

# SEQ\_CATCHMENTS

AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011



## DIRECTORS' REPORT

### Directors' Report

The Directors of SEQ Catchments Limited (SEQC) present this report on the company for the financial year ended 30 June 2011.

### Directors

The names of each person who has been a director during the year and to the date of this report are:

#### Director

Gordon French (term completed Dec 2010)  
Robert Smith  
Terry Dredge (term completed Dec 2010)  
James Dale  
Victor Attwood  
Bardhold Blecken  
Margaret Milgate  
John Brent  
Peter Matic (appointed 04 Feb 2011)  
Simon Warner (appointed 23 June 2011)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Company Secretary

The company secretary at the end of the financial year is Kristina Frawley. The qualifications and experience of the company secretary have been dealt with elsewhere in this report.

### Operating Result

SEQ Catchments Ltd. activities resulted in a surplus of \$55,202 before depreciation, assets written off and accounting for special items and a deficit after these items of (\$150,769) for the year (2010 \$259,465 and (\$74,202)).

### Review of Operations

The majority of the Group's income is derived from State and Federal grant agreements. SEQC has seen a total income of \$10,108,506 (2010 \$11,492,829) of which \$8,080,150 was from grant income for SEQC projects (2010 \$9,855,780). A more comprehensive review of the company's operations is outlined elsewhere in the Annual Report.

### Balance Sheet

The net assets of the group have decreased by (\$150,769) during the past year. The decrease was mainly a result of of two items: the transfer of equipment for the SEQ Water Quality Monitoring Program to SEQ Water under a Memorandum of Understanding and expenses associated with a structural review.

On 1 July SEQ Catchments transferred equipment with a written down value of \$60,000 to SEQ Water to facilitate the agreement reached under a Memorandum of Understanding. In return SEQ Water provide ongoing investment into water quality monitoring activities in South East Queensland. Discussion of the structural review are dealt with elsewhere in the Annual Report.

A copy of the audited accounts is attached.

### Significant Changes in State of Affairs

The owners of SEQ Catchments Ltd, SEQ Catchments Members' Association Inc. resolved to accept SEQ Council of Mayors as a member in 5<sup>th</sup> August 2010. This change resulted in a change in directors, with SEQ Catchments Members' Association appointing four directors and SEQ Council of Mayors having two directors. There are currently two additional directors appointed by the SEQ Catchments Ltd. Board.

## DIRECTORS' REPORT (Continued)

### Principal Activities

- Lead and manage the strategic direction of natural resource management planning and activity in South East Queensland in accordance with the wishes of the Community as expressed via the Members;
- Develop, maintain and implement an integrated natural resource management regional plan and investment strategy for South East Queensland;
- Increase Community engagement in and understanding of sustainable natural resource management;
- Undertake, sponsor or coordinate on-ground activities in accordance with the natural resource management regional plan for South East Queensland as amended from time to time;
- Undertake, sponsor or coordinate research and studies into relevant natural resource management matters for the region;
- Secure funding for the activities of the Company and the objectives of the natural resource management regional plan, including attracting investment from new sources and creating innovative partnerships;
- Develop and expand the Business in accordance with the Business Plan; and
- Protect and enhance the biodiversity, catchments and waterways of South East Queensland and to provide information and education about the biodiversity, catchments and waterways of South East Queensland.

The means of achieving the organisations objectives continues to be a challenge as a result of changes to State and Federal funding mechanisms. The objectives of State and Federal funding have moved away from the community driven regional model toward funding of national and state priorities. This has meant a change to how the organisation fulfils its principle activities with funding available.

### After Balance Date Events

SEQ Catchments continues to be proactive in broadening its funding base to minimise reliance on State and Federal funding. SEQ Catchments Operations Pty Ltd, has formed two companies, SEQ Catchments Offsets Pty Ltd and Tactiv Pty Ltd. These companies were formed in early July 2011 in anticipation of future opportunities to advance the business' objectives.

SEQ Catchments Ltd. transferred its fleet of motor vehicles to SEQC Operations Pty Ltd. in July 2011. The transfer will facilitate the self funding of the vehicle fleet.

### Future Developments

Future developments in the operations of the Group have been dealt with elsewhere in the Annual Report.

### Dividends

Under the terms of the SEQ Catchments Ltd's constitution and in accordance with the Corporations Act, the company does not have the ability to pay dividends.

No dividends were declared for SEQC Operations Pty Ltd.

### Options

Under the terms of the SEQ Catchments Ltd's constitution the company does not have the ability to issue options. No options were issued by SEQC Operations Pty Ltd.

### Indemnifying Officers or Auditor

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company, except for premiums paid to insure the officers and directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

### Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

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

### Directors' Particulars

The following relates the directors and executives of the parent entity.

The qualifications, experience and special responsibilities of directors have been dealt with elsewhere in this report

Meetings of Directors SEQ Catchments Ltd	Directors' Meetings		Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Gordon French	4	4	4	2
Robert Smith	7	6	3	3
Terry Dredge	4	4	0	0
Bardhold Blecken	7	7	8	8
Victor Attwood	7	7	6	4
James Dale	7	7	11	10
Margaret Milgate	7	7	6	6
John Brent	7	4	0	0
Peter Matic	3	1	0	0
Simon Warner*	0	0	0	0

\*eligible to attend as a director

The above does not include other meetings or events attended by directors.

### Remuneration Report

The Board's policy for determining remuneration of directors, and senior executives, which is set by the Board, is as follows:

The Board has made reference to external publications, government schedules and considered the market when determining remuneration of directors and executive officers. The remuneration rates were reviewed during the year. There was no change to Directors remuneration during the year.

Executive officers are paid according to current market rates based on skills and experience.

### Remuneration Details for the Year Ended 30 June 2011

At 30 June 2011 there were 4 executive officers, 1 senior manager, 7 non executive directors and one executive director. The total remuneration paid to the directors, executive officers and managers is as follows:

	<b>Salary</b>	<b>Committee Fees</b>	<b>Super-annuation Contributions</b>	<b>Non-cash Benefits</b>	<b>Total</b>
	\$	\$	\$	\$	
Directors	69,979	30,532	6,780	-	107,291
Executive Officers and Managers	688,809	-	73,366	50,755	812,930
	<b>758,788</b>	<b>30,532</b>	<b>80,146</b>	<b>50,755</b>	<b>920,221</b>

## DIRECTORS' REPORT (Continued)

### Auditor's Declaration

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

### Corporate Governance

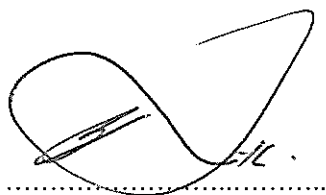
The directors of the company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. As such the Directors ensure appropriate governance via the following:

- Meeting regularly to review company performance;
- Adherence to the SEQC Code of Conduct as endorsed by the Australian Institute of Company Directors;
- Review of SEQC board performance, evaluating the effectiveness of board processes and identifying areas of improvement; and
- Continuance of the Planning & Investment and Audit & Finance committees, each with its own charter.
- Undertaking reviews including: organisational review conducted by independent parties, audit of established on ground works as requested by the Joint Steering and Investment Panel; and SEQ Catchment's own internal audit processes.
- Directors undertaking appropriate governance training.

### Environmental Regulations

The company's operations are not regulated by any significant environmental regulation under the Commonwealth or of a state or territory.

Signed in accordance with a resolution of the Board of Directors



**Robert Smith**  
**Chairman**

Signed at Brisbane this 19<sup>th</sup> day of August 2011.

**AUDITORS' INDEPENDENCE DECLARATION  
UNDER SECTION OF 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF SEQ CATCHMENTS LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**B. B. Whitehouse  
Accountants**



A.P. WHITEHOUSE F.C.A.

Signed at Brisbane this fourteenth day of September, 2011.

**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated Group		Parent Entity	
		2011 \$	2010 \$	2011 \$	2010 \$
Revenue	<b>2</b>	10,108,506	11,492,829	10,098,313	11,416,539
Employee expenses		(3,833,425)	(3,577,688)	(3,833,425)	(3,577,688)
Operating costs		(1,016,484)	(947,085)	(1,016,484)	(961,274)
Administration costs		(251,125)	(287,922)	(261,234)	(282,836)
Depreciation expense	<b>3</b>	(143,907)	(156,649)	(143,907)	(156,649)
Project expenses		(5,014,334)	(6,597,687)	(4,993,982)	(6,512,294)
Surplus/(deficit) before income tax		(150,769)	(74,202)	(150,719)	(74,202)
Income tax expense	<b>1a</b>	-	-	-	-
Surplus/(deficit) attributable to members of the Company		(150,769)	(74,202)	(150,719)	(74,202)

The accompanying notes form part of this financial report.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
<b>Surplus / Deficit for Year</b>		(150,769)	(74,202)	(150,719)	(74,202)
<b>Other comprehensive income:</b>					
Net gain on revaluation of non-current assets	9	-	-	-	-
Net (loss)/gain on revaluation of financial assets		-	-	-	-
<b>Other comprehensive income for the year, net of tax</b>		-	-	-	-
<b>Total comprehensive income for the year</b>		(150,769)	(74,202)	(150,719)	(74,202)
Total comprehensive income attributable to members of the entity		(150,769)	(74,202)	(150,719)	(74,202)

The accompanying notes form part of this financial report.

**BALANCE SHEET  
AS AT 30 JUNE 2011**

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	5,221,613	5,411,036	5,210,180	5,407,755
Trade and other receivables	7	886,361	450,278	835,243	443,467
Other current assets	8	136,647	121,237	136,647	121,237
<b>TOTAL CURRENT ASSETS</b>		<b>6,244,621</b>	<b>5,982,551</b>	<b>6,182,070</b>	<b>5,972,459</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	7	12,950	10,000	17,950	15,000
Investments		-	-	2	2
Plant and equipment	9	454,899	473,076	454,899	473,076
<b>TOTAL NON-CURRENT ASSETS</b>		<b>467,849</b>	<b>483,076</b>	<b>472,851</b>	<b>488,078</b>
<b>TOTAL ASSETS</b>		<b>6,712,470</b>	<b>6,465,627</b>	<b>6,654,921</b>	<b>6,460,537</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	10	1,641,348	1,525,683	1,636,841	1,526,280
Revenue received in advance		2,177,210	1,966,533	2,124,116	1,960,844
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,818,558</b>	<b>3,492,216</b>	<b>3,760,957</b>	<b>3,487,124</b>
<b>NON CURRENT LIABILITIES</b>					
Provisions	11	245,838	174,568	245,838	174,568
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>245,838</b>	<b>174,568</b>	<b>245,838</b>	<b>174,568</b>
<b>TOTAL LIABILITIES</b>		<b>4,064,396</b>	<b>3,666,784</b>	<b>4,006,795</b>	<b>3,661,692</b>
<b>NET ASSETS</b>		<b>2,648,074</b>	<b>2,798,843</b>	<b>2,648,126</b>	<b>2,798,845</b>
<b>EQUITY</b>					
Retained surplus/(Accumulated deficit)		2,798,843	2,873,045	2,798,845	2,873,047
Surplus/(Deficit) Attributable to Members		(150,769)	(74,202)	(150,719)	(74,202)
<b>TOTAL EQUITY</b>		<b>2,648,074</b>	<b>2,798,843</b>	<b>2,648,126</b>	<b>2,798,845</b>

The accompanying notes form part of this financial report.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated Group		Parent Entity	
		Retained Earnings	Total	Retained Earnings	Total
		\$	\$	\$	\$
Balance at 30 June 2009		2,873,045	2,873,045	2,873,047	2,873,047
Surplus Attributable to members 2009/10		(74,202)	(74,202)	(74,202)	(74,202)
Balance at 30 June 2010		2,798,843	2,798,843	2,798,845	2,798,845
Surplus Attributable to members 2010/11		(150,769)	(150,769)	(150,719)	(150,719)
<b>Balance at 30 June 2011</b>		<b>2,648,074</b>	<b>2,648,074</b>	<b>2,648,126</b>	<b>2,648,126</b>

The accompanying notes form part of this financial report.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated Group		Parent Entity	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		10,720,454	12,480,181	10,693,824	12,387,070
Payments to suppliers and employees		(11,039,125)	(11,927,399)	(11,020,272)	(11,826,670)
Interest received		317,042	233,094	316,667	232,609
<b>Net cash provided by (used in) operating activities</b>	<b>13a</b>	<b>(1,629)</b>	<b>785,876</b>	<b>(9,781)</b>	<b>793,009</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from the sale of plant and equipment		-	-	-	-
Purchase of plant and equipment		(187,794)	(122,553)	(187,794)	(122,553)
Purchase of shares in subsidiary		-	-	-	-
<b>Net cash provided by (used in) investing activities</b>		<b>(187,794)</b>	<b>(122,553)</b>	<b>(187,794)</b>	<b>(122,553)</b>
Net increase in cash held		(189,423)	663,323	(197,575)	670,456
Cash at the beginning of financial year		5,411,036	4,747,713	5,407,755	4,737,299
<b>Cash at the end of financial year</b>	<b>6</b>	<b>5,221,613</b>	<b>5,411,036</b>	<b>5,210,180</b>	<b>5,407,755</b>

The accompanying notes form part of this financial report.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of SEQ Catchments Ltd and controlled entity (Consolidated Group) SEQC Operations Pty Ltd and the separate financial statements and notes of SEQ Catchments Ltd as an individual parent entity (Parent Entity).

#### Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Accounting Policies

##### a. Principles of Consolidation

A Controlled entity is any entity over which SEQ Catchments Ltd has power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 18 of the Financial Statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year ended 30<sup>th</sup> June 2011. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

##### b. Income Tax

The Australian Taxation Office has issued an endorsement notice to SEQ Catchment Limited for charity tax concessions. Under Subdivision 50-B of the Income Tax Assessment Act 1997 South East Queensland Catchment Limited is exempt from Income Tax. SEQ Catchments controlled entity, SEQC Operations Pty Ltd is subject to income tax under the Income Tax Assessment Act 1997.

Current income tax expense comprises of current income tax expenses and deferred tax expense.

Current income tax expense charged to the profit and loss is the tax payable on the taxable income calculated using applicable income tax rates enacted or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Each entity in the group recognises its own current and deferred tax assets and liabilities

**c. Economic Dependence**

SEQ Catchments Limited is dependent on Federal and State funding. The level of reliance of funding has reduced over the last year as the nature and mechanisms of funding provided by Federal and State sources has changed.

**d. Plant and Equipment**

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all plant and equipment is depreciated using the straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office Fitout	10% - 23%
Office Furniture & Equipment	10% - 25%
IT Equipment	19% - 33%
Motor Vehicles	17% - 20%
Other Equipment	17% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

**e. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expensed for the period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leased assets are depreciated over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

#### f. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at balance date.

#### g. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments. SEQ Catchments Ltd. has three bank guarantees on deposit invested with a maturity date of less than two months, at which time the guarantees will be reinvested. These funds used as bank guarantees have not been included as cash for the purpose of the financial statements as it is not available for use in the operation of the company.

#### h. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Grant revenue is recognised in the income statement on a proportional basis determined by the expenses incurred in relation to the activities undertaken to fulfil the grant requirements.

For reciprocal grants, grant revenue is recognised in the balance sheet as a liability until the service has been delivered. For non reciprocal grants, grant revenue is recognised as income on receipt.

Donations are recognised as revenue when received.

Interest revenue is recognised based on interest earned and credited to the bank account and accrued interest as at balance date.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from contracts works in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs that can be attributable on a reasonable basis.

All revenue is stated net of the amount of goods and services tax (GST).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i. Contributed Assets**

Assets donated to the company by external parties are recognised as an asset of the company. These assets are recognised at their fair value. Income equal to the fair value of the donated assets is recognised within the Income Statement.

**j. Impairment of Assets**

At each reporting date, the company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

Where it is not possible to estimate the recoverable cost of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

**k. Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by the employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to employee superannuation funds and are recognised as an expense when incurred.

**l. Government Grants & Grants Received in Advance**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grant revenue is recognised in the income statement on a proportional basis determined by the expenses incurred in relation to the activities undertaken to fulfil the grant requirements. Unspent grant monies at year end are carried as a liability on the Balance Sheet. When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the balance sheet as a liability until the service has been delivered to the contributor.

**m. Goods and Services Tax (GST)**

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**n. Financial Instruments**

*Recognition and Initial Measurement*

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date the company commits itself to either purchase or sell the asset. Financial instruments are initially

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

measured at fair value plus transactions costs. Financial instruments are classified and measured as set out below.

#### *Classification and Subsequent Measurement*

Finance instruments are subsequently measured at either fair value or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value.

- (i) **Loans and receivables**  
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at cost.
- (ii) **Held-to-maturity investments**  
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the company's intention to hold these investments to maturity. They are measured at cost.
- (iii) **Financial liabilities**  
Non-derivative financial liabilities are subsequently measured at cost.

#### *Fair Value*

Fair value is determined based on current bid prices for all quoted investments.

#### *Impairment*

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

#### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

#### **o. Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

#### **p. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year

#### **q. Date Financial Statements Available for Issue**

The financial report was authorised for issue by the Board of Directors on the date as shown on the Directors Declaration.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r. Profits for Work in Progress**

Profits for contract work in Progress are recognised at the state of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

**s. New Accounting Standard for Application in Future Periods**

The AASB has issued new, revised and amended standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the company is as follows:

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

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

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.
- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the company.

- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. These amendments are not expected to impact the company.

- AASB 2009-9: Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of retrospective application of Australian Accounting Standards for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the company.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010.)

The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to impact the company.

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

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the company.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This Standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This Interpretation is not expected to impact the company.

- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing from 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity

should be treated as the consideration paid to extinguish the liability, and the equity instruments issues should be recognised as their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the company.

The company does not anticipate early adoption of any of the above Australian Accounting Standards.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**Note 2: Revenue**

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>a. Operating activities</b>				
- Grant income	8,080,150	9,855,780	8,080,150	9,855,780
- Interest– from financial institutions	329,336	284,332	328,961	283,847
- Income from Corporates and other sources	1,698,795	1,347,924	1,688,977	1,272,119
- Donations Received	225	4,793	225	4,793
<b>Total Revenue</b>	<b>10,108,506</b>	<b>11,492,829</b>	<b>10,098,313</b>	<b>11,416,539</b>

**Note 3: Surplus from Ordinary Activities**

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>a. Expenses</b>				
Depreciation of non-current assets:				
— Office fitout	3,738	6,339	3,738	6,339
— Office furniture & equipment	4,289	5,261	4,289	5,261
— IT equipment	36,780	36,634	36,780	36,634
— Motor Vehicles	96,368	75,526	96,368	75,526
— Other Equipment	2,732	32,889	2,732	32,889
	<b>143,907</b>	<b>156,649</b>	<b>143,907</b>	<b>156,649</b>
Loss on disposal of Plant & Equipment	62,064	18,818	62,064	18,818

-A \$60,000 loss on disposal was recognised upon the transfer of water quality monitoring equipment to SEQ Water under a MOU agreement. The MOU provides SEQ Catchments with annual funding for the

SEQ Water Quality Monitoring Program.				
Rental expenses on operating leases			440,698	440,698
— Minimum operating lease payments and other non-contractual Lease/rental expenses		418,554		418,554

**b. Significant Revenue and Expenses**

The following significant revenue and expense items are relevant in explaining the financial performance:

Salaries and wages expense	3,613,078	3,360,352	3,613,078	3,360,352
Onground works contract payments	3,594,903	5,024,729	3,594,903	4,965,467
Special Item: Marsden Jacobs Report – <i>Managing What Matters</i>	29,800	158,200	29,800	158,200

**FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION**

**a.) Personnel**

The following people were employed in key management positions during the financial year and reflect executive management post structural review.

Robert Smith	Chairman
Jim Dale	Director
Victor Attwood	Director
Bardhold Blecken	Director
Margaret Milgate	Director
John Brent	Director
Peter Matic	Director
Gordon French	Director (term completed December 2010)
Terry Dredge	Director (term completed December 2010)
Simon Warner	Director and Chief Executive Officer
Tony Costantini	Chief Operations Officer
Noel Ainsworth	Chief Performance Officer
Kristina Frawley	Chief Financial Officer and Company Secretary
Anthony Hill	Business Development & Communications Manager (departed May 2011)
Andrew Davidson	Planning and Innovation Manager

**b. Compensation**

The following is a summary of the compensation received by key management personnel during the financial year. A structural review undertaken in late 2010 resulted in a change in the management team. At financial year end the review resulted in a reduction in executive management by 2 staff.

	Short-term Benefits				Total \$
	Salary & Fees \$	Superannuation Contribution \$	Incentives* \$	Non-Cash Benefits \$	
<b>2011</b>					
Total compensation	754,496	80,146	34,824	50,755	920,221
<b>2010</b>					
Total compensation	814,087	85,112	33,828	33,501	966,528

\*excluding related Superannuation contributions

**NOTE 5: AUDITOR'S REMUNERATION**

	Consolidated Group		Parent Entity	
	2011 \$	2010 \$	2011 \$	2010 \$
Remuneration of the auditor				
— Auditing or reviewing the financial report	8,500	8,500	8,500	8,500
— Other accounting and audit services	400	6,450	-	6,200
	<u>8,900</u>	<u>14,950</u>	<u>8,500</u>	<u>14,700</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**Note 6: CASH AND CASH EQUIVALENTS**

	Consolidated Group		Parent Entity	
	2011 \$	2010 \$	2011 \$	2010 \$
Cash at bank	719,713	1,409,135	708,280	1,405,854
Short-term bank deposits	4,501,700	4,001,701	4,501,700	4,001,701
Petty cash	200	200	200	200
	<b>5,221,613</b>	<b>5,411,036</b>	<b>5,210,180</b>	<b>5,407,755</b>

The weighted average annual interest rate on short-term bank deposits due post 30th June 2011 is 6.00%; these deposits had an average maturity of 28 days.

**NOTE 7: TRADE AND OTHER RECEIVABLES**

	Consolidated Group		Parent Entity	
	2011 \$	2010 \$	2011 \$	2010 \$
<i>Current</i>				
Trade receivables	498,590	399,040	447,472	392,229
Other receivables	299,341	51,238	299,341	51,238
GST receivable	88,430	-	88,430	-
	<b>886,361</b>	<b>450,278</b>	<b>835,243</b>	<b>443,467</b>
<i>Non-Current</i>				
Funds by members and subsidiary	10,000	10,000	15,000	15,000
Security Bonds	2,950	0	2,950	0
	<b>12,950</b>	<b>10,000</b>	<b>17,950</b>	<b>15,000</b>
<b>Total Trade and Other Receivables</b>	<b>899,311</b>	<b>460,278</b>	<b>853,193</b>	<b>458,467</b>

**Note 7: TRADE AND OTHER RECEIVABLES (Continued)**

**CONSOLIDATED GROUP**

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
<b>2011</b>							
Trade and term receivables	797,931	-	735,891	36,660	25,080	300	-
GST Receivable	88,430	-	88,430	-	-	-	-
Other non current receivables	12,950	-	12,950	-	-	-	-
<b>Total</b>	<b>899,311</b>	<b>-</b>	<b>837,271</b>	<b>36,660</b>	<b>25,080</b>	<b>300</b>	<b>-</b>
<b>2010</b>							
Trade and term receivables	450,278	-	447,023	-	-	3,255	-
Other non current receivables	10,000	-	10,000	-	-	-	-
<b>Total</b>	<b>460,278</b>	<b>-</b>	<b>457,023</b>	<b>-</b>	<b>-</b>	<b>3,255</b>	<b>-</b>

**PARENT ENTITY**

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
<b>2011</b>							
Trade and term receivables	746,813	-	684,773	36,660	25,080	300	-
GST Receivable	88,430	-	88,430	-	-	-	-
Other non current receivables	17,950	-	17,950	-	-	-	-
<b>Total</b>	<b>853,193</b>	<b>-</b>	<b>791,153</b>	<b>36,660</b>	<b>25,080</b>	<b>300</b>	<b>-</b>

<b>2010</b>					
Trade and term receivables	443,467	-	440,212	-	-
Other non current receivables	15,000	-	15,000	-	3,255
<b>Total</b>	<b>458,467</b>	<b>-</b>	<b>455,212</b>	<b>-</b>	<b>3,255</b>

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are impaired and past due. It is expected that these balances shown above will be received.

#### Credit Risk – Trade and Other Receivables

The company does not have any material credit risk exposure to any single receivable or group of receivables.

The table above details the company's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the company and the customer and counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

#### Note 8: Other Assets

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Bank guarantees	83,545	83,545	83,545	83,545
Prepayments	53,102	37,692	53,102	37,692
	<u>136,647</u>	<u>121,237</u>	<u>136,647</u>	<u>121,237</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011

**Note 9: PLANT AND EQUIPMENT**

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Office fitout				
— At cost	18,036	18,036	18,036	18,036
— Accumulated depreciation	(16,006)	(12,268)	(16,006)	(12,268)
	2,030	5,768	2,030	5,768
Office furniture and equipment:				
— At cost	30,342	28,787	30,342	28,787
— Accumulated depreciation	(12,266)	(9,646)	(12,266)	(9,646)
	18,076	19,141	18,076	19,141
IT equipment:				
— At cost	208,867	174,113	208,867	174,113
— Accumulated depreciation	(123,919)	(94,416)	(123,919)	(94,416)
	84,948	79,697	84,948	79,697
Motor vehicles:				
— At cost	630,578	508,661	630,578	508,661
— Accumulated depreciation	(289,258)	(209,727)	(289,258)	(209,727)
	341,320	298,934	341,320	298,934
Other equipment:				
— At cost	14,812	163,090	14,812	163,090
— Accumulated depreciation	(6,287)	(93,554)	(6,287)	(93,554)
	8,525	69,536	8,525	69,536
<b>Total Plant and equipment</b>	<b>454,899</b>	<b>473,076</b>	<b>454,899</b>	<b>473,076</b>

**Note 9: PLANT AND EQUIPMENT (continued)**

**Movements in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and end of the current financial period.

	Office Fitout \$	Office Furniture and Equipment \$	IT Equipment \$	Motor Vehicles \$	Other Equipment \$	Total \$
<b>Balance at 30 June 2009</b>	13,237	29,701	85,794	295,316	101,942	525,990
Additions	-	3,366	37,282	80,635	1,270	122,553
Disposals	(1,130)	(8,665)	(6,744)	(1,491)	(788)	(18,818)
Depreciation expense	(6,339)	(5,261)	(36,634)	(75,526)	(32,889)	(156,649)
<b>Balance at 30 June 2010</b>	5,768	19,141	79,698	298,934	69,535	473,076
Additions	-	3,224	44,094	138,754	1,722	187,794
Disposals	-	-	(2,064)	-	(60,000)	(62,064)
Depreciation expense	(3,738)	(4,289)	(36,780)	(96,368)	(2,732)	(143,907)
<b>Balance at 30 June 2011</b>	2,030	18,076	84,948	341,320	8,525	454,899

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**Note 10: TRADE AND OTHER PAYABLES**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>CURRENT</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Unsecured liabilities</i>				
Trade payables	196,672	302,340	196,672	302,340
Contract commitments	971,645	738,760	971,645	738,760
GST payable	4,507	27,410	-	28,007
Superannuation Payable	57,350	44,291	57,350	44,291
Employee benefits	297,861	284,250	297,861	284,250
Sundry payables and accrued expenses	113,313	128,632	113,313	128,632
	<b>1,641,348</b>	<b>1,525,683</b>	<b>1,636,841</b>	<b>1,526,280</b>

**Note 11: PROVISIONS**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
<b>NON CURRENT</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Long Term Employee benefits	245,838	174,568	245,838	174,568

**Reconciliation of the movement in the provision**

	<b>Consolidated Group</b>		<b>Parent Entity</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance at 1 July	174,568	102,427	174,568	102,427
Additional provision raised during the year	71,270	72,141	71,270	72,141
Amounts used	-	-	-	-
Closing balance at 30 June	<b>245,838</b>	<b>174,568</b>	<b>245,838</b>	<b>174,568</b>

**Provision for Long-term Employee Benefits**

A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits has been included in Note 1.

## NOTE 12: CAPITAL AND LEASING COMMITMENTS

### a. Operating Lease Commitments

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable — minimum lease payments				
— not later than 12 months	303,582	278,914	303,582	278,914
— between 1 year and 5 years	452,036	131,468	452,036	131,468
	<u>755,618</u>	<u>410,382</u>	<u>755,618</u>	<u>410,382</u>

Operating lease commitments consist of property and equipment and they are disclosed exclusive of GST.

The property leases are non-cancellable leases with terms of between 24 to 31 months, with rent payable monthly in advance. Most lease agreements require a CPI increase annually and an option to renew the leases at the end of the current term.

The equipment leases are for non-cancellable leases held through Fuji-Xerox and SilverChef with terms of between 4 and 37 months.

### b. Finance Lease Commitments

The company has not entered into any finance leases.

## NOTE 13: CASH FLOW INFORMATION

### a. Reconciliation of Cash Flow from Operations with Surplus/(Deficit) after Income Tax

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Operating surplus/(deficit) after income tax	(150,769)	(74,202)	(150,719)	(74,202)
<b>Non-cash flows in surplus</b>				
Depreciation	143,907	156,649	143,907	156,649
Net loss on disposal of plant and equipment	62,064	18,818	62,064	18,818
<b>Changes in assets and liabilities</b>				
(Increase)/decrease in trade and other receivables	(439,033)	2,101,735	(394,726)	2,111,182
(Increase)/decrease in other assets	(15,410)	(30,702)	(15,410)	(30,702)
Increase/(decrease) in trade and other payables	115,665	438,191	110,561	439,066
Increase/(decrease) in grants received in advance	210,677	(1,896,754)	163,272	(1,899,943)
Increase/(decrease) in provisions	71,270	72,141	71,270	72,141
	(1,629)	785,876	(9,781)	793,009

### b. Non-cash Financing and Investing Activities

The company does not have any non-cash Financing or Investing Activities.

### c. Credit Standby Arrangements

The company does not have any credit standby arrangements.

## NOTE 14: CONTRACT COMMITMENTS

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Contract Commitments	55,112	66,305	55,112	66,305

The company currently has contractual commitments not taken up in the accounts for funding to third parties relating to projects. The obligation to pay the amount outstanding is contingent on receipt of outstanding grant funds totalling \$66,305 from grant providers. The funding for these commitments are expected to be received within the next 12 months.

## NOTE 15: INCORPORATION AS A COMPANY LIMITED BY GUARANTEE

The company is incorporated under the Corporations Act 2001 as a company limited by guarantee and does not have share capital. Under Clause 40 of the Constitution of the company, every member who is a member or a member who has ceased to be a member in the proceeding year is liable to contribute to the assets of the company in the event of a winding up, to an amount not exceeding \$10. The number of members as at 30 June 2011 was 2 (2010: 1).

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 16: SEGMENT REPORTING**

The company operates in one business and geographical segment being the management of natural resources in South East Queensland, Australia.

**NOTE 17: ECONOMIC DEPENDENCY**

The operations of the company are significantly dependent upon receipts of State and Federal grant funding.

**NOTE 18: CONTROLLED ENTITIES**

Controlled Entities	Country of Incorporation	Percentage Owned*	
		2011 %	2011 %
<i>Parent Entity:</i> SEQ Catchments Limited	Australia	0%	0%
<i>Subsidiaries of SEQ Catchments Limited:</i> SEQC Operations Pty Ltd	Australia	100%	100%

\*Percentage of voting power in proportion to ownership

SEQC Operations Pty Ltd was incorporated on 29 June 2007.

Two new companies were established in July 2011, SEQ Catchments Offsets Pty Ltd and Tactiv Pty Ltd. Both companies are subsidiaries of SEQC Operations Pty Ltd.

**NOTE 19: RELATED PARTY**

In accordance with the Member's Agreement, SEQ Catchments Limited reimburses its members for operating expenses incurred during the year. The amount paid to each member for the year is detailed below.

Original members, Natural Resource Management SEQ Inc. and SEQ Western Catchments Group Inc. ceased operations during the 2009/10 financial year. As at the 30<sup>th</sup> June 2011 there are two members, SEQ Catchments Members' Association Inc. and SEQ Council of Mayors.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties.

	2011	2010
	\$	\$
Natural Resource Management SEQ Inc.		5,160
SEQ Western Catchments Group Inc.		3,973
SEQ Catchments Members' Association Inc.	43,627	20,893
	<u>43,627</u>	<u>30,026</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 20: FINANCIAL RISK MANAGEMENT**

The company's financial instruments consists mainly of deposits with banks, short-term investments, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:

	Note	Consolidated Group 2011	2010	Parent Entity 2011	2010
		\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	6	5,221,613	5,411,036	5,210,180	5,407,755
Loans and receivables	7	899,311	460,278	853,193	458,467
		<b>6,120,924</b>	<b>5,871,314</b>	<b>6,063,373</b>	<b>5,866,222</b>
<b>Financial Liabilities</b>					
Financial liabilities at amortised cost					
Trade and other payables (excluding current leave entitlements)	10	1,343,487	1,241,434	1,338,980	1,242,031
		<b>1,343,487</b>	<b>1,241,434</b>	<b>1,338,980</b>	<b>1,242,031</b>

**Financial Risk Management**

SEQ Catchments Ltd overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the finance committee and SEQ Catchments board on a regular basis. These include credit risk policies and future cash flow requirements.

**Specific Financial Risk Exposures and Management**

The company's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and accounts payable.

The main risks the group is exposed to through its financial instruments are interest rate risk on cash deposits and credit risk on the group's accounts receivable. This exposure is minimal as the group's dependence on interest income to fund operational activities is minimal and the majority of the group's accounts receivable are monies owing under government contracts.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The company does not have any derivative instruments at 30 June 2011.

*a.. Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rate will affect future cash flows.

Interest rate risk is managed with a mixture of fixed and floating rate investments. For further details on interest rate risk refer to Note 20b.

*b. Liquidity risk*

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through

- monitoring forecast cash flows and ensuring that adequate cash funds are available to meet the needs of the company.
- maintaining a reputable credit profile;
- managing credit risk to financial assets;
- investing surplus cash in capital secure financial instruments

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect managements expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011

**NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)**  
Financial liability and financial assets maturity analysis.

	Note	Less than 6 months		6 months to 1 year		1 to 5 Years		Total contractual cash flow	
		2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>									
Trade and other payables (excluding estimated annual leave and deferred income)	10	1,268,258	1,174,826	75,229	66,608	-	-	1,343,487	1,241,434
<b>Total expected outflows</b>		<b>1,268,258</b>	<b>1,174,826</b>	<b>75,229</b>	<b>66,608</b>	<b>-</b>	<b>-</b>	<b>1,343,487</b>	<b>1,241,434</b>
<b>Financial assets — cash flows realisable</b>									
Cash and cash equivalents	6	5,221,613	4,911,036	-	500,000	-	-	5,221,613	5,411,036
Trade, term and loans receivables	7	899,311	460,278	-	-	-	-	899,311	460,278
<b>Total anticipated inflows</b>		<b>6,120,924</b>	<b>5,371,314</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>6,120,924</b>	<b>5,871,314</b>
<b>Net (outflow)/inflow on financial instruments</b>		<b>4,852,666</b>	<b>4,196,488</b>	<b>(75,229)</b>	<b>433,392</b>	<b>-</b>	<b>-</b>	<b>4,777,437</b>	<b>4,629,880</b>

*Financial liability and financial asset maturity analysis*

	Note	Less than 6 months		6 months to 1 year		1 to 5 Years		Total contractual cash flow	
		2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>									
Trade and other payables (excluding estimated annual leave and deferred income)	10	1,263,751	1,175,423	75,229	66,608	-	-	1,338,980	1,242,031
<b>Total expected outflows</b>		<b>1,263,751</b>	<b>1,175,423</b>	<b>75,229</b>	<b>66,608</b>	<b>-</b>	<b>-</b>	<b>1,338,980</b>	<b>1,242,031</b>
<b>Financial assets — cash flows realisable</b>									
Cash and cash equivalents	6	5,210,180	4,907,755	-	500,000	-	-	5,210,180	5,407,755
Trade, term and loans receivables	7	853,193	458,467	-	-	-	-	853,193	458,467
<b>Total anticipated inflows</b>		<b>6,063,373</b>	<b>5,366,222</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>6,063,373</b>	<b>5,866,222</b>
<b>Net (outflow)/inflow on financial instruments</b>		<b>4,799,622</b>	<b>4,190,799</b>	<b>(75,229)</b>	<b>433,392</b>	<b>-</b>	<b>-</b>	<b>4,724,393</b>	<b>4,624,191</b>

*Credit risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company.

The company does not have any material credit risk exposure to any single receivable. The majority of receivables are monies owing from governments and the directors consider these receivables are collectable as at 30 June 2011. To reduce the credit risk associated with the investment of surplus cash funds, the Finance and Audit Committee in accordance with approved Board policy considers the investment strategy on a regular basis and only invests in recognised financial institutions.

The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Trade and other receivables are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 7.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the group.

#### Net Fair Values

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. No estimates or judgements have been made in respect to financial assets as shown in the table below. Rather amounts are shown at carrying values.

Footnote	Consolidated Group				Parent Entity			
	2011		2010		2011		2010	
	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>								
Cash and cash equivalents	(i) 5,221,613	5,221,613	5,411,036	5,411,036	5,210,180	5,210,180	5,407,755	5,407,755
Trade and other receivables	(i) 899,311	899,311	460,278	460,278	853,193	853,193	458,467	458,467
<b>Total financial assets</b>	<b>6,120,924</b>	<b>6,120,924</b>	<b>5,871,314</b>	<b>5,871,314</b>	<b>6,063,373</b>	<b>6,063,373</b>	<b>5,866,222</b>	<b>5,866,222</b>
<b>Financial liabilities</b>								
Trade and other payables (excluding leave entitlements)	(i) 1,343,487	1,343,487	1,241,434	1,241,434	1,338,980	1,338,980	1,242,031	1,242,031

<b>Total financial liabilities</b>	<b>1,343,487</b>	<b>1,343,487</b>	<b>1,241,434</b>	<b>1,241,434</b>	<b>1,338,980</b>	<b>1,338,980</b>	<b>1,242,031</b>	<b>1,242,031</b>
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The fair values disclosed in the above table have been determined based on the following methodologies.

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave and deferred income which is not considered a financial instrument.

## NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

### Interest Rate Sensitivity Analysis:

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in particular variable is independent of other variables.

	Consolidated Group		Parent Entity	
	2011	2010	2011	2010
	\$	\$	\$	\$
Change in profit				
— Increase in interest rate by 2%	99,205	81,704	99,205	81,704
— Decrease in interest rate by 2%	(99,205)	(81,704)	(99,205)	(81,704)
Change in Equity				
— Increase in interest rate by 2%	99,205	81,704	99,205	81,704
— Decrease in interest rate by 2%	(99,205)	(81,704)	(99,205)	(81,704)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The company has no exposure to fluctuations in foreign currency.

The Group does not have any interest rate risk at balance date.

## NOTE 21: CAPITAL MANAGEMENT

Management controls the capital of the entity to ensure that adequate cash flows are generated to fund its objectives and that returns from investments are maximised. The finance committee ensures that the overall risk management strategy is in line with this objective.

The Audit and Finance Committee operates under policies approved by SEQ Catchment Board. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

The entity's capital consists of financial liabilities supported by financial assets.

Management effectively manages the entity's capital by assessing the entity's financial risks and responding to changes in these risks and in the market.

## NOTE 22: ENTITY DETAILS

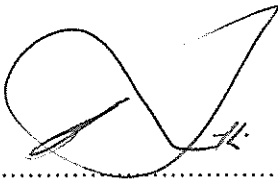
The registered office of the group is Level 2, 183 North Quay, Brisbane 4000

## DIRECTORS' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 38 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. complies with International Financial Reporting Standards as disclosed in Note 1.
  - c. give a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date;
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



.....  
**Robert Smith**

Signed at Brisbane this 19<sup>th</sup> day of AUGUST, 2011.

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SEQ CATCHMENTS LTD

### Report on the financial report

We have audited the accompanying financial report of SEQ Catchments Limited, which comprises the balance sheet as at 30 June 2011 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of the significant accounting policies and other explanatory notes and the directors' declaration.

#### *Directors' responsibility for the financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the auditor's independence declaration set out on page 5 of the annual report has not changed as at the date of providing our audit opinion.

*Auditor's Opinion*

In our opinion:

- (a) the financial report of SEQ Catchments Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**B. B. Whitehouse**  
**Accountants**



A.P. WHITEHOUSE F.C.A.

Signed at Brisbane this fourteenth day of September, 2011.