



SEQ Catchments Ltd

ABN 91 115 662 989

*Director's report and
audited financial statements*

FOR THE YEAR ENDED 30 JUNE 2006

financial statements

Directors' Report

The Directors of SEQ Catchments Ltd present this report on the company for the financial year ended 30 June 2006.

Directors

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

Director	Date Appointed
Gordon French	8 August 2005
Robert Smith	8 August 2005
Terry Dredge	16 November 2005
John Nugent	8 August 2005
Josh Hankey	8 August 2005
John Brent	16 November 2005

Company Secretary

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

Operating Result

The surplus of the company for the financial year after providing for income tax amounted to \$556,070.

Review of Operations

The company was incorporated on 8 August 2005, from the merger of the operations of Natural Resource Management South East Queensland Inc. and SEQ Western Catchment Group Inc. Under the members agreement the assets and liabilities of the merging bodies were transferred to South East Queensland Catchment Limited.

The 2005/06 financial year marked the first year of operation for SEQ Catchments Ltd.

SEQ Catchments Ltd income is primarily derived from State and Federal grant agreements. Since its incorporation in August 2005, SEQ Catchments Ltd has seen a total income of \$6,309,104 of which \$6,037,549 was from grant income for SEQ Catchments Ltd projects. A more comprehensive review of the company's operations is outlined in elsewhere in this report.

Balance Sheet

The net assets of the company have increased by \$556,070 since commencement. This increase has largely

resulted from the following factors:

- Commencement of activities;
- Interest on invested funds; and
- Transfer of assets from members on incorporation.

A copy of the audited accounts is attached.

Significant Changes in State of Affairs

Since the incorporation of SEQ Catchments Ltd in August 2005 there have been no significant changes to the state of affairs of the company.

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 resources 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
- Progress towards a merger (or similar arrangement) with Moreton Bay Waterways and Catchments Partnership or develop a Memorandum of Understanding with Moreton Bay Waterways and Catchments Partnership.

After Balance Date Events

There are no matters or circumstances that have arisen since the end of the financial year which significantly affect or may significantly affect the operations of the company.

Future Developments

Future developments in the operations of the company have been dealt with elsewhere in the annual report.

Dividends

No recommendation has been made for the payment of a dividend. The Directors' do not intend to pay dividends to its members.

Options

Under the terms of the company's constitution the company does not have the ability to issue options.

Indemnifying Officer 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 directors against liabilities for costs and expenses incurred by them in

defending any legal proceedings arising out of their conduct while acting in 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 company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

Directors' Particulars

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

Directors' Meetings	Directors' Meetings		Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Gordon French	10	9	2	2
Robert Smith	10	10	5	5
Terry Dredge	7	7	2	2
John Nugent	10	9	-	-
Josh Hankey	10	10	5	5
John Brent	7	7	-	-

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.

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

Remuneration Details for the Year Ended 30 June 2006

The total remuneration paid to the directors and the 4 executive officers is as follows:

	Salary \$	Committee Fees \$	Super-annuation Contributions \$	Non-cash Benefits \$	Total \$
Directors	17,606	43,474	3,350	-	64,430
Executive Officers	212,469	-	23,375	8,587	244,431
	230,075	43,474	26,725	8,587	308,861

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 4.

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' have undertaken the following:

- Adoption of the Code of Conduct as endorsed by the Australian Institute of Company directors;
- Establishment of a Schedule of Activity outlining the timing of pertinent obligations of SEQ Catchments Ltd to ensure good governance and compliance;
- Development of performance assessment methodology in order to evaluate the effectiveness of board processes and identify areas of improvement; and
- Establishment of two sub committees, Planning & Investment and Audit & Finance, each with its own charter.

Additionally the directors obtained training through the Australian Institute of Company Directors attending the following courses:

- New Directors' Program 1 & 2 attended by Gordon French, Josh Hankey, John Nugent, Simon Warner, Robert Smith and Terry Dredge;

- Directors' Essentials 3 & 4 attended by Josh Hankey;
- Issues for Not for Profit Governance attended by Josh Hankey and Simon Warner; and
- Board, Director and CEO Assessment attended by John Nugent.

Environmental Regulations

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

International Financial Reporting Standards

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those standards.

Signed in accordance with a resolution of the Board of Directors



G C French
Director

Signed at Brisbane this 25th day of
October 2006.

Auditors' Independence Declaration
Under Section Of 307C Of The Corporations Act 2001
To The Directors Of SEQ Catchments Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

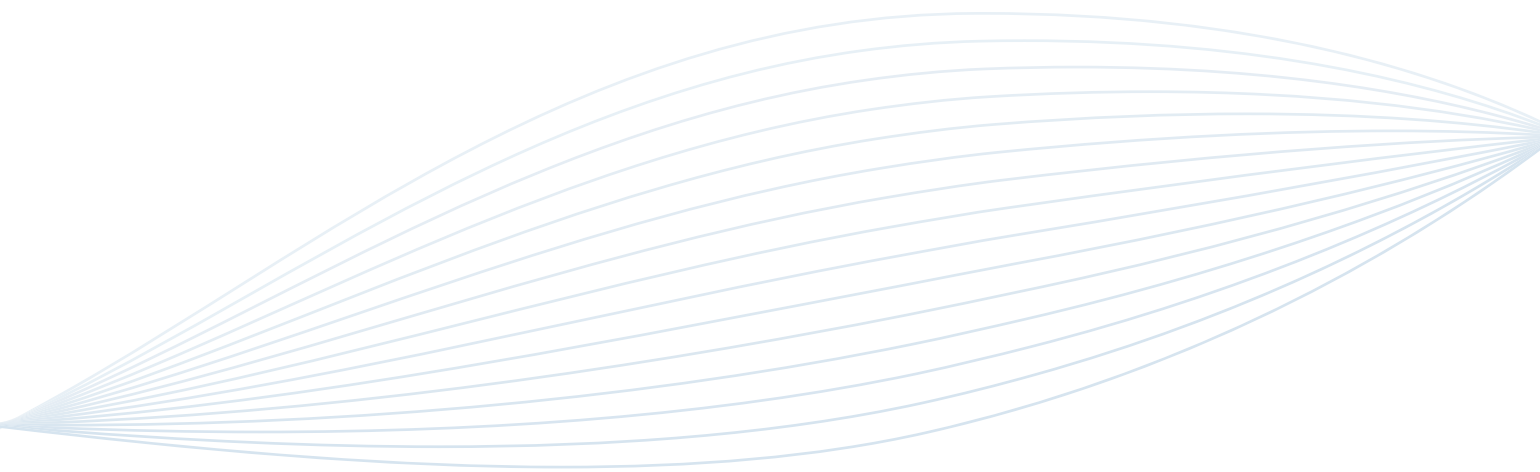
- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

PRIESTLEYS
Chartered Accountants



K A VIVIAN
Partner

Signed at Brisbane this 25th day of October 2006.



Income Statement For The Year Ended 30 June 2006

	Note	2006 \$	2005 \$
Revenue	2	6,309,104	-
Employee expenses	3	(2,295,304)	-
Operating costs	3	(552,898)	-
Administration costs	3	(231,831)	-
Depreciation expense	3	(15,218)	-
Project expenses	3	(2,657,783)	-
Surplus/(deficit) before income tax		556,070	-
Income tax expense	1a	-	-
Surplus/(deficit) attributable to members of the Company		556,070	-

The accompanying notes form part of this financial report.

Balance Sheet
As At 30 June 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	6	6,975,749	-
Trade and other receivables	7	382,872	-
Other current assets	8	66,895	-
TOTAL CURRENT ASSETS		<u>7,425,516</u>	<u>-</u>
NON-CURRENT ASSETS			
Plant and equipment	9	70,701	-
TOTAL NON-CURRENT ASSETS		<u>70,701</u>	<u>-</u>
TOTAL ASSETS		<u>7,496,217</u>	<u>-</u>
CURRENT LIABILITIES			
Trade and other payables	10	1,772,770	-
Grants received in advance		5,167,377	-
TOTAL CURRENT LIABILITIES		<u>6,940,147</u>	<u>-</u>
TOTAL LIABILITIES		<u>6,940,147</u>	<u>-</u>
NET ASSETS		<u>556,070</u>	<u>-</u>
EQUITY			
Retained surplus/(Accumulated deficit)		556,070	-
TOTAL EQUITY		<u>556,070</u>	<u>-</u>

The accompanying notes form part of this financial report.

Statement Of Changes In Equity For The Year Ended 30 June 2006

	Note	Retained Earnings \$	Total \$
Balance at date of incorporation		-	-
Surplus attributable to members		556,070	556,070
Balance at 30 June 2006		556,070	556,070

Cash Flow Statement For The Year Ended 30 June 2006

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		6,874,765	-
Contributions from members on incorporation		4,159,055	-
Payments to suppliers and employees		(4,142,355)	-
Interest received		96,387	-
Net cash provided by (used in) operating activities	12a	6,987,852	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of plant and equipment		862	-
Purchase of plant and equipment		(12,965)	-
Net cash provided by (used in) investing activities		(12,103)	-
Net increase in cash held		6,975,749	-
Cash at the beginning of financial year		-	-
Cash at the end of financial year	6	6,975,749	-

The accompanying notes form part of this financial report.

Notes to the Financial Statements for the Year Ended 30 June 2006

Note 1: Statement Of Significant Accounting Policies

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

The financial report is for the entity SEQ Catchments Ltd as an individual entity. SEQ Catchments Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

SEQ Catchments Ltd was incorporated on 8 August 2005. As the 2005/06 financial year marked the first year of operation there are no comparative figures recorded within this financial report.

The financial report of SEQ Catchments Ltd complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

Basis of Preparation

First-time adoption of Australian equivalents to International Financial Reporting Standards

SEQ Catchments Ltd has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from the date of incorporation.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Income Tax

The Australian Taxation Office has issued an endorsement notice to SEQ Catchments Ltd for charity tax concessions. Under Subdivision 50-B of the Income Tax Assessment Act 1997 SEQ Catchments Ltd is exempt from Income Tax liabilities.

b. 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.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Office furniture & equipment	10% - 15%
IT equipment	20% - 33.33%

c. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that 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.

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.

d. 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.

Notes To The Financial Statements For The Year Ended 30 June 2006

e. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

f. Revenue

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

Grant revenue is recognised on a proportional basis based on the activity undertaken during the period for which the grant is provided.

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

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

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

g. Donated 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.

h. 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.

i. 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.

j. Government Grants

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. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Unspent grant monies at year end are carried as a liability within the Balance Sheet.

k. 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.

Note 2: Revenue

	2006 \$	2005 \$
a. Operating activities		
- Grant income	6,037,549	-
- Interest received – Other persons	96,387	-
- Contributions from members on incorporation (Note 2b)	170,635	-
- Other revenue	4,533	-
Total Revenue	6,309,104	-
b. Contributions from members on incorporation		
On the date of incorporation the assets and liabilities received from the members were as follows:		
Assets	4,824,764	-
Liabilities	(4,654,129)	-
	170,635	-

Note 3: Surplus From Ordinary Activities

	2006	2005
	\$	\$
a. Expenses		
Depreciation of non-current assets:		
– Office furniture & equipment	1,825	-
– IT equipment	13,393	-
	<hr/> 15,218	<hr/> -
Rental expenses on operating leases		
– Minimum lease payments	172,630	-
– Rental expense for sub-leases	24,925	-
	<hr/> 197,555	<hr/> -
Remuneration of auditor		
– Audit of the financial report	7,500	-
Loss on disposal of plant and equipment	2,863	-

b. Significant Revenue and Expenses

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

Salaries and wages expense - operational	1,649,442
Salaries and wages expense - administrative	209,140
Onground works contract payments	2,545,910

Note 4: Key Management Personnel Compensation**a. Personnel**

The following people were employed in key management positions during the financial year.

Name	Gordon French	Robert Smith	Terry Dredge
Position	Chairman	Director	Director

Name	John Nugent	Josh Hankey	John Brent
Position	Director	Director	Director

Name	Simon Warner	Noel Ainsworth	Kristina Frawley
Position	CEO	Operations Manager	Commercial Manager

Name	Adrian Volders
Position	Director of Planning

b. Compensation

The following is a summary of the compensation received by key management personnel during the financial year.

Short-term Benefits	Total				
Salary & Fees	Superannuation	Bonus	Non-Cash Benefits		
\$	\$	\$	\$		
2006					
Total compensation	273,549	26,725	-	8,587	308,861
2005					
Total compensation	-	-	-	-	-

Note 5: Auditors' Remuneration

	2006	2005
	\$	\$
Remuneration of the auditor		
– auditing or reviewing the financial report	7,500	-
	<hr/>	<hr/>

Note 6: Cash And Cash Equivalents

Cash at bank	1,669,024	-
Short-term bank deposits	5,306,497	-
Petty cash	228	-
	<hr/>	<hr/>
	6,975,749	-
	<hr/>	<hr/>

The effective interest rate on short-term bank deposits was 5.10%; these deposits have an average maturity of 21 days.

Note 7: Trade And Other Receivables

Trade debtors	363,813	-
Other receivables	19,059	-
	<hr/>	<hr/>
	382,872	-
	<hr/>	<hr/>

Note 8: Other Assets

Office rental deposit	10,500	-
Prepayments	56,395	-
	<hr/>	<hr/>
	66,895	-
	<hr/>	<hr/>

Note 9: Plant And Equipment

Office furniture and equipment:		
At cost	25,975	-
Accumulated depreciation	(6,140)	-
	<hr/>	<hr/>
	19,835	-
	<hr/>	<hr/>
IT equipment:		
At cost	110,903	-
Accumulated depreciation	(60,037)	-
	<hr/>	<hr/>
	50,866	-
	<hr/>	<hr/>
Total Plant and equipment	70,701	-
	<hr/>	<hr/>

a. Movements in Carrying Amounts

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

	Office Furniture and Equipment	IT Equipment	Total
Balance at date of incorporation	-	-	-
Additions	4,832	8,133	12,965
Contributions from members on incorporation	20,527	56,152	76,679
Disposals	(3,699)	(26)	(3,725)
Depreciation expense	(1,825)	(13,393)	(15,218)
Carrying amount at the end of year	<hr/>	<hr/>	<hr/>
	19,835	50,866	70,701
	<hr/>	<hr/>	<hr/>

Note 10: Trade And Other Payables

	2006	2005
	\$	\$
Current		
<i>Unsecured liabilities</i>		
Trade payables	276,980	-
Contract commitments	788,615	-
GST payable	312,949	-
Employee benefits	114,369	-
Sundry payables and accrued expenses	279,857	-
	<u>1,772,770</u>	<u>-</u>

Note 11: Capital And Leasing Commitments

a. Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable – minimum lease payments

– not later than 12 months	177,549	-
– between 1 year and 5 years	3,173	-
	<u>180,722</u>	<u>-</u>

Operating lease commitments consist of property, motor vehicle and equipment leases.

The property leases are non-cancellable leases with terms between 1 and 3 years and remaining commitments of between 4 to 12 months, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require a CPI increase annually. An option exists to renew the leases at the end of the current term.

The motor vehicle leases are non-cancellable leases held through Q Fleet with terms of 2 years and remaining commitments of between 3 and 15 months, with rent payable monthly in advance. Contingent rental provisions within the lease agreements require finalisation costs for cleaning, maintenance and repairs. These amounts have been provided for in the balance sheet.

The equipment lease is a non-cancellable lease with a 3 year term and a remaining commitment of 5 months, with rent payable monthly in advance. There is currently no option of renewal.

b. Finance Lease Commitments

The company has not entered into any finance leases.

c. Capital Expenditure Commitments

Capital expenditure commitments contracted for:

Plant and equipment purchases	23,645	-
	<u>23,645</u>	<u>-</u>
Payable:		
– not later than 12 months	23,645	-
	<u>23,645</u>	<u>-</u>

Note 12: Cash Flow Information

	2006	2005
	\$	\$
a. Reconciliation of Cash Flow from Operations with Surplus after Income Tax		
Operating surplus after income tax	556,070	-
Non-cash flows in surplus		
Depreciation	15,218	-
Net loss on disposal of plant and equipment	2,863	-
Contributions of plant and equipment	(76,679)	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(382,872)	-
(Increase)/decrease in other assets	(66,895)	-
Increase/(decrease) in trade and other payables	1,772,770	-
Increase/(decrease) in grants received in advance	5,167,377	-
	<u>6,987,852</u>	<u>-</u>

b. Non-cash Financing and Investing Activities

The company received a contributions of Plant and Equipment with a written down value of \$76,679 from its members upon incorporation.

c. Credit Standby Arrangements

The company does not have any credit standby arrangements.

Note 13: Contingent Liabilities And Contingent Assets

The directors are not aware of any contingent liabilities at the end of the financial year.

Note 14: Incorporation As A Company Limited By Guarantee

The company is incorporated under the Corporations Act 2001 as a company limited by guarantee and not having 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 2006 was 2.

Note 15: Change In Accounting Policy

There are no significant changes to the Australian Accounting Standards issued or amended since the year end which will have a significant effect on these financial statements.

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: Financial Instruments

a. Financial Risk Management

The company's financial instrument consists of deposits with banks, accounts receivable and accounts payable. The main financial risks which the company is exposed to are interest rate risk on cash deposits and credit risk on the company's accounts receivable.

b. Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing			
					Within 1 Year		1 to 5 Years	
	2006	2005	2006	2005	2006	2005	2006	2005
Financial Assets	%	%	\$	\$	\$	\$	\$	\$
Cash at bank	0.27	-	1,669,024	-	-	-	-	-
Short term deposits	5.10	-	-	-	5,306,497	-	-	-
Total Financial Assets			1,669,024	-	5,306,497	-	-	-

c. Credit Risk

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

d. Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the notes to the financial statements.

Note 19: Company Details

The registered office and principal place of business of the company is:

SEQ Catchments Ltd
 Level 2, 183 North Quay
 BRISBANE QLD 4000

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 1 to 14 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the Corporations regulations 2001; and
 - b. give a true and fair view of the Company's financial position as at 30 June 2006 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.



G C French

Signed at Brisbane this 25th day of October 2006.

Independent Audit Report
To the members of SEQ Catchments Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for the SEQ Catchments Ltd, for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of their performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

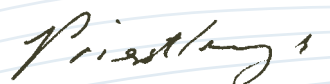
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 4 of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion


In our opinion, the financial report of SEQ Catchments Ltd is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



PRIESTLEYS
Chartered Accountants

K A VIVIAN
Partner



Signed at Brisbane this 25th day of October, 2006.

