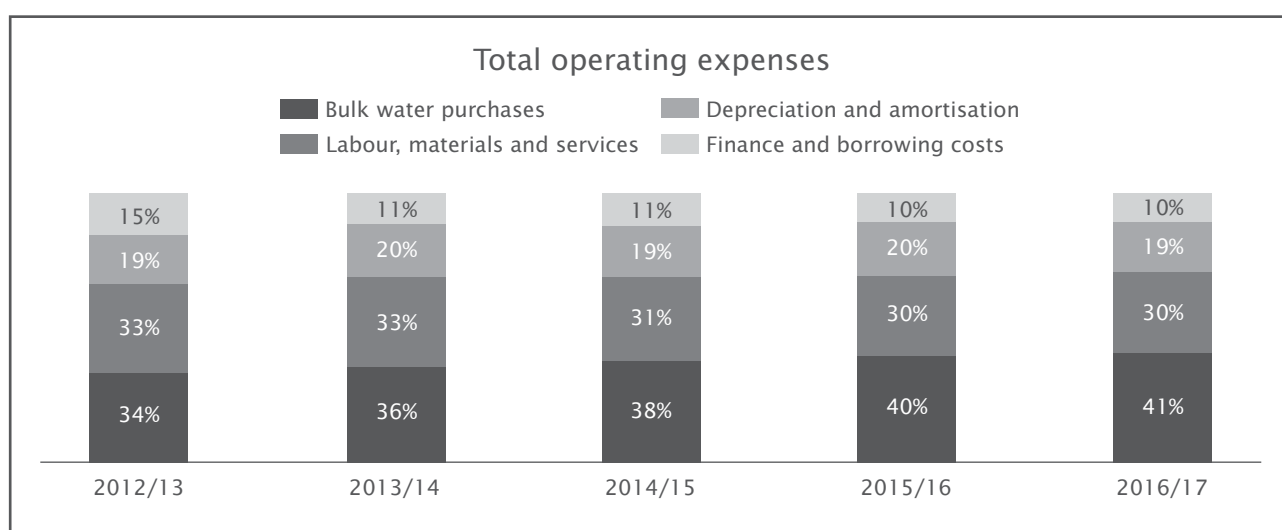


Figure 4: Queensland Urban Utilities' historical operating expenses breakdown.

Operating cost per property

We are committed to delivering operational efficiencies to help keep our prices as low as possible. Between 2014/15 and 2016/17, we reduced our cost of service per property by \$23, or 4%, thus demonstrating our commitment to our customers. The table below illustrates this result:

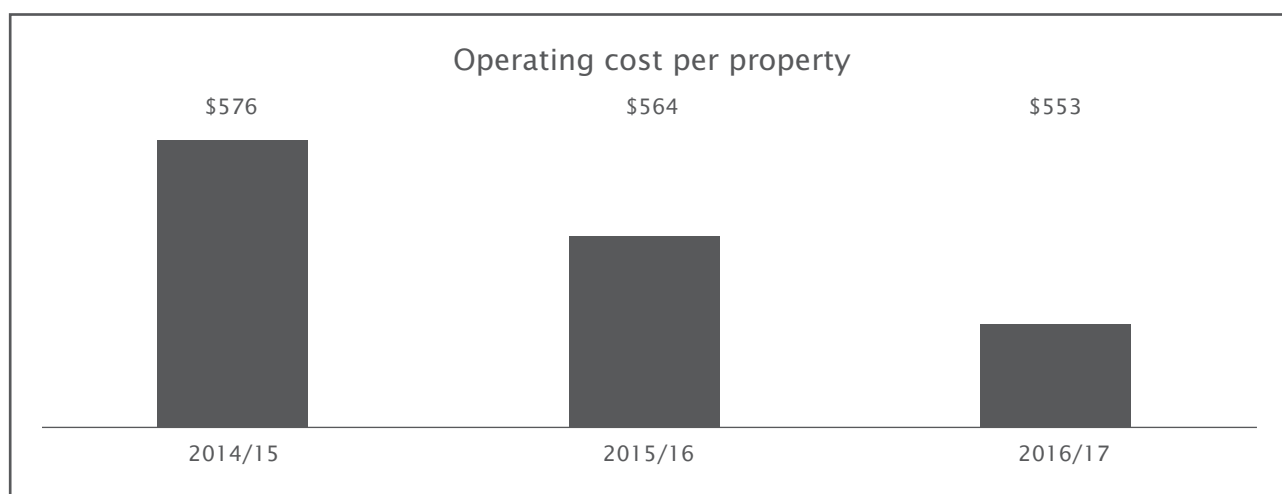


Figure 5: Queensland Urban Utilities' historical operating cost per property.

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
Our investment in capital	215	212	223	206
Capital provided by developers	50	100	84	97
Total investment	265	312	307	303

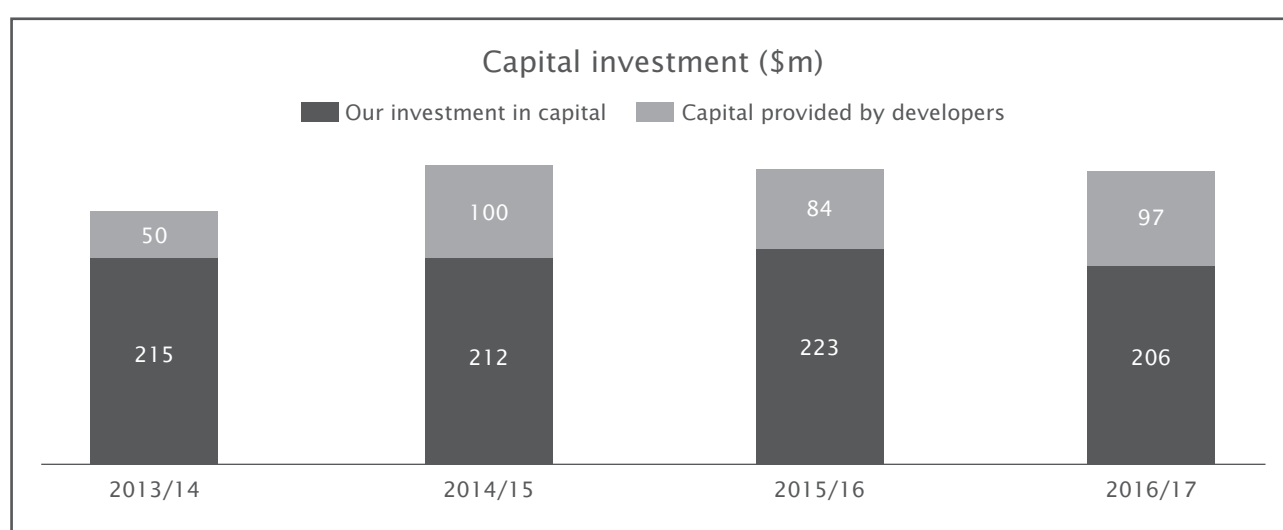


Figure 6: Queensland Urban Utilities' historical capital investment.

Key performance measures

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

Key performance measures	Unit	2012/13	2013/14	2014/15	2015/16	2016/17
Return on assets	%	5.0%	5.5%	6.8%	7.6%	8.8%
Return on equity	%	3.6%	4.6%	6.2%	7.4%	8.9%
EBITDA interest cover	times	2.67x	3.41x	3.40x	4.14x	4.00x
Funds from operations to net debt	%	8%	9%	9%	11%	10%
Net debt to fixed assets	%	43%	39%	37%	37%	35%

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 Statements.

What is included in the Financial Statements?

The Financial Statements report on how we performed financially during 2016/17, and our overall financial position at the end of the financial year (30 June 2017).

The Financial Statements include:

- Statement of Comprehensive Income,
- Statement of Financial Position,
- Statement of Changes in Equity,
- Statement of Cash Flows, and
- 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 our 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, the operating result includes 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 ensures not only ongoing services and infrastructure to customers and community 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 refers to assets that will be received, or liabilities that will be paid, within the next 12 months. ‘Non-current’ refers to 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 get 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 that may affect the way the statements are prepared. In addition, they 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 people 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 a totally 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 2017

	Notes	2017 \$'000	2016 \$'000
Revenue			
Utility charges	2.1	1,038,853	1,006,005
Contributions	2.2	313,151	232,358
Fees and charges	2.3	22,231	22,837
Other revenue	2.4	7,865	7,889
Total operating revenue		1,382,101	1,269,089
Expenses			
Bulk water purchases	3.1	398,594	374,158
Depreciation and amortisation	8.2, 9.1	178,043	175,522
Supplies and services	3.2	185,118	170,581
Employee expenses	3.3	95,783	101,486
Finance and borrowing costs	3.4	97,561	94,292
Loss on disposal of assets		4,254	11,774
Other expenses	3.5	5,917	6,297
Total operating expenses		965,270	934,110
Profit before income tax equivalent		416,830	334,979
Income tax equivalent	4	125,381	102,748
Profit for the year		291,449	232,231
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Defined benefit plan actuarial gain/(loss)	10.2	399	(281)
Total other comprehensive income		399	(281)
Total comprehensive income for the year		291,848	231,950

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 2017

	Notes	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	5	177,887	135,876
Trade and other receivables	6	46,197	40,539
Other current assets	7	165,880	166,932
Total current assets		389,964	343,348
Non-current assets			
Property, plant and equipment	8	5,381,998	5,258,490
Intangible assets	9	25,170	28,768
Defined benefit plan	10.2	3,454	2,884
Other receivables	6	45	-
Other non-current assets	7	44	-
Total non-current assets		5,410,712	5,290,142
Total assets		5,800,676	5,633,490
Current liabilities			
Trade and other payables	11	22,413	55,367
Employee benefits	12	30,443	32,147
Other current liabilities	13	100,963	82,844
Income tax payable		29,858	33,984
Participation return	14	123,450	85,415
Total current liabilities		307,127	289,758
Non-current liabilities			
Loans and borrowings	15	2,064,895	2,064,895
Trade and other payables	11	5,027	6,110
Employee benefits	12	2,956	2,722
Deferred tax liabilities	4.2	156,452	132,762
Total non-current liabilities		2,229,329	2,206,488
Total liabilities		2,536,456	2,496,246
Net assets		3,264,220	3,137,244
Equity			
Contributed equity		2,538,793	2,538,793
Retained earnings		571,403	444,428
Asset revaluation surplus		154,023	154,023
Total equity		3,264,220	3,137,244

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 2017

	Notes	Contributed equity \$'000	Retained earnings \$'000	Asset revaluation surplus \$'000	Total \$'000
Balance as at 1 July 2015		2,538,793	338,842	154,023	3,031,659
Contributions by and distributions to Participants					
Participation return to Participants	14	-	(126,365)	-	(126,365)
Total contributions by and distributions to Participants		-	(126,365)	-	(126,365)
Profit for the year		-	232,231	-	232,231
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial loss	10.2	-	(281)	-	(281)
Total comprehensive income for the year		-	231,950	-	231,950
Balance as at 30 June 2016		2,538,793	444,428	154,023	3,137,244
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	-	(164,872)	-	(164,872)
Total contributions by and distributions to Participants		-	(164,872)	-	(164,872)
Profit for the year		-	291,449	-	291,449
<i>Other comprehensive income:</i>					
Defined benefit plan actuarial gain	10.2	-	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	3,264,220

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 2017

	Notes	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers		1,019,086	956,960
Developer cash contributions		217,817	165,974
Interest received		4,486	4,841
GST input tax credits from Australian Taxation Office (ATO)		35,549	41,207
GST collected from customers		661	675
		1,277,599	1,169,657
Employee expenses		(106,492)	(115,231)
Suppliers and services		(570,956)	(504,955)
Finance and borrowing costs		(95,012)	(94,336)
Income tax		(105,817)	(80,215)
GST paid to suppliers		(35,549)	(41,207)
GST remitted to ATO		(661)	(675)
		(914,488)	(836,621)
Net cash provided by operating activities	5.1	363,111	333,036
Cash flows from investing activities			
Proceeds from sale of plant and equipment		1,238	2,875
Payments for property, plant and equipment		(195,500)	(259,915)
Net cash used in investing activities		(194,263)	(257,041)
Cash flows from financing activities			
Borrowings	15	-	471,282
Repayment of long-term borrowings	15	-	(471,282)
Participation rights payments	14	(126,838)	(90,902)
Net cash used in financing activities		(126,838)	(90,902)
Net increase/(decrease) in cash and cash equivalents		42,011	(14,907)
Cash and cash equivalents at the beginning of the financial year		135,876	150,783
Cash and cash equivalents at the end of the financial year		177,887	135,876

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 2017

I. 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.

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 2016 to 30 June 2017 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 Historical cost convention

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

- certain classes of property, plant and equipment – measured at fair value, and
- defined benefit plan assets – measured at fair value.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

I. Basis of financial statement preparation (continued)

1.4 Presentation

Currency and rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, zero, unless disclosure of the full amount is specifically required. Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

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.

1.5 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

Note 2.2 – Contributions

Note 6 – Trade and other receivables

Note 8 - Property, plant and equipment

Note 9 - Intangible assets

Note 10 – Superannuation

Note 12 – Employee benefits

Note 16 – Fair value measurement

Note 20 – Contingencies

1.6 Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board on 21 August 2017.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

2. Revenue**Accounting policy**

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	2017 \$'000	2016 \$'000
Water charges	607,568	574,633
Wastewater charges	421,040	404,405
Recycled water	10,246	26,967
	1,038,853	1,006,005

Accounting policy – Utility charges

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	2017 \$'000	2016 \$'000
Developer contributions - cash	215,669	148,792
Developer contributions - donated assets	97,482	83,566
	313,151	232,358

Disclosure – Developer contributions

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).

Disclosure – 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.

Accounting policy – Cash contributions

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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

2. Revenue (continued)***Accounting policy – 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.

2.3 Fees and charges	2017 \$'000	2016 \$'000
Professional fees	8,354	8,480
Property connection fees	8,002	7,534
Other fees	5,875	6,823
	22,231	22,837

Accounting policy – Fees and charges

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

2.4 Other revenue	2017 \$'000	2016 \$'000
Interest income	4,810	4,586
Insurance recovery	407	494
Grants and subsidies	-	42
Other revenue	2,648	2,767
	7,865	7,889

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

3. Expenses**3.1 Bulk water purchases****Disclosure**

Bulk water is purchased from Seqwater. The price for bulk water is currently set by the Queensland Government through the Department of Energy and Water Supply.

Accounting policy

Bulk water purchases are recognised as expenses in the period the water is consumed.

3.2 Supplies and services	Notes	2017 \$'000	2016 \$'000
Materials and services		167,158	155,764
Consultancies and legal fees		2,567	2,858
Board fees	23	447	443
Other supplies and consumables		14,946	11,516
		185,118	170,581

3.3 Employee expenses	2017 \$'000	2016 \$'000
<i>Employee benefits</i>		
Salaries and wages	98,162	98,096
Employer superannuation contribution	11,600	12,137
Annual leave expenses	8,047	8,670
Long service leave expenses	2,576	3,041
<i>Employee related expenses</i>		
Payroll tax	5,620	5,628
Workers' compensation premium	1,503	1,064
Other employee related expenses	461	262
	127,969	128,899
Less: capitalised costs	(32,185)	(27,413)
	95,783	101,486
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:	957 FTE	1,058 FTE

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

3. Expenses (continued)

Disclosure – 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.

Disclosure – 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.

Accounting policy – 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.

3.4 Finance and borrowing costs	2017 \$'000	2016 \$'000
Queensland Treasury Corporation (QTC) finance costs	93,380	71,309
Interest on Participants' debt	2,066	20,887
Bank charges	2,116	2,097
	97,561	94,292

Disclosure – Finance and borrowing costs

Finance and borrowing costs include bank charges and interest on bank overdrafts and borrowings.

Accounting policy – Finance and borrowing costs

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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

3.5 Other expenses	2017 \$'000	2016 \$'000
Insurance	3,238	3,234
Land taxes	2,702	2,702
Audit fees (internal and external)	757	931
Impairment of trade receivables	(931)	(768)
Other	151	198
	5,917	6,297

Disclosure – Audit fees

Total external audit fees paid to the Queensland Audit Office relating to the 2017 financial statements are estimated to be \$270,000 (2016: \$270,000). There are no non-audit services included in this amount.

4. Income tax equivalent**Disclosure**

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	2017 \$'000	2016 \$'000
Current tax expense	101,862	84,773
Deferred tax expense	23,519	17,938
Adjustments for movement from prior periods	-	37
	125,381	102,748
<i>Reconciliation of income tax expense to prima-facie tax payable:</i>		
Profit before income tax equivalent	416,830	334,979
Income tax equivalent expense at 30% (2016: 30%)	125,049	100,494
Non-deductible expenditure	13	12
Permanent difference - depreciation on acquired assets	1,079	2,495
Permanent difference - accrued leave provisions	(760)	(290)
Adjustment for prior period movement	-	37
Total income tax expense	125,381	102,748

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. Income tax equivalent (continued)

Accounting policy – Income tax

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.

Accounting policy – Current income tax

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	Assets		Liabilities		Net	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Provisions	13,033	13,116	-	-	13,033	13,116
Accrued expenses	874	362	-	-	874	362
Plant and equipment	23,622	2,737	-	-	23,622	2,737
Other	1,833	3,087	-	-	1,833	3,087
Expenses capitalised for tax	53	56	-	-	53	56
Carryforward capital losses	93	93	-	-	93	93
Contributed assets	-	-	(145,494)	(115,040)	(145,494)	(115,040)
Plant and equipment	-	-	(49,406)	(36,307)	(49,406)	(36,307)
Other	-	-	(888)	(986)	(888)	(986)
<i>Amounts recognised directly in equity:</i>						
Defined benefit plan	-	-	(171)	120	(171)	120
Tax asset/(liability)	39,508	19,451	(195,959)	(152,213)	(156,451)	(132,762)
Set-off of deferred tax	(39,508)	(19,451)	39,508	19,451	-	-
Net deferred tax asset/(liability)	-	-	(156,451)	(132,762)	(156,451)	(132,762)
Movements in deferred tax assets and liabilities						
Balance at 1 July	19,451	23,533	(152,213)	(138,479)	(132,762)	(114,946)
Current year's income tax equivalent expense	20,057	(4,082)	(43,747)	(13,733)	(23,690)	(17,816)
Balance at 30 June	39,508	19,451	(195,960)	(152,213)	(156,452)	(132,762)

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

Accounting policy – Deferred income tax

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.

5. Cash and cash equivalents

	2017 \$'000	2016 \$'000
Bank balances	177,886	135,875
Cash on hand	1	1
Cash and cash equivalents in the Statement of Cash Flows	177,887	135,876

Accounting policy – Cash and cash equivalents

Cash and cash equivalents include cash at bank, cash on hand and short term deposits with maturities of three months or less. Cash and cash equivalents are presented net of outstanding bank overdrafts as they are considered an integral part of the Authority's cash management.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

5. Cash and cash equivalents (continued)**5.1 Reconciliation of profit after income tax to net cash from operating activities**

	2017 \$'000	2016 \$'000
<i>Cash flows from operating activities</i>		
Profit for the year	291,449	232,231
<i>Adjustments for:</i>		
Depreciation and amortisation	178,043	175,522
Loss on disposal of assets	4,254	11,774
Donated assets	(97,482)	(83,566)
<i>Change in assets and liabilities</i>		
Change in trade and other receivables	(5,703)	(5,980)
Change in other current assets	1,008	3,796
Change in trade and other payables	(34,194)	863
Change in employee benefits	(1,470)	2,939
Change in other current liabilities	3,687	(22,480)
Change in deferred tax	23,519	17,936
Net cash from operating activities	363,111	333,036
5.2 Funding facilities		
Working capital facility QTC	100,000	100,000
Client specific pool QTC borrowing limit for 30 June	-	501,282
Overdraft facility - Commonwealth Bank	5,000	5,000
Total facility	105,000	606,282
Amount of facility undrawn	105,000	135,000

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. Trade and other receivables

	2017 \$'000	2016 \$'000
Current		
Trade and other receivables	58,258	53,585
Provision for impairment	(12,061)	(13,046)
	46,197	40,539
Non-current		
Other receivables	45	-
	45	-
Total	46,242	40,539

Accounting policy – Trade and other receivables

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.

Movements in the provision for impairment	2017 \$'000	2016 \$'000
Balance at beginning of the year	(13,046)	(13,821)
Amounts written off during the year	53	7
(Increase)/decrease in provision	931	768
Balance at the end of the year	(12,061)	(13,046)

Accounting policy – Impairment of receivables

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 2017

7. Other current assets

	2017 \$'000	2016 \$'000
Current		
Accrued utility charges	152,720	152,360
Accrued developer contributions	6,384	8,532
Inventories held for use	3,037	2,826
Other	3,739	3,214
	165,880	166,932
Non-current		
Lease incentive	44	-
	44	-
Total	165,924	166,932

Disclosure - 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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

8. Property, plant and equipment

8.1 Balances as at 30 June	2017 \$'000	2016 \$'000
Land:		
At fair value	57,804	57,787
Buildings:		
At fair value	22,392	21,982
Less: Accumulated depreciation	(7,647)	(5,896)
	14,744	16,086
Plant and equipment:		
At cost	8,204	8,880
Less: Accumulated depreciation	(3,309)	(4,275)
	4,895	4,605
Fleet:		
At cost	26,712	23,141
Less: Accumulated depreciation	(10,535)	(9,725)
	16,176	13,415
Water supply network:		
At fair value	2,322,092	2,208,841
Less: Accumulated depreciation	(331,695)	(277,911)
	1,990,397	1,930,930
Sewerage network:		
At fair value	3,660,678	3,534,823
Less: Accumulated depreciation	(714,528)	(604,028)
	2,946,150	2,930,795
Work in progress:		
At cost	351,832	304,872
Total	5,381,998	5,258,490

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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
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)	(1,641)	(2,361)	-	(5,234)
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	5,175,466

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	57,787	17,549	4,381	12,273	1,868,756	2,887,740	297,533	5,146,020
Additions at cost	-	-	-	-	-	-	210,475	210,475
Donated assets	-	-	-	-	51,397	32,169	-	83,566
Disposals	-	-	(97)	(2,685)	(4,941)	(6,925)	-	(14,648)
Transfers between classes	-	-	-	-	166	(166)	-	-
Work in progress capitalised	-	385	1,371	6,742	66,265	128,373	(203,135)	-
Depreciation for the year	-	(1,848)	(1,050)	(2,914)	(50,713)	(110,397)	-	(166,922)
Carrying amount at 30 June	57,787	16,086	4,605	13,415	1,930,930	2,930,795	304,872	5,258,490
Carrying amount at cost	55,232	15,349	4,604	13,415	1,849,437	2,809,066	304,872	5,051,976

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

8. Property, plant and equipment (continued)

8.3 Recognition and acquisition

Accounting policy – 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.

Accounting policy – 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.

8.4 Construction work in progress

Accounting policy

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

Accounting policy

Plant and equipment and fleet assets are measured at cost.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

8.6 Measurement at fair value

Accounting policy

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.

Disclosure

A fair valuation of the Authority was undertaken as at 30 June 2017 using a discounted cash flow methodology which determined the fair value to be \$5.4B (2016: \$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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

8. Property, plant and equipment (continued)

8.7 Key valuations assumptions used

Disclosure – 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 (2016: 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.

Disclosure – 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	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%	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%	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 (\$5.3B 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 6.95% (2016: Vanilla nominal WACC 6.98%)	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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

Disclosure – Impairment testing

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.

Disclosure – Price path post 1 July 2017

Fair value modelling cash flows are estimated using the building block approach consistent with the Queensland Competition Authority's determination of maximum allowable revenue.

8.8 Depreciation expense

Accounting policy

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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

8. Property, plant and equipment (continued)

8.9 Impairment of non-current assets

Accounting policy

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. Refer to note 8.7 for details of the Authority's impairment testing during the year.

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.

9. Intangible assets

	Software purchased		Work in progress		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
9.1 Closing balances and reconciliation of carrying amount						
Carrying amount at 1 July	21,785	19,274	6,983	5,292	28,768	24,566
Acquisitions at cost	-	-	4,106	12,803	4,106	12,803
Disposals	(265)	-	-	-	(265)	-
Work in progress capitalised	4,764	11,111	(4,764)	(11,111)	-	-
Amortisation for the year	(7,438)	(8,600)	-	-	(7,438)	(8,600)
Carrying amount at 30 June	18,846	21,785	6,325	6,983	25,170	28,768
Gross carrying amount	52,282	49,229	6,325	6,983	58,607	56,212
Accumulated amortisation	(33,436)	(27,444)	-	-	(33,436)	(27,444)
Carrying amount at cost	18,846	21,785	6,325	6,983	25,170	28,768

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

9.2 Recognition and measurement

Accounting policy – 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.

Accounting policy – 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).

10. Superannuation

Refer to note 3.3 for details of amount of superannuation contribution 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

Disclosure

The Authority contributes to the Local Government Superannuation Scheme (Qld) (the Scheme). The Scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

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

The Scheme has three elements referred to as:

- The Accumulation Benefits Fund (ABF);
- The City Defined Benefits Fund (CDBF) 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 CDBF 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.

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. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

As at the reporting date, the assets of the Scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the Scheme was undertaken as at 1 July 2015. The actuary indicated that the Regional DBF and the City DBF are in a satisfactory financial position as at the valuation date.

The next actuarial investigation will be conducted as at 1 July 2018.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

10. Superannuation (continued)

10.2 City Defined Benefits Fund

Disclosure – Nature of the benefits provided by the fund

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. The defined benefit section is closed to new members. Only 23 employees are funded under this benefit. All new members receive accumulation benefits.

The Authority has provided a written guarantee to LGIASuper as trustee of the City Defined Benefits Fund (CDBF). The guarantee commits the Authority to fund the defined benefits of employees who are members of CDBF.

In accordance with the Superannuation Industry (Supervision) (SIS) Regulation, actuarial assessments are undertaken annually to determine the Authority's obligations. Actuarial gains and losses are recognised as other comprehensive income in the year in which they occur.

There are a number of risks to which the fund exposes the Authority. The more significant risks relating to the defined benefits 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 fund 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 2017

	2017 \$'000	2016 \$'000
Net defined benefit asset¹		
Net asset at start of the year	2,884	3,285
Net asset at end of year	3,454	2,884
Fair value of Fund assets²		
Fair value at beginning of the year	11,022	10,919
Fair value at end of the year	11,887	11,022
Defined benefit obligation³		
Present value at beginning of the year	8,138	7,634
Present value at end of the year	8,433	8,138

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 Fund.

The financing approach adopted at the 1 July 2015 actuarial investigation of the Fund, 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 fund 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 2017

II. Trade and other payables

	2017 \$'000	2016 \$'000
Current		
Trade creditors	16,962	48,381
Infrastructure agreement liabilities	528	1,999
Other payables	22,413	4,988
Non Current	5,027	6,110
Lease incentive	5,027	6,110
Total	27,440	61,477

Accounting policy

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 2017

12. Employee benefits

	2017 \$'000	2016 \$'000
Current		
Long service leave	15,494	16,226
Annual leave	12,265	13,448
Accrued salaries and wages	1,915	1,563
Time in lieu	667	811
Vested sick leave	102	99
	30,443	32,147
Non-current		
Long service leave	2,956	2,722
	2,956	2,722
Total	33,399	34,869

Accounting policy – 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.

Accounting policy – 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.

Accounting policy – 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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

12. Employee benefits (continued)

Accounting policy – 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.

Accounting policy – Sick leave

The provision for sick leave represents staff entitlements under arrangements that existed prior to 30 June 1996. The reported balances reflect the Authority present obligation to employees resulting from employees services provided up to 30 June 1996, at which point sick leave ceased to vest (employees from this date were no longer entitled to cash equivalents payments for unused sick leave). Accordingly, the vested sick leave entitlement is effectively 'frozen', with remaining balances predominantly paid on termination of entitled employees. The provision has been calculated at nominal amounts based on remuneration rates as at 1 July 1996 plus related on-costs and CPI adjustments. All other sick leave is non-vesting and recognised as expense as leave is taken.

Accounting policy – 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 2017

13. Other current liabilities

	2017 \$'000	2016 \$'000
Accrued capital program costs	37,758	27,295
Accrued bulk water purchases	31,881	28,783
Unearned revenue	3,233	6,448
Provision for restructuring	2,403	845
Other	25,689	19,472
	100,963	82,844

Disclosure – Provision for restructuring

A provision for restructuring cost (including termination payments) is recognised when the Authority has approved a detailed and formal restructuring plan, and the restructuring has either commenced or been publicly announced. On 5 May 2017, the Authority announced an expression of interest for employee early separation and part-time program.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

14. Participation returns

	2017 \$'000	2016 \$'000
In accordance with the Participation Agreement, the Board declared the final participation rights payment of \$123.45m (2016: \$85.42m) on 15 May 2017. Payment will be made on 29 September 2017.	123,450	85,415
An interim participation return was declared on 27 October 2016 and paid on 31 January 2017.	41,423	40,950
Total participation rights paid/payable	164,872	126,365
Amounts per Participant:		
Brisbane City Council (85.007%)	140,152	107,419
Ipswich City Council (12.222%)	20,151	15,444
Lockyer Valley Regional Council (0.903%)	1,488	1,141
Scenic Rim Regional Council (1.042%)	1,718	1,317
Somerset Regional Council (0.826%)	1,363	1,044
	164,872	126,365
Cash payments to Participants during the financial year.	126,838	90,902

Disclosure

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 Return.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

15. Loans and borrowings

	2017 \$'000	2016 \$'000
Balances of outstanding loans:	2,021,679	2,021,679
QTC – client specific pool	43,216	43,216
Participant loans	2,064,895	2,064,895
(a) QTC client specific pool loans		
Opening balance	2,021,679	1,550,397
Add: Refinancing of Participant loans	-	471,282
Closing balance	2,021,679	2,021,679
(b) Participant loans		
Opening balance	43,216	514,498
<i>Less repayment of loans</i>		
Brisbane City Council	-	(471,282)
	-	(471,282)
Closing balance		
Brisbane City Council	-	-
Lockyer Valley Regional Council	14,735	14,735
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 2017

15. Loans and borrowings (continued)

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

(b) Specific borrowings – 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 note 5.2 for details of the funding facilities.

The weighted average borrowing rate for QTC borrowings as at 30 June 2017 is 4.585% (2016: 4.589%). Interest payments are made monthly in arrears at rates ranging from 2.10% to 4.62% (2016: 2.35% to 4.63%).

Disclosure – 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 2017 year was 4.78% (2016: 4.82%), 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 (2016: \$471.3M).

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 (2016: \$1,085,053). 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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 related disclosures for financial instruments and non-financial assets that are measured at fair value are disclosed in the following notes:

Note 8 – Property, plant and equipment

Note 17 – Financial instruments

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.

Except for cash and cash equivalents, none of the valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. 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 8.7 and 17.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. Fair value measurement (continued)**16.2 Basis for fair values of assets and liabilities**

The Authority does not recognise any financial assets or financial liabilities at fair value except cash and cash equivalents.

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

The fair value of borrowings is notified by QTC. It is calculated using discounted cash flow analyses and the effective interest rate, and is stated below for disclosure purposes only:

2017	Notes	Carrying amount \$'000	Fair value \$'000
Financial assets			
Cash and cash equivalents	5	177,887	177,887
		177,887	177,887
Financial liabilities			
Participant loans	15	43,216	43,216
QTC client specific pool	15	2,021,679	2,069,727
		2,064,895	2,112,943
2016			
Financial assets			
Cash and cash equivalents	5	135,876	135,876
		135,876	135,876
Financial liabilities			
Participant loans	15	43,216	43,216
QTC client specific pool	15	2,021,679	2,063,112
		2,064,895	2,106,328

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

17. Financial instruments**17.1 Categorisation of 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. The Authority has the following categories of financial assets and financial liabilities:

Category	Notes	2017 \$'000	2016 \$'000
Financial assets			
Cash and cash equivalents	5	177,887	135,876
Trade and other receivables at amortised cost	6	46,197	40,539
Total		224,084	176,416
Financial liabilities			
Loans and borrowings at amorised cost	15	2,064,895	2,064,895
Trade and other payables at amortised cost	11	27,440	61,477
Total		2,092,334	2,126,372

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

Disclosure – Derivative financial instruments

The Authority is not a party to any derivative financial instrument and does not enter into transactions for speculative purposes.

Accounting policy – 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 2017

17. Financial instruments (continued)

17.2 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 (refer to 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 2017

17.3 Credit risk exposure***Disclosure – Ageing analysis***

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

	2017		2016	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Receivables				
Not past due	17,431		26,252	-
Past due 31-60 days	8,306		7,411	-
Past due 61-90 days	(103)		(1)	-
More than 90 days	20,607	12,061	19,924	13,046
	46,242	12,061	53,585	13,046

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 2017

17. Financial instruments (continued)**17.4 Liquidity risk*****Disclosure – 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.

Financial liabilities	2017 Payable in			Total
	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000
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	2,092,334

Financial liabilities	2016 Payable in			Total
	< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	\$'000
Participant loans	-	-	43,216	43,216
QTC client specific pool	-	-	2,021,679	2,021,679
Trade and other payables	55,367	6,110	-	61,477
	55,367	6,110	2,064,895	2,126,372

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

17.5 Market risk - interest rate***Disclosure – 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.

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)

2016		-1%		+1%	
		Profit	Equity	Profit	Equity
	Net carrying amounts				
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	135,876	(1,359)	(1,359)	1,359	1,359
QTC client specific pool	2,021,679	20,217	20,217	(20,217)	(20,217)
Overall effect on profit and equity		18,858	18,858	(18,858)	(18,858)

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

18. Leases

18.1 Operating lease	2017 \$'000	2016 \$'000
(i) Leases as lessee		
Non-cancellable operating lease rentals payable:		
Less than one year	7,137	6,576
Between one and five years	34,804	27,238
More than five years	-	11,563
	41,941	45,377
(ii) Leases as lessor		
Non-cancellable operating lease rentals payable:		
Less than one year	371	187
Between one and five years	455	674
More than five years	299	1,286
	1,125	2,147

Accounting policy – 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.

18.2 Finance lease**Disclosure**

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 2017, 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 2017

19. Commitments

Material commitments contracted for as at 30 June 2017 but not recognised as liabilities are as follows:

	2017 \$'000	2016 \$'000
(i) Capital		
Within one year	74,765	47,362
Between one and five years	2,690	22,669
More than five years	-	-
	77,455	70,031
(ii) Other		
Within one year	105,990	74,690
Between one and five years	160,194	209,037
More than five years	-	-
	266,184	283,727

20. Contingencies

	2017 \$'000	2016 \$'000
Contingent assets		
Reimbursement of costs associated where incomplete contract is pending, the maximum exposure is:	1,722	-
Contingent liabilities		
A small number of claims are pending for contract variations, the maximum exposure of which is:	4,358	2,015

There is one (2016: four) appeals 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 2017

21. 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.

	2017 \$'000	2016 \$'000
Standpipe bonds, security deposits and unclaimed money	2,394	1,614

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

22. 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.

22.1 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 and economic strategy, planning, analysis and reporting, sourcing and procurement supply, fleet management, shared services	Board appointed Band A Contract	Appointed 11 May 2015
Executive Leader Operations and Service Delivery	Water and sewerage services, network operations and reliability, treatment and environmental management, water quality, capital works program delivery	Board appointed Band A Contract	Appointed 3 November 2014
Chief Information Officer	Design, implementation and ongoing management of information, communication and technology environment	Board appointed Band A Contract	Appointed 26 September 2016
Executive Leader People and Safety	Human resources development and services, health and safety, internal communication and organisational change	Board appointed Band A Contract	Appointed 22 September 2014
Executive Leader Commercial Customers	Large commercial customer relationship management, growing new non-regulated revenue streams, Scientific Analytical Services Laboratory, trade waste approvals and operations, and off-network services such as hydrant standpipes and tankered products	Board appointed Band A Contract	Appointed 1 July 2014
Executive Leader Customer and Community	Contact centre and customer service, customer experience strategy, customer insights, marketing and community engagement and media management	Board appointed Band A Contract	Appointed 2 September 2013
Executive Leader Planning	Development services, water solutions, portfolio investment and servicing 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 2017

22. Key executive management personnel and remuneration (continued)

22.2 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% (2016: 3%) 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 15% of total fixed remuneration and 25% 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

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	-	357
Executive Leader Operations and Service Delivery	347	3	9	33	-	392
Executive Leader Commercial Customers	278	3	7	26	-	315
Chief Information Officer	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	27	68	247	-	3,042

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

22. Key executive management personnel and remuneration (continued)

2016						
Position	Short term					Total remuneration \$'000
	Monetary benefits \$'000	Non-monetary benefits \$'000	Long term employee benefits \$'000	Post employment benefits \$'000	Termination benefits \$'000	
Chief Executive Officer	537	3	13	46	-	600
Chief Financial Officer	273	3	7	26	-	309
Executive Leader Operations and Service Delivery	329	-	8	29	-	365
Executive Leader Commercial Customers	252	3	6	24	-	285
Chief Information Officer	278	3	7	26	-	314
Executive Leader People and Safety	265	3	7	25	-	300
Executive Leader Customer and Community	243	3	6	23	-	275
Executive Leader Planning	310	3	8	29	-	350
Total remuneration	2,487	21	62	229	-	2,799

22.3 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 2017 (2016: 30 October 2016).

The aggregate performance payments expected to be paid to all key executive management personnel will not be determined until 16 October 2017. 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 2018.

The aggregate amount of performance payments made during the financial year with respect to the previous financial year was \$231,786 (2016: \$137,971).

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

23. Related parties**23.1 Board members*****Disclosure – 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.

The Board Members who were paid directly or indirectly were:

	Salary and fees \$'000		Superannuation \$'000		Total \$'000	
	2017* \$'000	2016 \$'000	2017* \$'000	2016 \$'000	2017* \$'000	2016 \$'000
Geoff Harley	102	101	10	10	112	111
Dennis Cavagna ³	55	51	5	5	61	56
Diana Eilert ^{3,4}	55	51	5	5	61	56
Phil Kesby	51	51	5	5	56	56
Len Scanlan ³	51	51	5	5	56	56
John Cotter ³	55	51	5	5	61	56
Graham Thomsen ¹	38	-	4	-	42	-
Kerian McNamara ¹	38	-	4	-	42	-
Paul Emmerson ²	-	51	-	5	-	56
Bernard Ponting ²	-	51	-	5	-	56
	447	456	42	43	490	499

*A CPI increase of 1% (2016: 1.5%) was applied and monthly rates set at \$8,527 (2016: \$8,443) for the Board Chairperson and \$4,263 (2016: \$4,221) for the Board members.

¹Appointed from 30 September 2016.

²Appointment ended on 30 June 2016.

³Additional monthly rate of \$917 were paid to Committee Chairpersons from 13 February 2017.

⁴Appointment ended on 30 June 2017 and replaced by Bronwyn Morris from 1 July 2017.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

23. Related parties (continued)

23.2 Loans to key management personnel

There are no loans to key management personnel and their related parties during the financial year.

23.3 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.

23.4 Board member transactions

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

23.5 Returns to Participating Councils	2017 \$'000	2016 \$'000
Participation return, income tax equivalents and interest	271,688	234,985

23.6 Debt with Participating Councils	2017 \$'000	2016 \$'000
Payment of debt	-	471,282

24. 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:

	2017 \$'000	2016 \$'000
Operating ratio	30%	26%
Capital replenishment ratio	x 1.64	x 1.94
Debt to revenue ratio	149%	163%

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

25. New and revised accounting standards

25.1 Standards effective for the current financial year

The Authority did not voluntarily change any of its accounting policies for the year ended 30 June 2017. Other than AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*, there are no Australian Accounting Standard changes applicable for the first time that have a material impact on the Authority's financial statements.

AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101* has been adopted by the Authority with the main impact of making the financial statements more relevant to users. Under the new requirements:

- Materiality applies to all financial statements, notes and specific minimum disclosures.
- Line items are disaggregated where doing so could impact user's decisions.
- Notes to the financial statements no longer need to follow the order of the line items in the primary financial statements. These can be placed in order of importance and related items can be grouped together.
- Accounting policies are now included in the related note or even relegated to the back of the financial statements.

AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* introduces a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. It also clarifies that revenue-based depreciation for property, plant and equipment cannot be used. The Authority does not use a revenue-based approach in depreciating property, plant and equipment and amortising intangible assets, hence, this standard will have no material impact to the Authority.

25.2 Standards not yet effective, but available for early adoption

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2017. The Authority does not plan to early adopt any other standards or interpretations. Expected impacts of new or amended standards with future commencement dates applicable to reporting periods commencing on or after 1 January 2017 are set out below:

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* will become effective for reporting periods beginning on or after 1 January 2017. This standard clarifies that a deferred tax asset (deductible temporary difference) is determined solely by comparing the asset's carrying amount and its tax base at the end of the reporting period. Hence, deferred tax assets may be recognised despite having an expected loss on an entity's tax return. This standard will have no material impact to the Authority.

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* will become effective for reporting periods beginning on or after 1 January 2017. This standard requires additional disclosures to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effects of changes in fair values). This standard will have no material impact to the Authority.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

25. New and revised accounting standards (continued)

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 standards on the Authority is that these will change the requirements for the classification, measurement, impairment and disclosures associated with the Authority's financial assets. Under the new requirements:

- Financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met: (1) the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (2) the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- There will be 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. This will accelerate the recognition of losses. A simplified impairment model applies to trade receivables and lease receivables.
- Amendments to AASB 7 *Financial Instruments: Disclosures* significantly expand the disclosures required in relation to credit risk.

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 they will change the requirements on whether, how much and when revenue is recognised. Under the new requirements:

- There will be a single model that applies to contracts with customers.
- There will be two approaches to recognising revenue: at a point in time and over time.
- The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The Authority will make more detailed assessments of the effect of this standard over the next 12 months.

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.
- The lessee will treat a lease modification 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.

Central SEQ Distributor-Retailer Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

- The lessee is required to update the discount rate for a floating interest rate lease whenever the lease payments are updated because of a change in the interest rate used to determine the lease payments.
- The cost 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.
- 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 \$41.94M (refer to note 18). The Authority has not yet determined to what extent these lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Authority's profit and cash flows. The Authority will consider whether these lease commitments still qualify as a lease under AASB 16 or may be covered by the short-term and low-value leases exceptions.

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.

26. Taxation

Accounting policy – 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.

Disclosure – 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

CERTIFICATE OF THE CENTRAL SEQ DISTRIBUTOR-RETAILER AUTHORITY

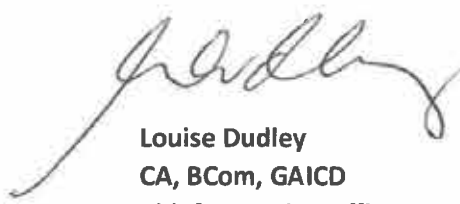
For the year ended 30 June 2017

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 2017 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



Darryl Rowell
FCPA, BCA, MBA
Chief Financial Officer

Date: 21/8/17

Date: 21/8/17

Date: 21/8/17

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 2017, and its financial performance and cash flows for the year then ended; and
- 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 2017, 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.

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.

INDEPENDENT AUDITOR'S REPORT

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.

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



R VAGG
as delegate of the Auditor-General



Queensland Audit Office
Brisbane

APPENDICES

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

15 September 2017

Hon. Curtis Pitt, MP
Treasurer
Minister for Trade and Investment
Acting Minister for Energy, Biofuels and Water Supply

Dear Minister Pitt

Queensland Urban Utilities 2016/17 Annual Report

I am pleased to present the *Annual Report 2016/17* 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 181 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 180
Accessibility	▪ Table of contents	ARRs – section 9.1 Page 5
	▪ Glossary	Page 182
	▪ 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 28-93
	▪ Agency service areas, and service standards	ARRs – section 11.4 Page 28-93
Financial performance	▪ Summary of financial performance	ARRs – section 12.1 Page 116-119
Governance – management and structure	▪ Organisational structure	ARRs – section 13.1 Page 95
	▪ Executive management	ARRs – section 13.2 Pages 100-105
	▪ 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 112
	▪ Audit committee	ARRs – section 14.2 Page 100
	▪ Internal audit	ARRs – section 14.3 Page 113
	▪ External scrutiny	ARRs – Section 14.4 Page 112
	▪ Information systems and recordkeeping	ARRs – Section 14.5 Page 114
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 115
	▪ 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 176
	▪ Independent Auditors Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2 Page 177-179

APPENDICES (CONTINUED)

Glossary

ADWG

Australian Drinking Water Guidelines

Board

The Central SEQ Distributor-Retailer Board

Board member

Means a person who is, for the time being, a member of the Board of Queensland Urban Utilities.

Central SEQ distributor-retailer

A statutory body supplying water and treating 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.

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