

Unitywater

ANNUAL REPORT

2013 – 2014



Unitywater

Serving you today,
investing in tomorrow.

ABOUT THIS REPORT

The 2013-14 Annual Report for Unitywater has been prepared in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and the *Annual report requirements for Queensland Government agencies*, April 2014 edition.

To meet State Government requirements, a minimal number of copies of this report were printed.

We encourage interested individuals or groups to view the report online and/or download a copy from www.unitywater.com/annualreport

Where this is not possible, a small number of copies are available from our Customer Service Counters at 33 King Street, Caboolture and 8-10 Maud Street, Maroochydore, between the hours of 8.30am and 5pm weekdays.

For further information or assistance with this annual report please contact:

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Unitywater is committed to providing accessible services to Queensland residents from all cultural and linguistic backgrounds. If you have difficulty understanding this Annual Report and require an interpreter please contact the Translating and Interpreting Service (TIS National) by telephoning 131 450.

Unitywater

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Unitywater Annual Report 2013-2014

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LETTER TO OUR HONOURABLE MINISTER



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The Honourable Mark McArdle MP
Minister for Energy and Water Supply
Level 13, Mineral House
Brisbane QLD 4000

Dear Minister

I am pleased to present the Annual Report 2013-14 and financial statements for Unitywater.

I certify that this Annual Report complies with:

- the prescribed requirements of the Financial Accountability Act 2009 and the Financial and Performance Management Standard 2009, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found on page 30 of this annual report or accessed at www.unitywater.com

Yours sincerely

Jim Soorley

Chairman

2 September 2014

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Unitywater is a statutory authority that services the Moreton Bay, Sunshine Coast and Noosa local authority areas on behalf of its citizens. It is governed by an independent board. Councils do not have control or direction over day to day operations.



Unitywater has certification to
ISO 9001 Quality Management and
ISO 14001 Environmental Management.

ABOUT US

Unitywater is a statutory authority, formed on 1 July 2010 under the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*. We strive to provide high quality water and sewerage services to the Moreton Bay, Sunshine Coast and Noosa local authority areas, on behalf of their citizens. Our key focus is delivering outstanding customer service and innovative leadership as one of Australia's most forward thinking water authorities based in one of our country's most attractive and fast growing regions.

Unitywater is governed by an independent Board and has a Participation Agreement with the Moreton Bay and Sunshine Coast regional councils and Noosa Shire Council. We work very closely with all of our stakeholders to ensure strong communication for mutual understanding and benefit. The positive results of continued market research indicate that our communities are increasingly aware of, and satisfied with our services and our commitment to the community.

On behalf of our communities Unitywater works 24 hours a day, seven days a week and we:

- maintain and supply drinking quality water to homes, businesses and public areas
- collect, treat and dispose of sewage
- produce and provide recycled water to residential and commercial customers and community groups
- manage trade waste from our business and industrial customers
- build, manage, operate and maintain our water supply and sewerage infrastructure, including recycled water assets
- provide around the clock response to water, recycled water and sewerage emergencies
- manage customer and stakeholder enquiries
- issue and manage water supply, recycled water and sewerage accounts
- provide returns to our participating councils
- provide responsive 24/7 incident, media and public information to ensure that our communities are prepared, informed and supported as needed.

We are guided in delivering industry leading operations by a strong vision, a clear purpose and well defined values.

Our vision

To be a sustainable, industry-leading community and customer-oriented water and allied services business.

Our purpose

To deliver water to customers and to collect, transport and treat their sewage.

Our values

Reliability

We mean and do what we say: consistently, professionally, in a timely manner.

Safety

We think, walk and talk safety every day and have the systems and processes in place to protect us, our customers, the community and the environment from our activities.

Honesty and integrity

The work we do is always and only in the best interests of our customers, stakeholders, community and the environment.

Efficiency

We don't waste time, money or effort, because we have the right people in the right place, getting it right the first time.

One team

No one succeeds at the expense or exclusion of others, and we are proud of our collective success.

Innovation

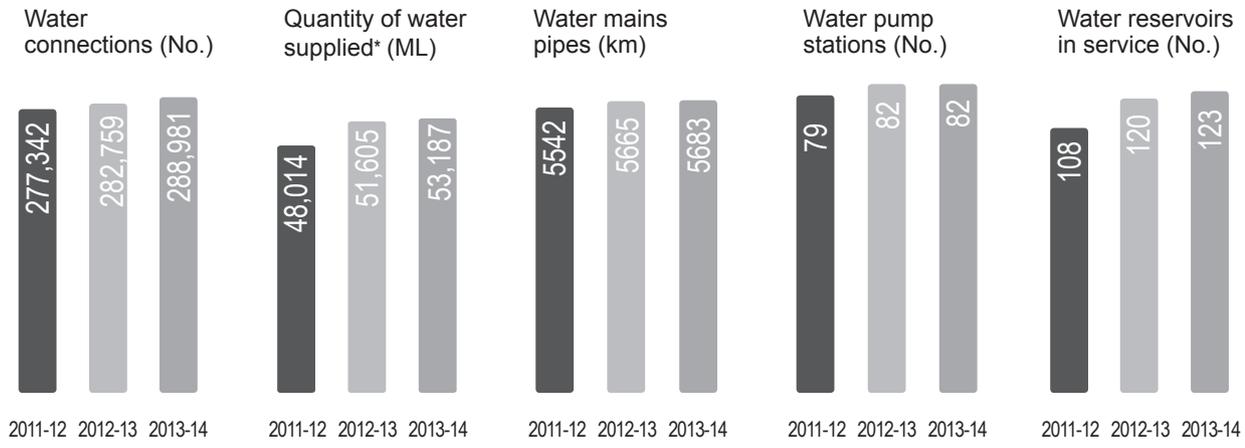
We seek new ways of doing things better.

Key facts for 2013-2014

- \$3.1 billion of infrastructure assets operated and maintained
- \$166.3 million invested in critical water and sewerage infrastructure
- A population of approximately 750,000 across 5223 square kilometres supplied with water and sewerage services
- 6222 new water and sewerage connections added to our network
- 161,121 phone enquiries answered by our Customer Contact Centre.

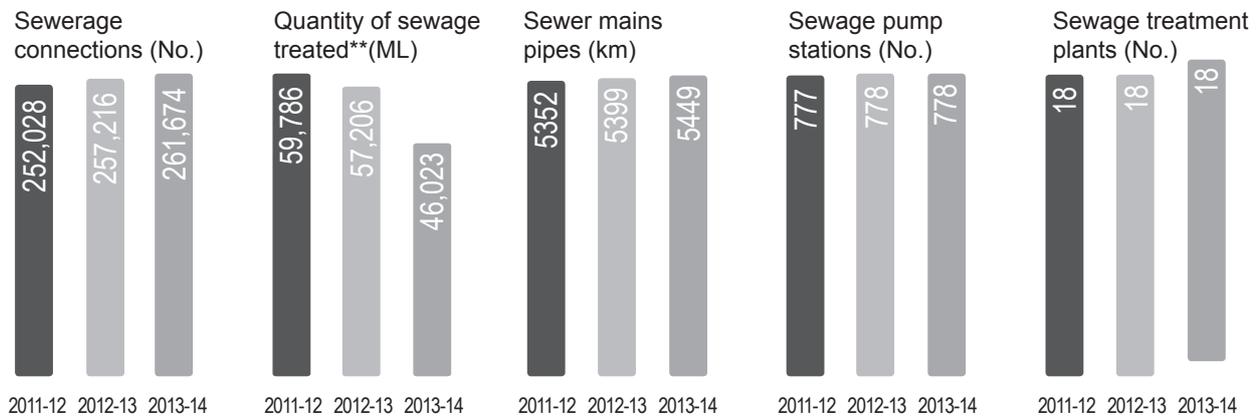
ABOUT US Cont.

Water infrastructure



*The quantity of water supplied varies from year to year dependent on the annual rainfall received. More water is supplied in drier years.

Sewerage infrastructure

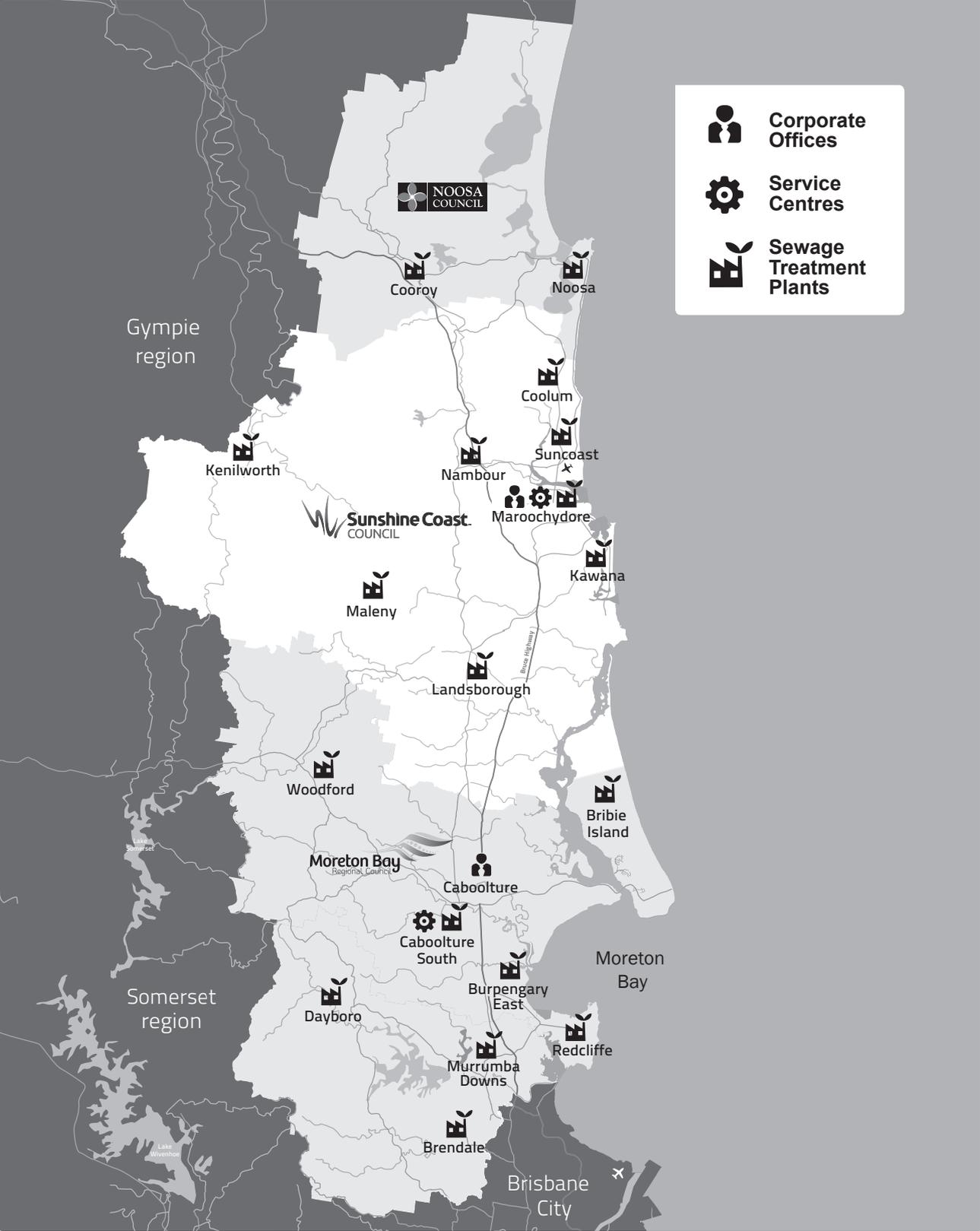


** Includes discharge, bypass, overflows and other. Significant rainfall adds to the quantity of sewage treated. The reduction in sewage treated in 2013-14 reflects the very low rainfall compared to previous years.

Recycled water 2013-14	
Quantity of recycled water supplied	2016 ML
Recycled water mains pipes	96 km
Recycled water plants	2

ABOUT US Cont.

Unitywater service area



MESSAGE FROM THE CHAIRMAN AND CEO

We are pleased to present Unitywater's Annual Report for 2013-14. This report provides a summary of our operational performance and corporate governance, and includes an audited financial report. Building on the review of the recent 2013-18 Corporate Strategic Plan, we continue our journey to achieve extraordinary performance by focussing on our strategic priorities to enhance customer value, improve sustainability and pursue efficiency.

As reflected in this report, our activities during the financial year focused on reducing costs, delivering safe and reliable drinking water, treating sewage to strict environmental standards and delivering essential projects.

We've worked hard to maintain our operating expenditure for 2013-14 which has increased by 2.3 percent on 2012-13 operating expenditure. This increase is despite inflation of 3.2 percent, general wage increases and growth in customer numbers.

Pricing reform

Our critical focuses for the year were giving customers greater ability to influence the variable component of their account, and delivering efficient services. We implemented a harmonised tariff structure for all volumetric prices and standardised the number of water tiers across the region, also introducing a capped volumetric sewerage price. This altered the variable component of an account, giving customers more "hands-on control" of their bill so that those who use less water will pay less.

We also reduced our fixed access charges by \$102 and \$52 for customers in residential stand-alone houses in the Moreton Bay and Sunshine Coast regions, respectively.

The new pricing structure was also introduced for not-for-profit community and sporting groups, and vacant residential lots. Based on historical usage patterns, 69 percent of sporting and community groups and 58 percent of pensioners are now paying less under this new pricing approach.

Unitywater was recognised in the National Water Commission's annual National Performance Report as having one of the smallest percentage price increases this financial year compared to other Australian water utilities. Furthermore, the Queensland Competition Authority

(QCA) report on price monitoring for 2013-15 determined that Unitywater's revenue was likely to under recover the costs of delivering services by \$39.1 million in 2013-14, which equates to approximately \$140 per customer.

Providing essential infrastructure

In 2013-14 we invested \$166.3 million in water supply and sewerage infrastructure to support the ongoing delivery of water and sewerage services to our current and future customers.

One of the innovative projects for the year was to invest in a wetland and forestation of a 30 hectare site to treat sewage from the Maleny Sewage Treatment Plant (STP). The wetlands and forest will include pedestrian walkways for the community to enjoy, as well as creating natural habitats for fauna and flora. The total project was constructed at a cost of \$17 million, reducing the cost of a traditional treatment plant upgrade by \$18 million over the life of the plant. We are proud of our investment in "green engineering".

Unitywater also invested \$4.1 million in replacing 17,000 water meters across the region as part of its planned asset management program, ensuring customer meter reads continue to be accurate and compliant with the *National Measurement Act and Regulations*.

MESSAGE FROM THE CHAIRMAN AND CEO Cont.

Working safely

Safety is a priority for Unitywater and it was pleasing to see that the hard work being done by all employees across the business has had a very positive result. The Lost Time Injury Frequency Rate (LTIFR) per million hours worked dropped substantially in 2013-14 to 1.4, down from 6.8 in 2012-13.

Management and the Board will continue to ensure that the safety of our employees remains paramount as we move towards a zero LTIFR.

The Board, management and staff have adopted the challenge of also measuring the Significant Injury Frequency Rate (SIFR) per million hours worked, which will provide data on medical treatment of injuries as a lead indicator to prevent injuries.

New participant

On 1 January 2014 we welcomed a third participating council, due to the re-establishment of Noosa Shire Council. The Noosa Shire Council joins the Sunshine Coast and Moreton Bay regional councils as participants of Unitywater.

Financial performance

Unitywater made an underlying profit of \$5.9 million after excluding developer contributions.

We provided a fair and reasonable return to our participating councils, totalling \$133.0 million, as required under our Participation Agreement and borrowing agreements.

In 2013-14 we recorded a cashflow shortfall of \$33.9 million between cashflows from operations and investments.

Looking ahead

Looking ahead, significant milestones for the next financial year include the extension of our new pricing structure to retirement villages and the balance of residential and non-residential customers (mixed use). We will also invest in water and sewerage infrastructure to meet the needs of future communities while continuing to maintain customer service standards.

As we move into our fifth financial year of operation, we extend a sincere thank you to Board members, the Executive Leadership Team and staff for their ongoing support, efforts and achievements over the past year. We commend their dedication and focus on operational excellence on behalf of our customers.



Jim Soorley
Chairman
2 September 2014



George Theo
Chief Executive Officer
2 September 2014

THE YEAR IN REVIEW

Overview

We have reduced our cost to serve by 13 percent over the past three years through a range of efficiency measures, while continuing to improve service levels. Cost-saving measures included consolidation of offices and depots, network control rooms and laboratory services, an improved procurement system, downsizing of inventory and better fleet management.

Innovative capital projects such as the newly upgraded Maleny Sewage Treatment Plant (STP), which will save an estimated \$18 million over the plant's service life, further demonstrate Unitywater's commitment to keeping costs as low as possible for our customers.

2013-14 key highlights from our strategic priorities

Enhance customer value

- We harmonised charges for residential (stand-alone dwellings) customers, not-for-profit sporting and community groups and vacant residential land, giving customers more control of their accounts via user-pays pricing
- The National Water Commission National Performance Report showed that, compared to other Australian water utilities, Unitywater had one of the lowest price increases during this financial year
- The Queensland Competition Authority's report on price monitoring for 2013-15 determined that Unitywater's revenue was likely to under-recover the costs of delivering services by \$39.1 million in 2013-14, which equates to approximately \$140 per customer
- Our customer contact centre was able to resolve customer queries during the first call 96 percent of the time
- We made progress in our planning to offer customers more convenient self service channels, to be implemented in 2014-15.

Improve sustainability

- We supplied our customers with high quality drinking water with 99.9 percent compliance against Australian Drinking Water Guidelines

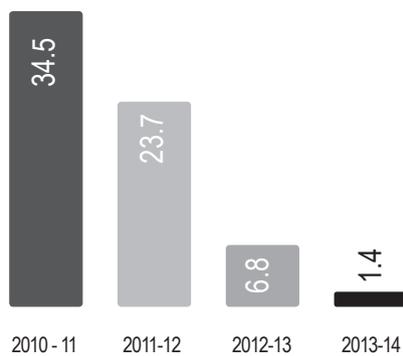
- We achieved a positive whole-of-business audit result and maintained certification against our ISO 9001 (quality) and 14001 (environmental) standards
- We carried out a successful software trial which resulted in permanent efficiencies as a part of our system leakage management plan that identifies hidden leaks and reduces the cost of water loss
- Our ongoing Sewage Overflow Abatement Program won the Queensland Risk Management Excellence Award for innovation in minimising wet weather sewage overflows in the community
- Our sewage treatment plants complied with environmental regulations and guidelines 98 percent of the time
- We continued our Creekside Greening program to filter stormwater runoff before it enters our local rivers and the Moreton Bay Marine Park
- With the help of local volunteers we planted 3500 seedlings at the Pine Rivers Wetland Reserve and Quota Park in Nambour
- We launched a Sewage Treatment Education Centre for community groups and schools, located at the Murrumba Downs Sewage Treatment Plant
- We are assisting Australia Zoo with the feeding of sick and injured koalas by providing new-growth gum leaves from mature eucalyptus trees at Kenilworth STP. The harvesting is undertaken on a sustainable basis and the leaves are donated to the zoo.

THE YEAR IN REVIEW Cont.

Develop an operationally excellent organisation

- We reduced our lost time injury frequency rate to 1.4, down from 6.8 in the previous year

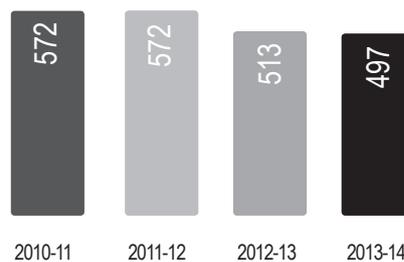
Lost time injury frequency rate



- We were awarded the Q-Comp Return to Work Award 2013 for the Employer Achievement Award for Rehabilitation and Return to Work – Small/Medium Employer
- We commenced the integration of our Geographic Information System (GIS) and Asset Management System to provide our staff with timely access to asset information for asset creation and maintenance functions
- By consolidating some of our northern based teams into a Northern Corporate Office and Service Centre and our southern based teams into a Southern Service Centre we reduced leasing costs and improved operating efficiencies

- Improving business efficiency and control so that price impacts to customers can be limited, continues to be a key focus for Unitywater as per the Unitywater Strategy and Annual Business Plans. Cost to serve is a key indicator of the efficient management of infrastructure and optimisation of business processes and systems.

Cost to serve (\$) *



Note: Annual cost to serve has been adjusted for inflation

THE YEAR IN REVIEW Cont.

Customer service

Every decision we make at Unitywater is informed by the desire to enhance customer value and reduce our overall cost to serve – without compromising our high level of customer service and in many cases, further improving it.

We continue to meet our customers' expectations in a number of areas, providing reliable round the clock delivery of safe, high quality drinking water, recycled water and sewerage services.

We are also highly responsive to customers and community enquiries and needs. By improving workforce planning and enhancing call quality check processes, our service to customers via our Customer Service Centre was further enhanced in 2013-14. For example, our Customer Service Centre was able to resolve customer queries during the first call 96 percent of the time and the average wait time for general calls reduced from 38 seconds to 24 seconds.

During the year we surveyed a sample of our customers to ask them if they would like more convenient online services. As a result, we are reviewing and planning additional technology and innovative options to provide our customers with 24/7 access to secure and convenient online services. Unitywater plans to further enhance the customer experience by introducing the following in 2014-15:

- Electronic billing
- Secure online access to customer account information including balance and transaction history
- The ability for customers to change contact details online
- Online payment options, including convenient and flexible payment plans
- Online lodgement and payment for applications.

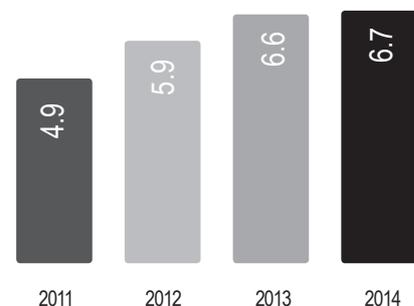
We also listened to our most vulnerable customers, those experiencing financial hardship, and introduced a number of policy changes and initiatives in 2013-14 to help make things easier for those experiencing payment difficulties.

Increased customer advocacy is proving to be an effective means of better understanding and resolving complex customer issues. By undertaking home visits to customers facing exceptional circumstances we have been able to develop more suitable solutions to address these payment difficulties.

While Unitywater strives to resolve all customer issues, some customers chose to refer their complaints to the Energy and Water Ombudsman Queensland (EWOQ). During the reporting period 122 matters were referred to EWOQ by customers. None of these customer complaints were upheld, with EWOQ ruling that all complaints had been managed in accordance with Unitywater's documented policies and procedures.

We regularly survey our customers to gauge overall customer satisfaction and ensure that we are meeting their needs. Over the past 12 months our Customer Satisfaction Index improved from 6.6 in June 2013 to 6.7 in May 2014.

Customer Satisfaction



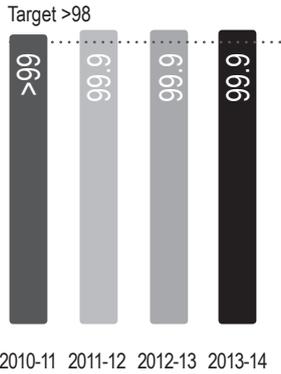
Note: Scores show the Customer Satisfaction Index, out of 10, for "overall satisfaction" in June of each year. The 2014 figure relates to the May 2014 customer survey.

We uphold our commitment to provide water and sewerage services that meet the standards set out in our Customer Charter. In addition to the service standards shown on the next page, Unitywater ensures that it supplies water at the required pressure to meet household needs.

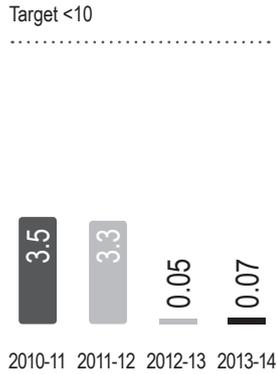
THE YEAR IN REVIEW Cont.

Meeting service standards – WATER

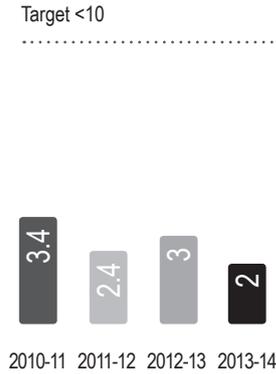
Australian Drinking Water Guidelines compliance (%)



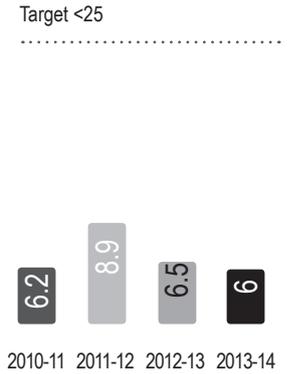
Drinking water quality complaints per 1000 connected properties/year



Unplanned water supply interruptions per 100 km/year

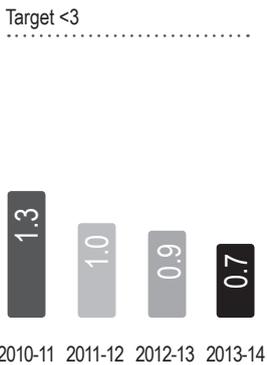


Water main breaks and leaks per 100 km/year

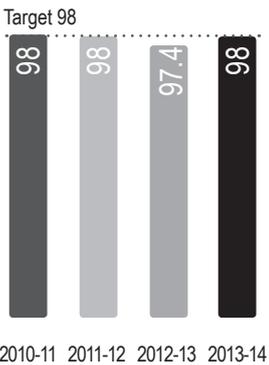


Meeting service standards – SEWERAGE

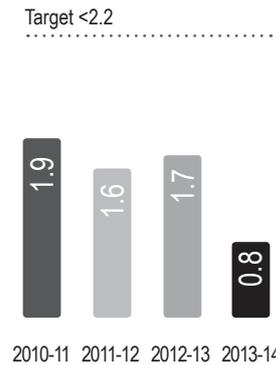
Odour complaints per 1000 connected sewerage properties



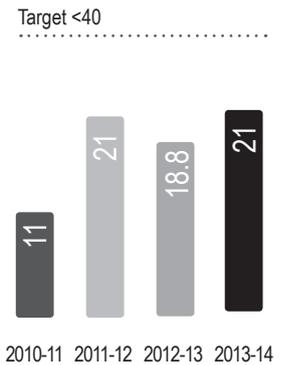
Sewage treatment plant compliance (%)



Dry weather sewage overflows per 100 km of mains/year



Sewer main breaks and chokes per 100 km/year



THE YEAR IN REVIEW Cont.

Environmental sustainability

We strive to manage and maintain our \$3.1 billion water and sewerage network in the most efficient manner to ensure it meets compliance and performance standards, protects public and environmental health and has capacity to cater for future population growth in our region.

Unitywater officially opened the \$17 million upgrade to the Maleny Sewage Treatment Plant (STP) in June 2014. Its innovative design incorporates a 30 hectare irrigated forest and wetlands to trap sediment and recycle nutrients before treated effluent is released into local waterways. The facility has proven to be a popular venue for community and educational tours and the local community has commended its design.

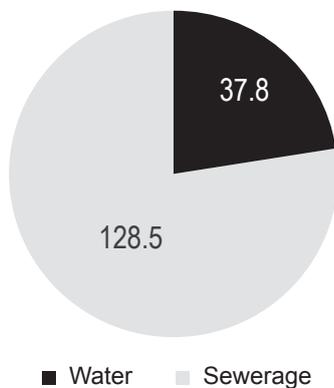
The upgrade is an example of “green engineering” at its best, and as well as better protecting the environment, the plant’s groundbreaking design will save an estimated \$18 million over the plant’s service life. These savings will help us to meet our commitment to keep bills as low as possible for our customers.

In July 2013 Unitywater started construction of a 6 kilometer transfer pipeline that will connect an existing sewerage network to the Maroochydore STP and allow the decommissioning of the Suncoast STP. This \$11 million project was a cost effective and more environmentally friendly option than upgrading the Suncoast STP, saving approximately \$20 million. This project will be completed in the 2014-15 financial year.

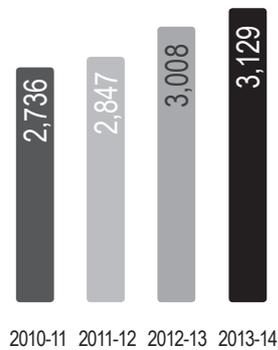
THE YEAR IN REVIEW Cont.

Providing critical infrastructure	
Albatross Avenue Reservoir	Construction of a new 9 ML reservoir in Nambour West to ensure a smarter and more sustainable water network – \$2.5 million
Craig's Hill Reservoir	Construction of a new 5 ML reservoir in Highworth to meet growing demand for water supply in the area and provide improved water quality – \$2 million
Kawana STP	Upgrade works to increase hydraulic capacity through the plant for current needs due to required diversions and to cater for the increasing population in the area – \$10 million
Coolum Inlet Works and Wetlands	Upgrade works to minimise the frequency of overflows in the network and provide more reliable operation and control. The wetlands has improved the level of treatment and quality of water discharged to the Maroochy River – \$8 million
Suncoast STP Decommissioning	Construction of a 6 kilometer transfer pipeline to connect an existing sewerage network to the Maroochy STP and decommissioning the Suncoast STP – \$11 million
Maleny STP Upgrade and Wetlands	Increased capacity to cater for population growth and improved treatment benefitting the environment. The wetlands are part of the future Maleny Community Precinct project, an initiative of the Sunshine Coast Council – \$17 million

Investment in water and sewerage infrastructure (\$M)

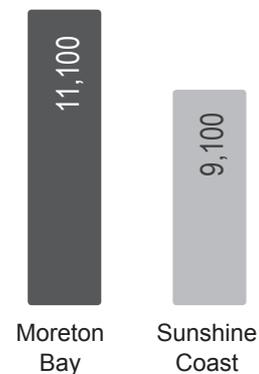


Infrastructure asset value (\$M)



Note: Includes work in progress

Asset investment per customer 2013-14 (\$)



THE YEAR IN REVIEW Cont.

Sustainable operations

It costs Unitywater approximately \$10 million a year in electricity to operate our 18 STPs, 778 sewage pump stations and 82 water pump stations. We have developed a Carbon and Cost Abatement Management Plan and an Energy Efficiency and Reduction Initiative in order to implement a series of innovative technical and operational efficiencies. These efforts will also reduce energy consumption and operating costs and reduce our carbon footprint.

In January 2014 we introduced an online automated reporting system that tracks monthly electricity and greenhouse gas emissions. Energy efficiency technology has been installed and trialled at various sites across our network, with initial results delivering energy savings. These savings are ongoing and help us provide effective, low cost customer service.

Other environmental gains are being achieved through the replacement of diesel and petrol-powered pool cars with compact hybrid vehicles. This initiative is forecast to produce a 60 percent reduction in fuel consumption and a 40 percent reduction in greenhouse gas emissions, equivalent to 11 tonnes of CO² per year.

Our Network Leakage Management System initiative is effectively reducing the amount of unbilled water escaping from Unitywater infrastructure. A key component is the trialling of a smart water network monitoring service which detects and provides real-time information on network efficiency, hidden leaks and bursts.

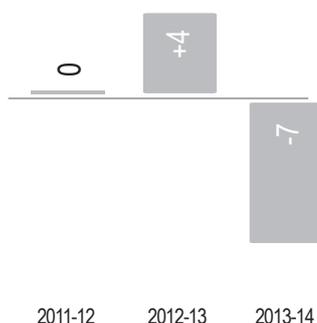
By increasing our capability to respond to hidden leaks early we are ensuring the security of water supply, increasing the energy efficiency of our pump stations and helping to keep costs down for our customers.

We also work alongside other catchment stakeholders to develop and deliver improvements to the way our water cycle is managed. Unitywater, in partnership with BMT WBM, Moreton Bay Regional Council and Bligh Tanner, received the 2014 Australian Water Association Program Innovation Award for the Moreton Bay Regional Council's Total Water Cycle Management Plan, which was the first of its kind in South East Queensland.

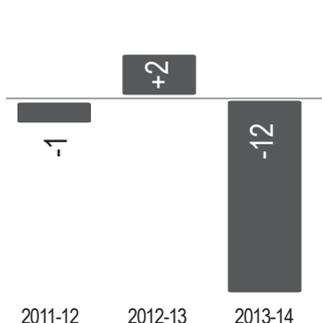
Our own award winning Sewage Overflow Abatement Program plays a critical role in reducing the frequency and effect of sewage overflows in the community. A total of \$1.5 million was spent on the program in 2013-14.

Reduction in energy consumption and greenhouse gas emissions

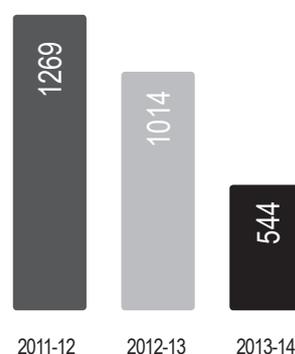
Electricity consumption % change



Scope 2 GHG emissions % change



Reduction in sewage overflows



Note: Wet and dry combined sewage overflows.

Note: Financial year on year comparison. Year on year electricity and GHG emission % changes are due to variations in numbers of assets, flow rates in catchments and the impact of energy optimisation initiatives.

THE YEAR IN REVIEW Cont.

Community and stakeholder engagement

Unitywater actively engages with our customers, the communities we serve and our stakeholders so we can best meet their needs and expectations.

In addition to regular meetings with our Community Advisory Group, in 2013-14 we initiated and maintained contact with a range of key stakeholders throughout the Moreton Bay, Sunshine Coast and Noosa council areas. These activities included formal and informal briefings, presentations and meetings with representatives from pensioner groups and other peak bodies, the development industry, business and community groups, and local and state government.

A major focus in 2013-14 was educating our customers and future customers about the importance of sewage treatment for public health and the environment. Our environment team increased awareness of river health by running a 'How healthy is your waterway?' activity stand at the Caboolture Regional Environment Education Centre Expo in August 2013.

In November 2013 we rallied the support of local schools and industry suppliers to raise \$21,500 for international charity WaterAid, via a World Toilet Day Art Prize. This money was donated to provide improved sanitation to communities in Timor-Leste and Papua New Guinea. The World Toilet Day Art Prize, which involved 1,000 Year 7 students creating masterpieces by decorating

new toilets donated by a local supplier, received the Sustainable Education Award at the 2014 Healthy Waterways Awards.

Unitywater Treatment Plants Operations Manager, James Castle, presented the science behind sewage treatment on Channel 11's Scope program, an informative children's science television show. The video has had more than 300 views on YouTube.

Our environmental team helped Scout members gain their Waterwise badge, running activities and question and answer sessions with local Scout groups.

We also sponsored the Sunshine Coast Council's 2013 Kids in Action Conference, educating students from 28 schools through mentoring sessions and hands-on learning at the Unitywater Outdoor Environmental Projects Day at the Maleny Community Precinct and the Maleny STP forest and wetland.

In May 2014 Unitywater opened a Sewage Treatment Plant Education Centre at Murrumba Downs STP to educate students and community groups about the urban water cycle. In planning the centre, we benefitted from the ideas, input and feedback from our Community Advisory Group and other industry stakeholders. The education centre offers Moreton Bay schools and the wider community a complete program that includes online resources, classroom lesson plans and treatment plant tours.

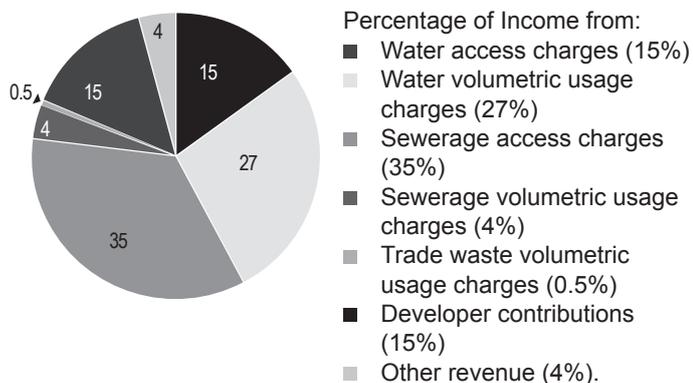
To mark World Turtle Day on 21 May 2014, we worked with the Australia Zoo Wildlife Hospital to launch a 'Get Back to Tap' campaign. The high profile initiative challenged primary school students and the public to pledge to drink tap water rather than bottled water, to keep our waterways cleaner and protect turtles from plastic pollution. It was widely supported and very effectively promoted through innovative social media campaigns and has helped to forge strong partnerships with Australia Zoo, the University of the Sunshine Coast and the local education sector as well as environmental and community groups and the general public. We are also assisting Australia Zoo with the feeding of sick and injured koalas, by providing new-growth gum leaves from mature eucalyptus trees at Kenilworth STP. The harvesting is undertaken on a sustainable basis, with the leaves provided to the zoo free of charge.

Unitywater Chief Executive Officer (CEO) George Theo also demonstrated leadership in raising awareness of community issues as well as funds for the prevention of domestic violence through his involvement in Australia's CEO Challenge. Events such as the Unitywater Safety Challenge helped raise approximately \$6,000 for the cause in 2013-14. Unitywater staff also participated in a number of charitable and community fundraising efforts, giving voluntary time and donations to many worthwhile causes.

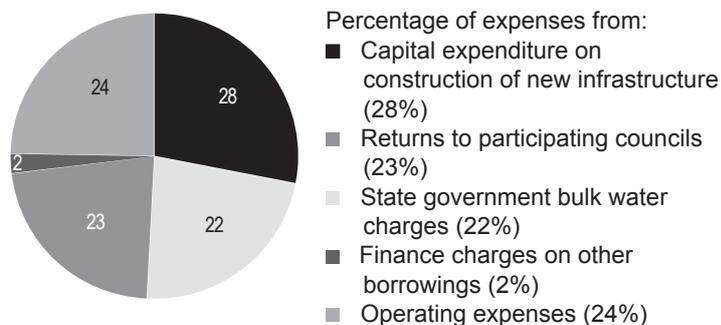
THE YEAR IN REVIEW Cont.

Financial performance

Where our revenue came from 2013-14 (%)



What we spent our money on 2013-14 (%)

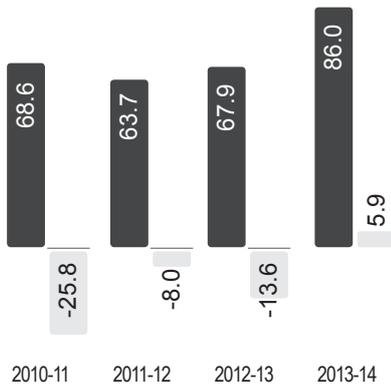


- Unitywater’s profit excluding developer contributions was \$5.9 million, compared to a loss of \$13.6 million in 2012-13. Developer contributions include cash to fund water and sewerage infrastructure, and infrastructure given to Unitywater to manage and maintain into the future.
- Unitywater had a shortfall of \$33.9 million in 2013-14 in net cashflows from operations and investment in infrastructure. The shortfall was a \$6.2 million improvement on the cashflow shortfall of \$40.1 million in 2012-13.
- For 2013-14 Unitywater will deliver \$133.0 million in total returns to Moreton Bay and Sunshine Coast regional councils and Noosa Shire Council comprising of tax equivalents, participation returns and interest payments.
- In addition to developer cash contributions of \$43.5 million, Unitywater borrowed \$78.0 million from Queensland Treasury Corporation in order to fund the \$166.3 million invested in water and sewerage infrastructure.
- \$75.7 million in interest payments were incurred during the year including \$62.4 million for loans with participating councils.
- Unitywater’s financial results for 2013-14 shows an increase in utility revenue of 8.3 percent. This reflects: increases of 2.2 percent in water connections; 1.7 percent in sewerage connections; 11.2 percent in the bulk water price for Moreton Bay customers; 15.2 percent in the bulk water price for Sunshine Coast customers; and changes in Unitywater’s tariffs under our new user-pays pricing structure.
- Unitywater’s operating costs excluding bulk water have increased by \$3.2 million or 2.3 percent, which reflects an increase in costs associated with our growing customer base. Electricity costs increased by \$0.6 million despite reductions in energy usage.
- Increases in the costs of services provided to Unitywater have been offset by a reduction in Unitywater’s salaries and wages which fell by more than \$1.0 million or 2 percent despite general increases in wages during the year.
- Chemicals, materials, insurance and plant and fleet costs have also fallen by nearly \$1.0 million, reflecting Unitywater’s continued focus on gaining improved cost outcomes through efficiency improvements, consolidated procurement activities and producing magnesium hydroxide liquid (MHL) in house. MHL is used to manage odour and corrosion in our sewerage network.
- Consultants’ costs have also reduced by \$1.2 million as part of Unitywater’s drive to reduce the cost to serve our customers.
- In 2014-15 Unitywater staff considering retirement will have an opportunity to participate in an ATO-approved early retirement scheme. This scheme was announced to staff on 25 June. The estimated costs of the scheme of \$2.0 million are included in the 2013-14 operating costs.
- Unitywater’s interest expenses have reduced by more than \$18.8 million due to the renegotiation of loan facilities provided by Queensland Treasury Corporation and participating councils. These new facilities provide Unitywater with security of access to future funding until 2033.

THE YEAR IN REVIEW Cont.

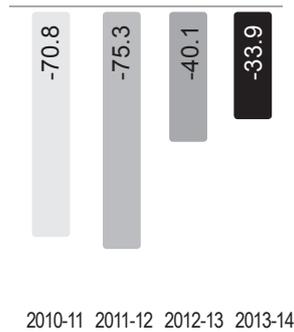
Four year financial summary

Profit (\$M)



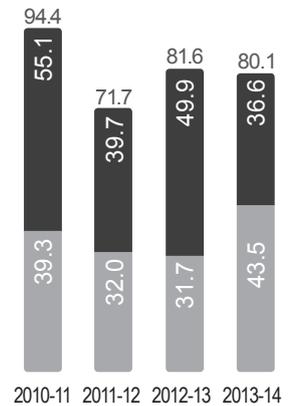
- Profit after tax
- Adjusted profit after tax

Cashflows (\$M) ⁷



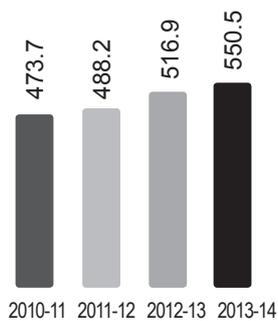
⁷ Net cashflows from operations and investments

Developer Contributions (\$M)

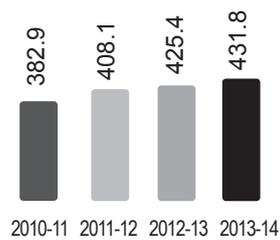


- Assets
- Cash

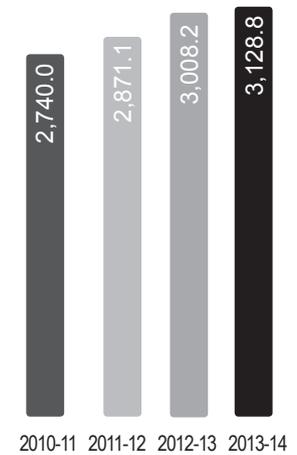
Total income (\$M)



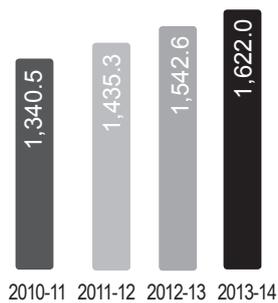
Total expenses (\$M)



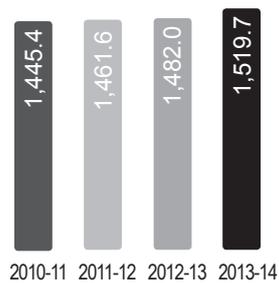
Total non-current assets (\$M)



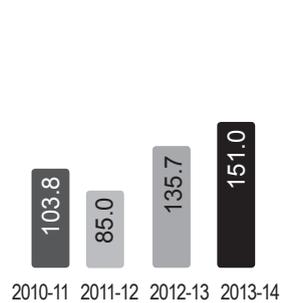
Total non-current liabilities (\$M)



Net assets (\$M)



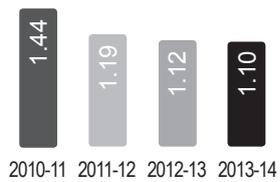
Net operating cash flow (\$M)



THE YEAR IN REVIEW Cont.

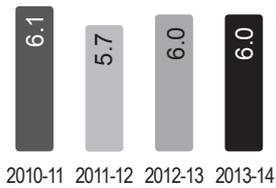
Key financial ratios

Current ratio (times) ¹



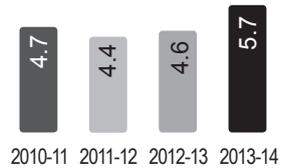
¹ Current Assets/Current Liabilities

RoTA (%) ²



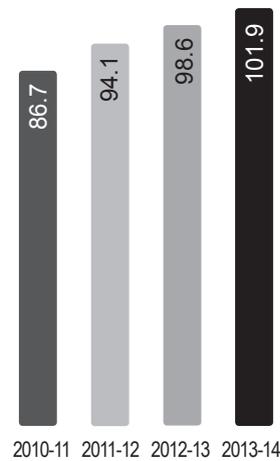
² Return on total assets = EBIT/average total assets

ROE (%) ³



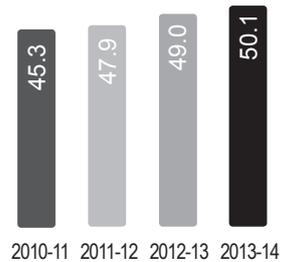
³ Return on equity = Net profit/equity

Net debt to equity ratio (%) ⁴



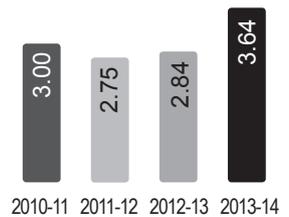
⁴ Net debt = (Loans and borrowings less cash)/equity

Net debt/debt + equity (%) ⁵



⁵ Net debt = (Loans and borrowings less cash)/(loans and borrowings + equity)

EBITDA interest cover (times) ⁶



⁶ Earnings before interest, tax and depreciation

MEETING CORPORATE OBJECTIVES

The Unitywater Corporate Strategic Plan 2013-18 is our five year 'roadmap' that drives activities to enable us to meet our strategic goals. The broad strategic priority focuses on the development of an 'operationally excellent' organisation, achieved through operational efficiency in economies of scale, allocation of capital and other resources, and efficiencies in asset management and business processes with the ultimate goal of reducing the total cost to serve our customers.

To support the achievement of our key strategic goals, three strategic priorities for 2013-14 to 2017-18 have been developed and they underpin all strategies and activities undertaken by Unitywater during 2013-14.

We made great strides towards our strategic goals and priorities in 2013-14 and our performance in each of these areas is summarised in the Year in Review section of this report on page 10.

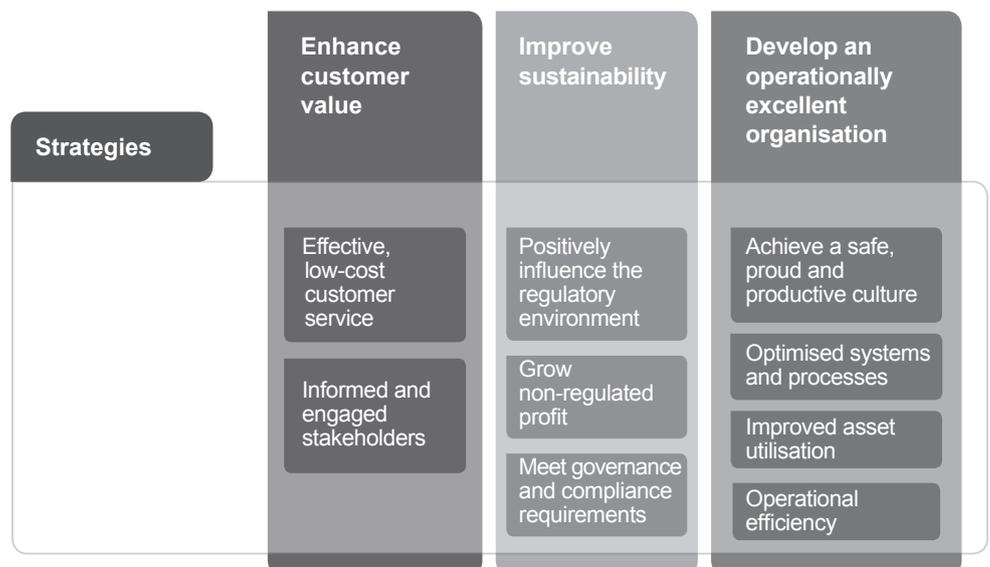
As well as meeting Board-approved objectives and targets, Unitywater undergoes external scrutiny by regulators and reporting bodies to ensure it operates efficiently and effectively, meets industry benchmarks and provides value for money services.

Our pricing, costs and revenue are monitored by the Queensland Competition Authority to check for prudence and efficiency. Unitywater's

pricing is also compared to other Australian water utilities in a National Performance Report published by the National Water Commission.

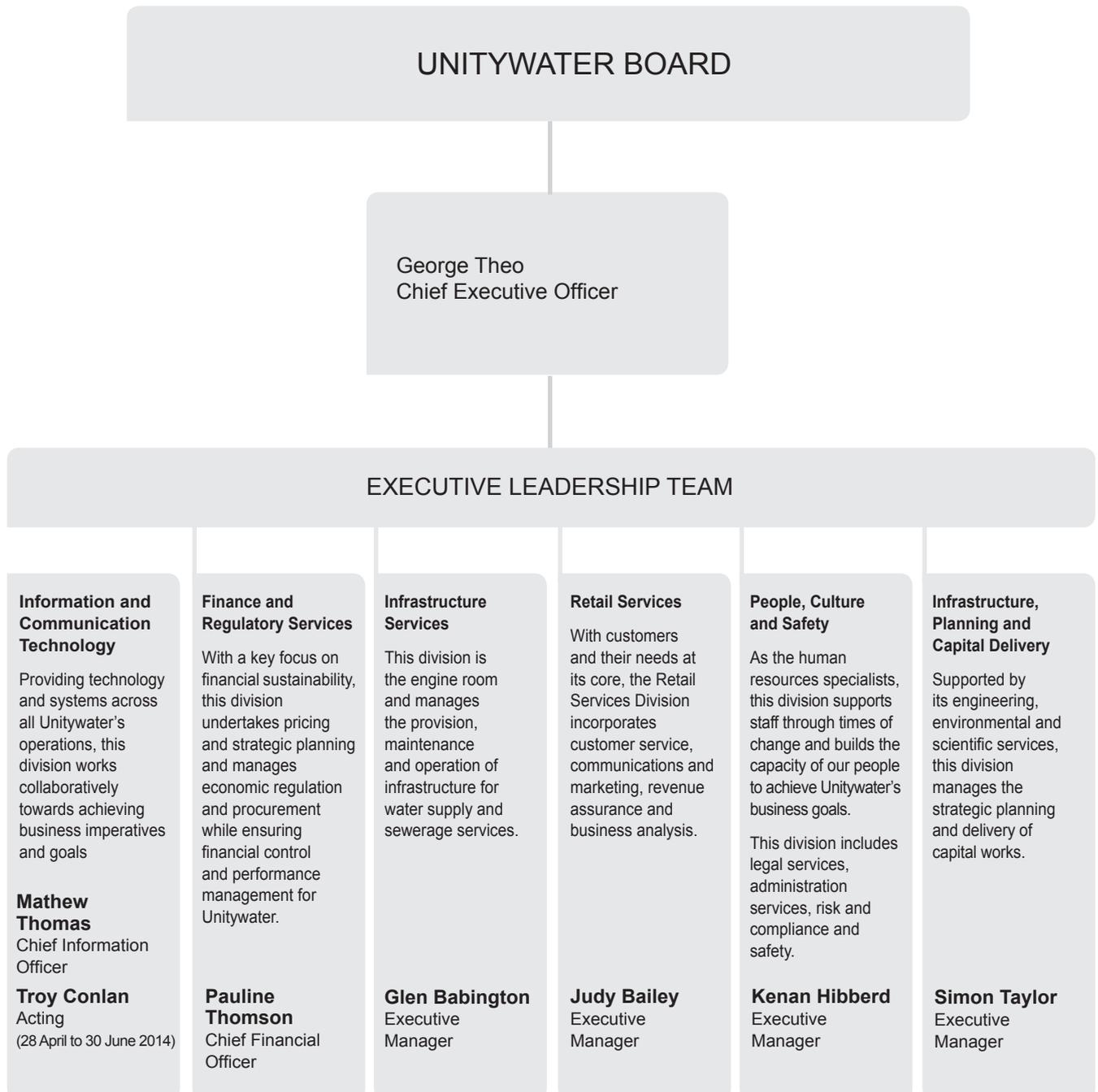
Unitywater's business direction and service delivery aligns broadly with the State Government's *Getting Queensland back on track* objectives, which aim to grow a four pillar economy, lower the cost of living by cutting waste, revitalise front line services, deliver better infrastructure and planning and restore accountability to government.

Unitywater strategic priorities 2013-18



OUR STRUCTURE

Organisational structure



OUR STRUCTURE Cont.

Our Board

Unitywater’s independent skills-based Board guides our Executive Leadership Team to fulfill its vision to create a sustainable, industry-leading, community and customer oriented water and allied services business.

The combination of Board members’ qualifications, skills and experience ensures a strong commercial focus, with emphasis on identifying efficiencies across the organisation and passing on cost savings to customers.

The initial Board members were appointed for a term of five years and are able to be reappointed for one further term. Board members appointed subsequently are granted a three year term and are eligible to be reappointed for one further term.

Under the Participation Agreement, the performance of the Board is evaluated annually and reported to our participating councils.

Jim Soorley BA (Psych), AM (Org Psych), AM Chairman

Jim was Lord Mayor of Brisbane from 1991 to 2003, presiding over an annual budget of \$1.6 billion and a workforce of 7,000. Jim currently chairs several boards. He also works as a consultant to improve business efficiency.

Sharon Doyle LLB (Hons), BIT (Dist), GradDip Business Administration, GAICD

Sharon has a broad range of commercial experience across a range of industries. She is the Managing Director of the corporate advisory firm, InterFinancial, and is a non-executive director of Social Investments Australia, an impact investment fund manager. Sharon has held leadership roles in Mincom Limited, a global software company, and as a commercial and corporate lawyer at Allens Arthur Robinson.

Megan Houghton BCom, BA (Econ), GAICD

Megan has more than 19 years’ experience as a senior executive in the Australian energy, water and sustainability industries in areas including strategy development, customer management and financial and economic performance. Megan has held CEO and senior executive roles in national energy and sustainability companies and was previously a Director Corporate Finance and Strategy with PricewaterhouseCoopers.

Barry Casson CA, MAICD

Barry is a qualified Chartered Accountant and has worked in accounting, finance and corporate management for more than 40 years. His roles have predominantly been in the mining sector. Barry currently serves as a non-executive director on the boards of Archipelago Metals Limited and Metallica Minerals Limited, is a Director and Company Secretary of CassTech Limited and is Company Secretary for Archipelago Metals Limited.

Mike Williamson FAICD

Mike brings to Unitywater more than 30 years’ experience in the fields of water and sewage management, waste minimisation, resource recovery, engineering and project management. He has held positions as Managing Director of CH2M HILL Australia and Managing Partner of global consulting firm Environmental Resources Management. Since 2001 he has been Chairman of the Oil Stewardship Advisory Council and has held Board positions with Keep Australia Beautiful and Special Olympics NSW. Mike is a qualified marine and mechanical engineer and is a Fellow of the Australian Institute of Company Directors.

Board meeting attendance 2013-14

Board member	Eligible to attend	Meetings attended
Jim Soorley	11	11
Sharon Doyle	11	11
Megan Houghton	11	10
Barry Casson	11	11
Mike Williamson	11	11

OUR STRUCTURE Cont.

Board committees

A number of committees aid the Board in the execution of its duties.

Committee	Scope of activities	Members	Meetings attended 2013-14
Audit and Risk Committee	The Audit and Risk Committee helps the Board to fulfil its corporate governance responsibilities by reviewing Unitywater's safety reports, risk management reports and annual financial reports. In addition, it provides oversight and direction with respect to internal control systems, insurance, and audit and regulatory compliance processes.	Barry Casson (Chair) Megan Houghton Sharon Doyle	4 4 4
Capital Works Committee	The Capital Works Committee reviews, oversees and reports to the Board on the appropriateness of Unitywater's capital works practices, for projects above \$5 million. Its role includes a detailed review of the annual program of capital works and associated budget.	Mike Williamson (Chair) Jim Soorley Sharon Doyle	5 5 5
Nominations and Remuneration Committee	The Nominations and Remuneration Committee supports the Board by conducting detailed examination of the remuneration framework for all staff. It also assists the Board to meet its decision making obligations under the incentive framework for senior staff.	Sharon Doyle (Chair) Barry Casson	3 3
Environment Committee	The Environment Committee provides direction on environmental improvement and alternative servicing strategies, such as new and technologically innovative ways of managing carbon and other environmental matters that contribute to cost reduction.	Megan Houghton (Chair) Jim Soorley Mike Williamson	3 2 3

OUR STRUCTURE Cont.

Executive Leadership Team

The Executive Leadership Team, headed by the Chief Executive Officer, leads the daily operation of Unitywater and delivers on corporate objectives.

The team is firmly focused on improving customer service, achieving operational efficiencies and providing high quality, affordable and sustainable water supply and sewerage services that provide benefits to customers, stakeholders, our community and the environment.

George Theo **Chief Executive Officer**

George brings more than 25 years' experience to Unitywater and a wealth of knowledge of the water industry through previous roles with global consulting company GHD, Brisbane Water (now Queensland Urban Utilities) and City West Water, Victoria. George was Unitywater's Chief Operating Officer prior to taking up the position of CEO.

Glen Babington **Executive Manager Infrastructure Services**

Before joining Unitywater, Glen was involved in the South East Queensland (SEQ) water industry through the formation of the SEQ Distribution Entity and Queensland Urban Utilities. He has a background in leading large field-based organisations in defence and mining, along with strategic planning and marketing experience in the aerospace industry.

Judy Bailey **Executive Manager Retail Services**

Judy has extensive executive management experience across diverse industries in major public and private sector environments. Previously responsible for managing budgets up to \$222 million, she has a successful track record in organisational strategy and change, business reform and the delivery of improved services to the community.

Kenan Hibberd **Executive Manager People, Culture and Safety**

Kenan has more than 20 years' experience in human resources in both the public and private sectors. He has held senior management positions in national and international organisations in the industrial services, engineering, logistics and health sectors.

Simon Taylor **Executive Manager Infrastructure Planning and Capital Delivery**

Simon has 30 years' experience in the water industry. He has held senior management positions in water utilities and water industry regulators, led strategic planning investigations and managed teams and a wide range of projects covering most aspects of the water cycle. Simon also has extensive experience in achieving beneficial water and wastewater outcomes in the SEQ water industry.

Pauline Thomson **Chief Financial Officer**

Pauline is a Certified Practising Accountant and brings more than 20 years' accounting, finance and regulatory experience from retail, distribution and transmission entities across the energy sector. Prior to joining Unitywater Pauline spent 10 years with Energex in a range of senior commercial, finance and accounting roles.

OUR PEOPLE

Our workforce strategies, policies and initiatives are helping to create an organisation that people want to belong to and ensure that we attract and retain the right people.

Workplace planning

During 2013-14 Unitywater employed 828 full time equivalent staff, with a broad range of professional, para-professional, technical and trades skills and competencies.

The number of full time equivalent staff reduced by 3.8 percent compared to 2012-13 (855).

Our workforce planning is maturing and aims to ensure the right mix of skills and competencies to sustain the business into the future. We focus on providing opportunities for staff members to cross-skill across different disciplines and transfer knowledge throughout the organisation.

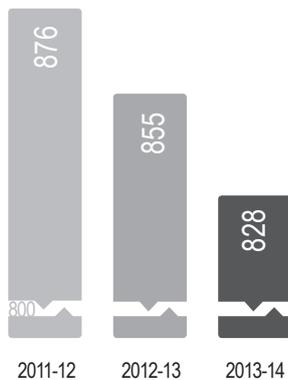
These opportunities include input into major business improvement projects, taking on higher duties, accessing learning and development opportunities, and industry collaboration.

As well as fostering the capabilities of existing staff we actively forge relationships with potential staff members of the future. Programs to attract new staff members include:

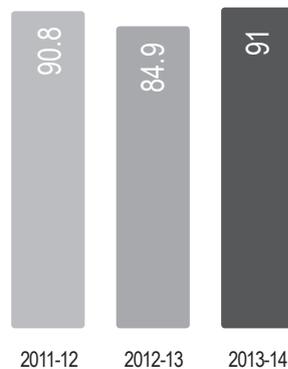
- Vacation and work experience programs for high school and university students
- Unitywater Graduate Program
- Unitywater Apprenticeship Program
- An Undergraduate Engineering Scholarship offered at the University of the Sunshine Coast that is a pathway to the graduate program.

Workforce statistics

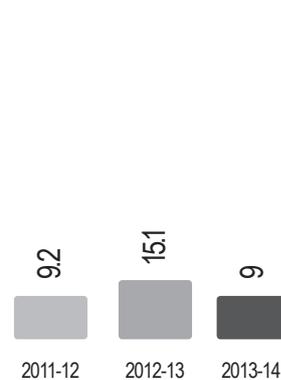
Full time equivalent employees



Permanent retention rate (%)



Permanent separation rate (%)



OUR PEOPLE Cont.

Performance management

Our employee performance development and management framework has a focus on continual improvement as well as learning and development to build a team of competent and committed staff members who can best serve our customers and the business.

The framework starts at the recruitment phase and managers use appropriate tools and techniques to ensure that the most suitable candidates are identified up front.

All shortlisted candidates must complete safety behavioural testing as part of the interview process to ensure they understand Unitywater's commitment to safety.

Contractors who work at Unitywater premises undergo the same safety induction as all staff. Sub-contractors at Unitywater job sites participate in site safety inductions, where safety requirements and expectations are established prior to commencement of work.

New staff members undertake a full-day corporate induction on their first day, including induction into critical corporate systems and safety processes. Site-specific induction takes place on the second day of employment. Because safety is a priority for Unitywater, all employees, contractors and subcontractors must adhere to the Unitywater Life Savers: seven rules that are pivotal to upholding the integrity of the Unitywater safety management system.

During the reporting period we successfully completed all tasks listed in our 2013-14 action plan for achieving a zero harm culture. These actions included certification to Australian Standard 4801 for Occupational Health and Safety Management Systems, the development of risk profiles for all Unitywater sites, and the delivery of Occupational Health and Safety audits and investigation frameworks.

The 2013-14 Unitywater engagement survey results showed a statistically significant improvement in 16 of the 18 safety related areas surveyed, with 86 percent of respondents agreeing or strongly agreeing that 'workplace safety and security are considered important at Unitywater'.

We also present an annual safety award to recognise employees who inspire others to 'Think Safe, Work Safe, Home Safe'. The 2013 award went to John Daye, Unit Leader in the Electrical, Instrumentation and Control Team.

Staff performance is managed and measured through six-monthly and annual performance and development planning, and any performance issues are addressed using processes outlined in Unitywater's policies and other internal procedures.

Our Learning and Development Team ensures that learning and development opportunities are captured and scheduled. Staff progress towards achieving goals and objectives is routinely reviewed twice yearly. In 2013-14,

staff took advantage of learning and development opportunities in written and verbal communications, project management, change management and resilience, customer service, asset management, and strategic planning.

Our Reward and Recognition Program recognises individual and/or team success through team functions, Executive Leader award presentations, bi-monthly award presentations by the Chairman of the Board, and annual excellence awards including Employee of the Year. Our Employee of the Year for the reporting period was Kim Moore, Learning and Development Programs Manager. We also present Years of Service Awards to acknowledge contribution through long periods of service and take into account staff members' periods of employment with participating councils prior to joining Unitywater.

We aim to build a performance-based culture where all leaders and managers play a critical role in achieving corporate objectives. In 2013-14 we further developed our leadership development program for frontline managers with the first half of a 'Leading and Engaging Teams' program that commenced in late 2013.

In addition, our supervisory and frontline staff members are given the opportunity to attain a Certificate IV in Frontline Management.

OUR PEOPLE Cont.

Industrial and employee relations framework

Unitywater's Certified Agreement provides stability and security for staff by setting out agreed terms and conditions of employment.

Our Certified Agreement consultative process is driven by a Joint Consultative Committee that consists of Unitywater managers, staff members and union representatives.

The Unitywater Certified Agreement No. 1 had a nominal expiry date of 30 June 2014, however recent changes to the *Queensland Industrial Relations Act 1999* state that the agreement cannot be renewed until any awards that underpin it undergo a modernisation process. As this had not occurred prior to 30 June 2014, the current certified agreement is deemed to be a 'continuing agreement' and will remain in force until 1 July 2015.

Flexible working arrangements are available to staff under the Certified Agreement. Work options include full time, part time, casual, job sharing and work from home. Unitywater also offers leave provisions that accommodate the planned and unplanned events that occur in our employees' lives.

RISK MANAGEMENT AND ACCOUNTABILITY

Our business-wide approach to identifying, prioritising and managing risks underpins our commitment to good management and corporate governance. Our approach is aligned with the framework outlined in ISO 31000-2009 Risk Management – principles and guidelines.

The Board established an Audit and Risk Committee (see page 24 for details) which is responsible for assisting the Board to discharge its corporate governance responsibilities to exercise due care, diligence and skills in regard to risk management and auditing.

The Executive Leadership Team is responsible for implementing the treatments required to ensure risks are managed within the Board's directed risk tolerances. The team reports to the Audit and Risk Committee on the effectiveness of internal control systems in managing Unitywater's risk profile.

Unitywater is conscious of its public standing and ethical and legal responsibilities, including provisions under the *Public Sector Ethics Act 1994*, *Public Interest Disclosure Act 2010* and *Crime and Misconduct Act 2001*.

Record keeping

Unitywater makes and keeps full and accurate records of its activities in accordance with the record keeping standards and policies issued by the Queensland State Archives.

Our record keeping is informed by the *Public Records Act 2002*, Information Standard 40: Recordkeeping, and Information Standard 31: Retention and Disposal of Public Records.

Our record keeping program is documented through our policies and procedures. We have developed appropriate record keeping systems and tools such as an Electronic Document and Records Management System (EDRMS) and a Business Classification Scheme.

We proactively communicate with all staff about their record keeping obligations, via training workshops, individual training and the use of fact sheets.

In 2013-14 we improved our records management system by:

- Increasing the rollout of our EDRMS
- Implementing automatic email capture
- Introducing a cloud-based application for document sharing
- Significantly moving towards electronic records rather than hard copies.

In 2014-15 we plan to introduce the following initiatives to further improve record keeping practices:

- Integration of record keeping with other core business systems
- Implementation of a records disposal process
- Introduction of a digitisation and early disposal program.

Complaints management

Under our Customer Charter we have thorough internal processes to investigate and resolve customer complaints. We manage complaints in accordance with AS ISO 10002-2006 Customer Satisfaction Guidelines for Complaints Handling in Organisations.

If complaints are not resolved to a customer's satisfaction they can be referred to the Energy and Water Ombudsman Queensland (EWOQ) for review. During the reporting period 122 matters were referred to EWOQ by customers.

Consultancies and overseas travel

Details of spending on consultants and overseas travel undertaken by Unitywater representatives can be accessed at the Queensland Government Open Data website www.qld.gov.au/data

SUMMARY OF COMPLIANCE

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	<ul style="list-style-type: none"> ■ A letter of compliance from the accountable officer or statutory body to the relevant Minister 	ARRs – section 8	4
Accessibility	<ul style="list-style-type: none"> ■ Table of contents ■ Glossary 	ARRs – section 10.1	3 32
	<ul style="list-style-type: none"> ■ Public availability 	ARRs – section 10.2	Inside cover
	<ul style="list-style-type: none"> ■ Interpreter service statement 	Queensland Government Language Services Policy ARRs – section 10.3	Inside cover
	<ul style="list-style-type: none"> ■ Copyright notice 	Copyright Act 1968 ARRs – section 10.4	Inside cover
	<ul style="list-style-type: none"> ■ Information licensing 	QGEA – Information Licensing ARRs – section 10.5	N/A
General information	<ul style="list-style-type: none"> ■ Introductory information 	ARRs – section 11.1	5
	<ul style="list-style-type: none"> ■ Agency role and main functions 	ARRs – section 11.2	5
	<ul style="list-style-type: none"> ■ Operating environment 	ARRs – section 11.3	5
	<ul style="list-style-type: none"> ■ Machinery of government changes 	ARRs – section 11.4	N/A
Non-financial performance	<ul style="list-style-type: none"> ■ Government's objectives for the community 	ARRs – section 12.1	21
	<ul style="list-style-type: none"> ■ Other whole-of-government plans / specific initiatives 	ARRs – section 12.2	N/A
	<ul style="list-style-type: none"> ■ Agency objectives and performance indicators 	ARRs – section 12.3	21
	<ul style="list-style-type: none"> ■ Agency service areas ■ Service standards 	ARRs – section 12.4	7 13
Financial performance	<ul style="list-style-type: none"> ■ Summary of financial performance 	ARRs – section 13.1	18, 19, 20
Governance – management and structure	<ul style="list-style-type: none"> ■ Organisational structure 	ARRs – section 14.1	22
	<ul style="list-style-type: none"> ■ Executive management 	ARRs – section 14.2	25
	<ul style="list-style-type: none"> ■ Related entities 	ARRs – section 14.3	N/A
	<ul style="list-style-type: none"> ■ Government bodies 	ARRs – section 14.4	N/A
	<ul style="list-style-type: none"> ■ Public Sector Ethics Act 1994 	Public Sector Ethics Act 1994 (section 23 and Schedule) ARRs – section 14.5	29

SUMMARY OF COMPLIANCE Cont.

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	■ Risk management	ARRs – section 15.1	29
	■ External scrutiny	ARRs – section 15.2	29
	■ Audit committee	ARRs – section 15.3	24, 29
	■ Internal audit	ARRs – section 15.4	N/A
	■ Public Sector Renewal	ARRs – section 15.5	N/A
	■ Information systems and recordkeeping	ARRs – section 15.6	29
Governance – human resources	■ Workforce planning, attraction and retention, and performance	ARRs – section 16.1	26, 27, 28
	■ Early retirement, redundancy and retrenchment	Directive No.11/12 Early Retirement, Redundancy and Retrenchment ARRs – section 16.2	N/A
Open Data	■ Open Data	ARRs – section 17	29
Financial statements	■ Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1	81
	■ Independent Auditors Report	FAA – section 62 FPMS – section 50 ARRs – section 18.2	82
	■ Remuneration disclosures	Financial Reporting Requirements for Queensland Government Agencies ARRs – section 18.3	77

FAA *Financial Accountability Act 2009*

FPMS *Financial and Performance Management Standard 2009*

ARRs Annual report requirements for Queensland Government agencies

N/A Not applicable. This requirement only applies to Government departments.

GLOSSARY

Term	Meaning
Certified Agreement	The Unitywater Enterprise Bargaining Agreement that was certified by the Queensland Industrial Relations Commission
CEO	Chief Executive Officer
EDRMS	Electronic Document and Recordkeeping Management System
EWOQ	Energy and Water Ombudsman Queensland
GIS	Geographic Information Systems
ICT	Information and Communications Technology
ISO	International standards developed by the International Organization for Standardization to ensure that products and services are safe, reliable and of good quality
ML	Megalitre, which is 1 million litres
Participation Agreement	Sets out the rights of our participating councils and Unitywater's obligations to these councils
Participating councils	The Moreton Bay and Sunshine Coast regional councils and Noosa Council, with whom Unitywater has a Participation Agreement
QCA	Queensland Competition Authority
Sewage	Waste discharged from bathrooms, sinks and toilets
Sewerage	The infrastructure network used to receive, store, transport and treat sewage
SEQ	South East Queensland
STP	Sewage Treatment Plant



**Northern SEQ
Distributor-Retailer Authority**

trading as

Unitywater

ABN 89 791 717 472

**Annual Financial Report
For the year ended 30 June 2014**

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Annual Financial Report

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BOARD MEMBERS REPORT

The Board of The Northern SEQ Distributor-Retailer Authority trading as Unitywater ("Unitywater") is pleased to submit this Annual Financial Report of Unitywater for the financial year ended 30 June 2014. The Board Members Report is as follows:

Board

The names of the Board Members in office at any time during, or since the end of, the year are:

- a. Jim Soorley – Chairman
- b. Barry Casson
- c. Sharon Doyle
- d. Megan Houghton
- e. Mike Williamson

These Board Members have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Please refer to the Board profiles' section of the Unitywater Annual Report 2013-14 for details of Board Members' qualifications, experience and special responsibilities.

Principal activities

The principal activities of Unitywater during the financial year were water supply and sewage collection, transport and treatment services to the Moreton Bay, Sunshine Coast and Noosa communities. On 19 December 2013, the Minister for Energy and Water Supply approved the amendments to the Participation Agreement required to accommodate Noosa Shire Council as a participant from 1 January 2014. On 1 January 2014, the Sunshine Coast Regional Council transferred 110,869,501 Participation Rights for consideration of \$60,978,225 to Noosa Shire Council, being 4.25% of total Participation Rights.

Operating results

The profit of Unitywater after providing for income tax equivalent expense, amounted to \$86,012,397 (2013: \$67,945,736).

Review of operations

A review of Unitywater's operations during the financial year and the results of those operations are contained in the Unitywater Annual Report 2013-14.

Events after the reporting period

In the opinion of the Board Members there has not been any item, transaction or event of a material or an unusual nature that has arisen between the end of the financial year and the date of this report that is likely to significantly affect the operations of Unitywater, the results of those operations or the state of affairs of Unitywater, in future financial years.

Future developments

Unitywater will continue to pursue its policy of delivering high quality and affordable water supply and sewerage services for customers in the Sunshine Coast, Moreton Bay and Noosa regions.

Environmental regulations

Unitywater's operations are subject to environmental regulations under both Commonwealth and State legislation.

Unitywater's Board maintains oversight of key environmental risks and obligations and is committed to achieving a high standard of environmental performance. The Board has established appropriate governance arrangements in relation to the environment.

Unitywater is responsible for the regular monitoring of environmental exposures, review of incident trends, environmental initiatives, endorsement of recommendations for environmental improvement policies, programs and investments, as well as compliance with environmental regulations.

Participation returns

Participation returns paid or declared by Unitywater during the 2013-14 financial year were:

	Total amount 2014 \$000	Total amount 2013 \$000
Final participation return	48,274	47,546

Refer to Note 27 of the financial statements for details of participation returns paid or payable.

Board Members' benefits and interests in contracts

Between 1 July 2013 and 30 June 2014, no Board Member has received or become entitled to receive a benefit, other than those benefits disclosed in Note 33 of the financial statements.

Indemnification of Board Members and Officers

Indemnification of Board Members of Unitywater

Unitywater has agreed to indemnify Jim Soorley, Sharon Doyle, Megan Houghton, Barry Casson and Mike Williamson, being current Board Members of Unitywater, and other former Board Members of Unitywater, against all liabilities to another person (other than Unitywater or a related body corporate) that may arise from their position as a Board Member of Unitywater, except where the liability arises out of conduct involving a lack of good faith or liability against which Unitywater is not permitted by law to exempt or indemnify the Board Member in accordance with the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

Indemnification of Board Members of Unitywater and Officers appointed to external boards and committees

Unitywater has agreed to indemnify any Board Members or Officers who are nominated by Unitywater's Board to represent Unitywater on external boards and committees to the extent as follows:

- a. Indemnities provided to former Board Members continue for seven years following their resignation from that position, in accordance with the terms of the deed of indemnity.
- b. Other Officers appointed to external boards and committees are indemnified in accordance with the terms of Unitywater's Directors' and Officers' Liability insurance policy.

Insurance premiums

Premiums have been paid on policies of insurance for former and current Board Members and Officers. Disclosure of the nature of the liability covered by and premiums paid under these contracts of insurance is prohibited by the terms of the insurance contracts.

Board Members' meetings

The numbers of meetings of Unitywater's Board Members and each Board Committee held and attended by each Board Member during the year ended 30 June 2014 were:

Unitywater	Board meetings		Committee meetings							
			Audit and risk		Environment		Nominations and remuneration		Capital works	
Board Members	A	B	A	B	A	B	A	B	A	B
Jim Soorley – Chairman	11	11	-	-	2	3	-	-	5	5
Barry Casson	11	11	4	4	-	-	3	3	-	-
Sharon Doyle	11	11	4	4	-	-	3	3	5	5
Megan Houghton	10	11	4	4	3	3	-	-	-	-
Mike Williamson	11	11	-	-	3	3	-	-	5	5

A - Number of meetings attended

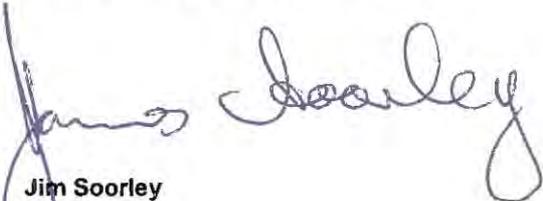
B - Number of meetings held during the year

Remuneration of Board Members and executives

Refer to Note 33 of the financial statements for details of Board Members' and executives' remuneration.

Rounding of amounts

Amounts in the financial statements and Board Members' Report have been rounded to the nearest thousand dollars, unless otherwise stated.



Jim Soorley
 Chairman
 Unitywater
 25 August 2014
 Caboolture, Queensland

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Income			
Utility charges	4	448,190	414,014
Fees and charges	5	7,748	5,690
Developer contributions	6	80,064	81,573
Grants and subsidies	7	4,443	5,994
Interest revenue		1,731	1,816
Other income	8	8,317	7,859
Total income		550,493	516,946
Expenses			
Bulk water purchases		(131,330)	(112,006)
Employee expenses	9	(69,591)	(68,232)
Supplies and services	10	(70,056)	(68,007)
Depreciation and amortisation	18,19	(81,054)	(79,604)
Finance and borrowing costs	11	(75,680)	(93,272)
Other expenses	12	(4,055)	(4,262)
Total expenses		(431,766)	(425,383)
Profit before income tax equivalent		118,727	91,563
Income tax equivalent expense	13	(32,715)	(23,617)
Profit for the year		86,012	67,946
Total comprehensive income for the year		86,012	67,946

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

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	14	21,694	38,469
Trade and other receivables	15	113,951	108,057
Inventories	16	1,881	2,219
Other assets	17	1,762	2,105
Total current assets		139,288	150,850
Non-current assets			
Property, plant and equipment	18	3,093,508	2,978,823
Intangible assets	19	35,334	29,400
Total non-current assets		3,128,842	3,008,223
Total assets		3,268,130	3,159,073
Current liabilities			
Trade and other payables	20	100,912	113,270
Loans and borrowings	21	9,407	8,795
Employee benefits	22	9,173	8,465
Other liabilities	23	6,961	4,017
Total current liabilities		126,453	134,547
Non-current liabilities			
Loans and borrowings	21	1,560,104	1,491,512
Employee benefits	22	11,770	12,789
Deferred tax liabilities	24	50,109	38,269
Total non-current liabilities		1,621,983	1,542,570
Total liabilities		1,748,436	1,677,117
Net assets		1,519,694	1,481,956
Equity			
Contributed equity	25	1,434,782	1,434,782
Retained earnings	26	84,912	47,174
Total equity		1,519,694	1,481,956

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Notes	Retained earnings \$'000	Contributed equity \$'000	Total \$'000
Balance at 1 July 2012		26,774	1,434,782	1,461,556
Participation return to owners of the Authority	27	(47,546)	-	(47,546)
Total distributions to owners of the Authority		(47,546)	-	(47,546)
Profit for the year		67,946	-	67,946
Total comprehensive income for the year		67,946	-	67,946
Balance at 30 June 2013		47,174	1,434,782	1,481,956
Participation return to owners of the Authority	27	(48,274)	-	(48,274)
Total distributions to owners of the Authority		(48,274)	-	(48,274)
Profit for the year		86,012	-	86,012
Total comprehensive income for the year		86,012	-	86,012
Balance at 30 June 2014		84,912	1,434,782	1,519,694

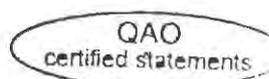
The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Notes	2014 \$'000 inflow (Outflow)	2013 \$'000 Inflow (Outflow)
Cash flows from operating activities			
Receipts from customers		463,124	440,150
Developer contributions		40,245	33,813
Government grants and subsidies		4,443	5,994
Interest received		1,731	1,816
GST		20,620	20,029
Payments to suppliers		(224,703)	(192,366)
Employee expenses		(67,930)	(72,064)
Finance and borrowing costs		(80,304)	(92,557)
Income tax equivalent		(6,198)	(9,089)
Net cash provided by operating activities	14(b)	151,028	135,726
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		664	1,570
Payments for property, plant and equipment		(175,959)	(168,800)
Payments for intangibles		(9,614)	(8,606)
Net cash used in investing activities		(184,909)	(175,836)
Cash flows from financing activities			
Borrowings from Queensland Treasury Corporation		168,001	161,961
Borrowing redemptions		(98,796)	(70,183)
Participation return payments		(52,099)	(46,191)
Net cash provided by financing activities		17,106	45,587
Net increase (decrease) in cash and cash equivalents		(16,775)	5,477
Cash and cash equivalents at beginning of financial year		38,469	32,992
Cash and cash equivalents at end of financial year	14(a)	21,694	38,469

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



1. Reporting Authority

The Northern SEQ Distributor-Retailer Authority trading as Unitywater "Unitywater" has been established under the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (the Restructuring Act) and is a Queensland statutory body under the *Financial Accountability Act 2009* and under the *Statutory Bodies Financial Arrangement Act 1982*.

Unitywater is governed by an independent Board under the Northern *SEQ Distributor-Retailer Authority Participation Agreement* and the Restructuring Act on behalf of its three Participating Councils, Moreton Bay Regional Council, Sunshine Coast Regional Council and Noosa Shire Council.

In accordance with the Restructuring Act Unitywater expires at the end of 99 years from when it was established on 3 November 2009 and the Participants become the successor in law of the assets and liabilities in accordance with their Participation Rights at the expiry date of the Northern SEQ Distributor-Retailer Authority.

The Participant's total initial contribution to Unitywater has been calculated using a regulatory asset base (RAB) valuation approved by the Queensland Government to represent the market value of the business. The assets, liabilities, and employees of the Participant Councils' water distribution and sewerage operations were transferred to Unitywater under the Restructuring Act on 1 July 2010. On 23 September 2013, the Restructuring Act was amended to include Noosa Shire Council as a Participating Local Government for the Northern SEQ Distributor-Retailer commencing 1 January 2014. The initial Participants (being Moreton Bay Regional Council and Sunshine Coast Regional Council) agreed to change the participants' rights under the Participation Agreement to include Noosa Shire Council. Accordingly, the Sunshine Coast Regional Council transferred 110,869,501 Participation Rights to Noosa Shire Council on 1 January 2014.

Unitywater is a "for profit" entity and is required to provide commercial returns to its Participants per the Participation Agreement based on each Participants share of the RAB, comprising debt and Participation Rights as agreed by the Councils and Unitywater.

Unitywater's primary activities in the local government areas of Moreton Bay Regional Council, Sunshine Coast Regional Council and Noosa Shire Council include:-

- a. purchase of water
- b. distribution of water
- c. provision of water and sewerage services to customers
- d. charge customers for these relevant services
- e. manage customer enquiries, service requests and complaints.

2. Basis of preparation

a. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with:

- i. Applicable *Australian Accounting Standards (AASBs)* (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB).
- ii. *The Financial Accountability Act 2009*.
- iii. *The Financial and Performance Management Standard 2009*.
- iv. Queensland Treasury and Trade's *Financial Reporting Requirements for Queensland Government Agencies* (as applicable under the Restructuring Act).
- v. *Statutory Bodies Financial Arrangement Act 1982*.
- vi. Other authoritative pronouncements.

The financial statements were authorised for issue by the Board on 25 August 2014.



b. Measurement of fair values

Unitywater's accounting policies and disclosures require the measurement of fair values for non-financial assets relating to property, plant and equipment and financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy based on the inputs used in the valuation techniques as follows:

- i. Level 1: quoted prices in active markets for identical assets or liabilities.
- ii. Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- iii. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset could be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair value is included in Note 18(c) Property, plant and equipment and Note 29(d) Financial instruments.

c. Functional and presentation currency

The financial statements are presented in Australian dollars, which is Unitywater's functional currency. Amounts included in the financial statements have been rounded to the nearest thousand dollars, unless disclosure of the full amount is specifically required.

d. Going concern

These financial statements have been prepared on a going concern basis.

e. Use of estimates and judgements

The preparation of financial statements requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 3(a) (i)	Utility charges
Note 3(a) (iii)	Developer contribution (non-cash)
Note 3(c)	Finance and borrowing costs
Note 3(g) (iii)	Asset valuation
Note 3(g) (v)	Depreciation
Note 3(i)	Impairment
Note 3(l)	Employee benefits
Note 3(p)	Income tax equivalents
Note 31	Commitments
Note 32	Contingencies

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a. Revenue

Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST). Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to Unitywater.

i. Utility charges

Utility charges are recognised as revenue on an accrual basis in the period to which they relate. Unitywater invoices Moreton Bay, Sunshine Coast and Noosa customers quarterly. Unitywater accrues for volumetric water revenue based upon historical usage patterns for the period between the date of the last water meter reading and the end of the reporting period. Unitywater accrues for access charges based upon each customer's access fees for the number of days from the last billing period to the end of the reporting period.

ii. Fees and charges

Revenue from fees and charges is recognised as revenue upon delivery of services to the customers. This revenue consists of fees and charges for applications, information searches, connections, disconnections, inspections, testing and issuing permits.

iii. Developer contributions

Unitywater finances part of its capital works infrastructure program through non-refundable contributions from developers which are applied to the cost of these works. These contributions received may be in the form of a non-cash contribution (assets) and/or a cash contribution.

Non-cash contributions (assets)

Non-cash contributions from developers such as water and sewerage infrastructure are recognised as revenue and as non-current assets when Unitywater obtains control of the assets and becomes liable for any ongoing maintenance. These contributed assets are recognised at their fair value.

Cash contributions

Non-refundable cash contributions from developers towards the cost of water supply and sewerage infrastructure is collected by Participating Councils on behalf of Unitywater and transferred to Unitywater when received. Cash developer contributions for specific assets are recognised as a liability where that specific asset has not been constructed at 30 June 2014. Cash contributions for assets already constructed or for which there are no performance obligations are recognised as revenue when received or receivable.

iv. Grants and subsidies

Unconditional Government grants and subsidies are recognised as revenue on receipt or when it is probable that the economic benefits will flow to Unitywater and the value of that benefit can be reliably measured.

v. Interest revenue

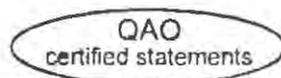
Interest revenue is recognised as it is earned.

vi. Other income

Revenue from rendering of a service is recognised as revenue upon the delivery of the service to the customer. Lease income from operating leases where Unitywater is the lessor is recognised in income on a straight line basis over the period of the lease. Insurance proceeds and compensation revenue are recognised as revenue when received.

b. Bulk water purchases

Bulk water purchases consist of water purchased from Seqwater which is the sole supplier of bulk water to Unitywater. The price that Unitywater must pay for bulk water purchases is set under the Queensland Bulk Water Supply Agreement. Bulk water purchases are recognised as an expense in the period that the water is consumed.



3. Significant accounting policies

c. Finance and borrowing costs

Finance and borrowing costs comprise:

- i. interest expense on bank overdrafts, short-term and long-term borrowings
- ii. bank fees and charges.

Finance and borrowing costs are recognised as an expense using the effective interest method in the period in which they arise. Finance and borrowing costs that are not settled in the period in which they arise are accrued as interest payable. Finance and borrowing costs directly attributable to a specific capital project that takes more than 12 months to prepare for its intended use, are added to the cost of those assets.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank, cheques receipted but not banked, deposits held on call and other short-term highly liquid investments. Bank overdrafts are reported as part of short-term borrowings in current liabilities in the Statement of Financial Position and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

e. Receivables

Trade and other receivables are recognised at amounts due at the time of sale or service delivery. Trade receivables are generally due for settlement 30 days from invoice date. Other receivables are due in accordance with their contractual terms.

Collectability of trade receivables is reviewed on an ongoing basis with provision being made for impairment as a proportion of the age of the debt. Individual debts that are uncollectable are written off when identified. Movements in the provision for impairment are recognised as an expense in that period. All known bad debts were written-off at 30 June 2014.

f. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition. Inventory is reviewed on a regular basis to recognise obsolescence, slow moving inventories and damaged goods. Any write down of inventories are recognised as an expense.

g. Property, plant and equipment

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

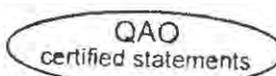
<u>Asset Type</u>	<u>Threshold</u>
Land	\$1
Buildings	\$5,000
Plant and equipment – fleet	\$5,000
Plant and equipment – other	\$1,000
Infrastructure	\$1

Infrastructure assets are defined as a group of separately identifiable assets which, when considered together, are operating to achieve the objectives of the provision of a particular service.

All infrastructure assets deemed to form part of a major network (for example water supply and sewerage services) will be recorded as an asset regardless of the cost of the individual asset.

i. Acquisition of property, plant and equipment

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



3. Significant accounting policies

g. Property, plant and equipment

ii. Capital and operating costs

Salaries, wages and materials expenditure incurred in the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance and repair costs to maintain the operational capacity of the asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Costs incurred subsequent to the initial asset purchase are capitalised when the expenditure improves the condition of the asset beyond its originally assessed standard of performance or capacity.

iii. Asset valuation

Each class of property, plant and equipment is carried at fair value or cost, less where applicable, any accumulated depreciation and impairment losses. Fair value is measured in accordance with *AASB 116 Property, Plant and Equipment* and Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*.

Land, buildings and infrastructure assets are measured at fair value using an income approach based on discounted future cash flows. Valuations are undertaken annually to ensure that the carrying value of the assets does not differ materially from that which would be determined using fair value at the end of the reporting period. Due to the specialised nature of this class of asset where there is generally no active market, the fair value is determined using information from a variety of sources, the results of which are evaluated considering the reasonableness of the range of values indicated by those results. The key assumptions for fair value assessment are disclosed in Note 18(c).

Unitywater has an established control framework with respect to the measurement of fair values. This includes a valuation team that oversees all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the Audit and Risk Committee at least once a year, in line with Unitywater's annual reporting dates and the valuation has been independently reviewed by the Queensland Treasury Corporation.

iv. Capital work in progress

The cost of property, plant and equipment being constructed includes the cost of purchased services, materials, direct labour, borrowing costs and an appropriate proportion of overheads attributable to bringing assets into service.

v. Depreciation

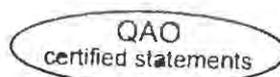
Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use. Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful life of each item of property, plant and equipment.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

Depreciation methods, estimated useful lives and residual values of property, plant and equipment are reviewed annually and adjusted if appropriate.



3. Significant accounting policies

g. Property, plant and equipment

The estimated useful lives for each class of depreciable assets are:

<u>Class of fixed asset</u>	<u>Useful life</u>
Buildings	60 years
<u>Infrastructure assets</u>	
Water infrastructure assets	10 – 100 years
Sewerage infrastructure assets	15 – 150 years
<u>Plant and equipment</u>	
Motor vehicles	2 – 4 years
Heavy equipment	4 – 15 years
Office, IT and scientific equipment	5 - 30 years

vi. Gains and losses on disposals

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset at the time of disposal. These gains and losses are included in the Statement of Comprehensive Income.

h. Intangible assets

Intangible assets with a cost greater than \$1,000 are capitalised. Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

i. Computer software

Costs associated with the development and implementation of new systems and computer software have been capitalised and are amortised on a straight-line basis over its estimated useful life.

The cost of internally generated computer software includes the cost of all materials, direct labour, other directly attributable costs, borrowing costs and an appropriate proportion of overheads attributable during the development of the software.

ii. Utility easements

Payments made to land owners to acquire an easement are capitalised. Easements represent the right to access Unitywater infrastructure on the land owner's property. Easements that have been acquired where no payments have been made are not capitalised.

iii. Amortisation

Amortisation is recognised on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The useful lives of intangible assets are reviewed annually and adjusted if appropriate.

The estimated useful lives are:

<u>Class of intangible asset</u>	<u>Useful life</u>
Computer software	10 years
Utility easements	Indefinite

3. Significant accounting policies

i. Impairment

The carrying amounts of Unitywater's non-current assets are reviewed annually to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset is the higher of its net selling price (fair value less costs to sell) and the value to be realised through using the assets (value in use). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The fair value of Unitywater's assets has been estimated using an income based approach and assessed against recoverable amount. Refer to Note 18(d).

Impairment losses are recognised as an expense unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant asset to the extent available.

An impairment loss is reversed when there is an indication the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j. Payables

Trade and other payables represent the value of goods and services provided to Unitywater prior to the end of the financial year that remain unpaid. Trade and other payables are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase price less any applicable discounts. Amounts owing are unsecured and are generally settled on 30 day terms or as contractually required.

k. Financial instruments

Financial instruments are recognised initially at fair value when the related contractual rights or obligations exist. Subsequent to initial recognition these financial instruments are measured as described below.

Financial assets are derecognised if the contractual rights to the cash flows from the financial assets expire or if the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset are transferred. Financial liabilities are derecognised if the obligations specified in the contract expire or are discharged or cancelled.

Financial instruments are classified and measured as follows:

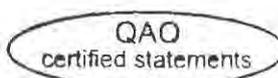
- i. cash and cash equivalents - held at fair value
- ii. receivables - held at amortised cost
- iii. payables – held at amortised cost
- iv. borrowings - held at amortised cost.

Cash and cash equivalents are held at fair value and are valued using Level 1 observable input.

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable to the borrowings, and then subsequently held at amortised cost using the effective interest method. Finance and borrowing costs that are not settled in the period in which they arise are accrued as interest payable.

Principal repayments for debt funding with Queensland Treasury Corporation and the Participating Councils are due at the end of the life of the loans as per their terms and conditions. Principal repayments for the working capital facilities are made throughout the life of the facility in accordance with the schedule of repayments.

Unitywater does not enter into transactions for speculative purposes, or for hedging.



3. Significant accounting policies

I. Employee benefits

A liability is recognised for benefits accruing to employees for salaries and wages, annual leave, leave in lieu and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Current liabilities recognised for employee benefits expected to be settled within 12 months are measured at their nominal value using current salary and wage rates and related on-costs.

A non-current liability is recognised for employee benefits where the liability is not expected to be settled wholly within 12 months after the end of the period. The benefits are measured at the present value of the estimated future cash flows to be made by Unitywater for services provided by employees up to the end of the reporting period. These cash flows are discounted using rates attaching to Australian Government bonds at the end of the reporting period which most closely match the terms of maturity of the related liabilities.

i. Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current salary and wage rates in respect of employees' services up to that date.

ii. Annual leave

A liability for annual leave accrued up to the end of the reporting period is recognised and is based on current salary and wage rates and includes related employee on-costs.

iii. Leave in lieu

A liability for leave in lieu is accrued up to the end of the reporting period and represents the amount unpaid at the reporting date at current salary and wage rates and includes related employee on-costs.

iv. Sick leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

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

v. Long service leave

Liabilities for long service leave where employees have completed the required period of service and are expected to take the leave within 12 months are recognised as current liabilities at nominal values. The remaining unvested liabilities are recognised as non-current liabilities.

The non-current liability for long service leave is measured using the expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future salary and wage rates and related on-costs, experience of employee departures and periods of service. Expected future non-current payments are discounted using market yields at the reporting date on Australian Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

vi. Superannuation schemes

Unitywater contributes to the Local Government Superannuation Scheme (Qld) (LG Super) for employees under both defined benefit scheme and accumulation superannuation scheme. Unitywater has no liability to or interest in LG Super other than the payment of the statutory contribution. Contributions are expensed when incurred. Refer to Note 28.

vii. Termination benefits

Termination benefits are payable when employment is terminated by Unitywater before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised at the earlier of when Unitywater can no longer withdraw the offer of those benefits and when Unitywater recognises costs for a restructure. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

3. Significant accounting policies

i. Employee benefits

viii. Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury and Trade. Refer to Note 33.

m. Other liabilities

i. Unearned revenue

Unitywater receives rental revenue for telecom towers in advance of the period and this is deferred as unearned revenue and progressively recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

ii. Provision for restructuring

A provision for restructuring costs is recognised when Unitywater has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Restructuring provisions include employee termination payments.

n. Leases

Leases in which Unitywater assumes all of the risks and rewards of ownership are classified as finance leases. Unitywater as a statutory body cannot enter into a finance lease without the approval of the Queensland Treasurer and at the end of the reporting date had no finance leases.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and are not recognised in Unitywater's Statement of Financial Position. Operating lease payments are expensed in the period incurred and are representative of the pattern of benefits derived over the lease term.

o. Goods and services tax

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

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

Cash flows are included in the Statement of Cash Flow on a net GST basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

p. Income tax equivalents

Unitywater is subject to the Local Government Tax Equivalents Regime (LGTER). Under the LGTER Unitywater is required to make income tax equivalent payments to the Participating Councils in accordance with the requirements of its Participation Agreement.

Income tax equivalent expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, at tax rates applicable to the income tax year, less any instalments paid and any adjustment to tax payable in respect of the previous year.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse. A deferred tax asset is recognised for unused tax losses, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities have been offset as there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on Unitywater.

3. Significant accounting policies

q. Participation returns

The Participating Councils (Moreton Bay Regional Council, Sunshine Coast Regional Council and Noosa Shire Council) are required by the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (the Restructuring Act) to enter into an agreement (a Participation Agreement) to determine each entity's Participation Rights in Unitywater. The Participation Agreement specifies the Participants' Rights to participate in a distribution of profits of Unitywater in proportion to the percentage set out next to the Participants name in the Register of Participation Rights. During the period from 15 March to 15 April in each financial year Unitywater must give to the Participants:

- i. an estimate of Unitywater's net profit for the financial year
- ii. the amount of the Participation return to be paid for the financial year, including the amount payable for different Participation Rights.

A provision is made for the amount of any Participation return declared by the Board on or before the end of the financial year but not distributed at the end of the reporting period. A liability for Participation return payable is recognised in the reporting period in which the returns are declared for the entire undistributed amount.

The final Participation return for the year ended 30 June 2014 was declared on 25 June 2014. Refer to Note 27 for details on Participation return payments.

r. Comparatives

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

s. New and revised accounting standards

Unitywater did not voluntarily change any of its accounting policies during 2013-14. Australian Accounting Standard changes applicable for the first time for 2013-14 have had minimal effect on Unitywater's financial statements, as explained below.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013 and applied prospectively)

AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards. It replaces and expands the disclosure requirements about fair value measurements in other AASB's, including *AASB 7 Financial Instruments: Disclosures*. AASB 13 is applied prospectively and as a result, comparative information for new disclosures are not required. Notwithstanding the above, the change had no significant impact on the measurements of Unitywater's assets and liabilities but requires a significantly higher level of disclosure around measurement of fair value and the process undertaken.

Unitywater is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, Unitywater has not applied any Australian Accounting Standards and interpretations that have been issued but are not yet effective. Unitywater applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending on 30 June 2014. Our assessment of the impact of these new standards and interpretations is set out below.

3. Significant accounting policies

s. New and revised accounting standards

AASB 9 Financial Instruments (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian accounting standards - mandatory effective date of AASB 9 and Transition Disclosures (effective 1 January 2015 and applied prospectively, amended by AASB 2013-9) and AASB 2013-9 Amendments to Australian accounting standards – conceptual framework, materiality and financial instruments (deferring the mandatory effective date of AASB 9 from 1 January 2015 to 1 January 2017 and applied prospectively). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Assuming no change in the types of transactions Unitywater enters into, it is expected that, all of Unitywater's financial assets will be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 3(k) and 29). As Unitywater's current receivables are short-term in nature, their carrying amount is expected to be a reasonable approximation of fair value. There is not expected to be any changes to the measurement of financial liabilities.

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2017-18 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments, the ongoing disclosure impacts are expected to be minimal.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

AASB 2013-3 introduces additional disclosures around fair value measurements when there has been impairment or a reversal of impairment. In addition to disclosure of the recoverable amount of an asset of Cash Generating Unit when an impairment loss has been recognised or reversed, detailed disclosure is also required about the fair value measurement when the recoverable amount has been determined using fair value less costs of disposal.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to Unitywater's activities, or have no material impact on Unitywater.

4. Utility charges

	2014 \$'000	2013 \$'000
Water charges	232,505	210,309
Sewerage charges	215,685	203,705
	<u>448,190</u>	<u>414,014</u>

5. Fees and charges

	2014 \$'000	2013 \$'000
Permits and licences	2,264	1,672
Connection fees	2,356	1,662
Search fees	2,490	1,710
Other fees and charges	638	646
	<u>7,748</u>	<u>5,690</u>

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6. Developer contributions

	2014 \$'000	2013 \$'000
Developer contributions – assets	36,558	49,874
Developer contributions – cash	43,506	31,699
	<u>80,064</u>	<u>81,573</u>

7. Grants and subsidies

	2014 \$'000	2013 \$'000
State government grant (Queensland)	54	247
Subsidies	4,389	5,747
	<u>4,443</u>	<u>5,994</u>

8. Other income

	2014 \$'000	2013 \$'000
Private works	3,821	3,453
Rent revenue	1,220	1,410
Profit on disposal of property, plant and equipment	-	42
Insurance proceeds	1,077	1,879
Customer recoveries	720	283
Other revenue	1,479	792
	<u>8,317</u>	<u>7,859</u>

9. Employee expenses

	2014 \$'000	2013 \$'000
Salaries and wages	54,116	55,138
Restructure provision	1,962	-
Employer superannuation contribution	6,818	6,228
Payroll tax	3,509	3,517
Board Members' fees	334	321
Other employee expenses	2,852	3,028
	<u>69,591</u>	<u>68,232</u>

The number of employees as at 30 June including both full time and part time employees measured on a full time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2014	2013
Number of employees	<u>828</u>	<u>855</u>

10. Supplies and services

	2014 \$'000	2013 \$'000
Materials and services	67,209	64,053
Consultants and legal fees	2,285	3,438
Other supplies and consumables	562	516
	<u>70,056</u>	<u>68,007</u>

Consultants are classified according to the Queensland Government Procurement Policy definition.

11. Finance and borrowing costs

	2014 \$'000	2013 \$'000
Interest costs	79,047	97,891
Interest costs - capitalised	(4,658)	(5,898)
Other financial costs	1,291	1,279
	<u>75,680</u>	<u>93,272</u>

12. Other expenses

	2014 \$'000	2013 \$'000
Insurance	1,632	1,766
Audit fees	557	361
Regulatory fees	481	777
Impairment of trade receivables	168	496
Loss on disposal of property, plant and equipment	97	-
Assets written off	381	-
Industry membership	340	441
Other	399	421
	<u>4,055</u>	<u>4,262</u>

Audit fees are for both external and internal audit. For details of external audit fees, refer to Note 35.

13. Income tax equivalents

	2014 \$'000	2013 \$'000
Income tax equivalents recognised in profit or loss		
Current tax expense		
Current income tax charge	20,875	7,222
Current tax expense	<u>20,875</u>	<u>7,222</u>
Deferred tax expense		
Deferred income tax charge	11,840	16,395
Deferred tax expense	<u>11,840</u>	<u>16,395</u>
Total income tax equivalent expense	<u>32,715</u>	<u>23,617</u>
Reconciliation of effective tax rate		
Profit (loss) before income tax equivalent	118,727	91,563
Income tax equivalent expense at 30%	<u>35,618</u>	<u>27,469</u>
Non deductible expenses	7	7
Change in unrecognised temporary differences subject to initial recognition exemption	(2,910)	(3,859)
Income tax equivalent expense	<u>32,715</u>	<u>23,617</u>

14. Cash and cash equivalents

a. Cash and cash equivalents

	2014 \$'000	2013 \$'000
Cash on hand	237	14
Bank balances	21,457	38,455
Cash and cash equivalents in the Statement of Cash Flows	21,694	38,469

b. Reconciliation of cash flows from operating activities

	2014 \$'000	2013 \$'000
Cash flows from operating activities		
Profit for the year	86,012	67,946
Adjustments for:		
Depreciation	77,374	76,604
Amortisation of intangible assets	3,680	3,000
Assets written off	381	-
Donated assets	(36,558)	(49,874)
Loss/(Profit) on disposal of property, plant and equipment	97	(42)
Impairment losses on trade receivables	168	496
Change in assets and liabilities		
Change in trade and other receivables	6,724	25,775
Change in inventories	338	200
Change in other assets	342	(832)
Change in trade and other payables	(2,003)	(295)
Change in employee benefits	(312)	(4,019)
Change in other liabilities	2,945	372
Change in deferred tax liabilities	11,840	16,395
Net cash provided by operating activities	151,028	135,726

15. Trade and other receivables

	2014 \$'000	2013 \$'000
Current		
Trade debtors	110,694	107,796
Less: Provision for impairment	(3,500)	(3,500)
	107,194	104,296
GST receivable	1,979	2,246
Receivables from Participating Councils	4,773	1,513
Other receivables	5	2
Total	113,951	108,057

Trade debtors are interest bearing once they become due. Receivables from Participating Councils consist of developer contributions collected by the Participating Councils that are payable to Unitywater and other minor receivables.

Notes to and forming part of the
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	2014 \$'000	2013 \$'000
Movements in the provision for impairment loss		
Balance at 1 July	3,500	3,500
Increase in allowance	-	-
Balance at 30 June	<u>3,500</u>	<u>3,500</u>

16. Inventories

	2014 \$'000	2013 \$'000
Stores	1,881	2,219
Total	<u>1,881</u>	<u>2,219</u>

An amount of \$5,089,479 (2013:\$4,915,461) of inventory was recognised as an expense during the year.

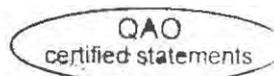
17. Other assets

	2014 \$'000	2013 \$'000
Current		
Prepayments	1,762	2,105
Total	<u>1,762</u>	<u>2,105</u>

18. Property, plant and equipment

a. Carrying amount

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
2014						
Gross carrying amount	48,370	17,153	3,090,062	50,527	196,385	3,402,497
Accumulated depreciation	-	(725)	(296,068)	(12,196)	-	(308,989)
Carrying amount	<u>48,370</u>	<u>16,428</u>	<u>2,793,994</u>	<u>38,331</u>	<u>196,385</u>	<u>3,093,508</u>
2013						
Gross carrying amount	48,370	12,475	2,936,825	41,933	171,290	3,210,893
Accumulated depreciation	-	(529)	(222,013)	(9,528)	-	(232,070)
Carrying amount	<u>48,370</u>	<u>11,946</u>	<u>2,714,812</u>	<u>32,405</u>	<u>171,290</u>	<u>2,978,823</u>



18. Property, plant and equipment

b. Movements

	Land	Buildings	Infrastructure	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2014						
Carrying amount (opening)	48,370	11,946	2,714,812	32,405	171,290	2,978,823
Additions	-	-	-	-	157,012	157,012
Transfers from work in progress	-	4,678	117,089	9,780	(131,547)	-
Contributed assets	-	-	36,558	-	-	36,558
Disposals	-	-	(381)	(760)	(370)	(1,511)
Depreciation	-	(196)	(74,084)	(3,094)	-	(77,374)
Carrying amount (closing)	48,370	16,428	2,793,994	38,331	196,385	3,093,508
2013						
Carrying amount (opening)	48,370	11,236	2,595,981	28,556	163,130	2,847,273
Additions	-	-	-	85	159,909	159,994
Transfers from work in progress	-	900	141,608	9,046	(151,554)	-
Contributed assets	-	-	49,874	-	-	49,874
Disposals	-	-	(276)	(1,395)	(195)	(1,866)
Depreciation	-	(190)	(72,527)	(3,887)	-	(76,604)
Reversal of impairment loss	-	-	152	-	-	152
Carrying amount (closing)	48,370	11,946	2,714,812	32,405	171,290	2,978,823

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes more than 12 months to prepare for its intended use or sale (qualifying asset) are capitalised as part of the cost of the asset.

Unitywater capitalised finance and borrowing costs amounting to \$4,658,018 (2013: \$5,898,939) on qualifying assets during the year ended 30 June 2014. The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.26 % (2013: 5.37%), which is the effective interest rate of the specific borrowing.

c. Measurement of fair value

The fair value measurement for land, building and infrastructure assets of \$2.9 billion (2013: \$2.8 billion) has been categorised as a Level 3 in the fair value hierarchy Refer to Note 2(b).

As the fair value is not materially different from the carrying value of property, plant and equipment as at 30 June 2014, the carrying amount is considered to be representative of fair value and therefore no revaluation increment or revaluation decrement has been taken up. The following table presents Level 3 items for the year ended 30 June 2014 for recurring fair value measurements.

	Land	Buildings	Infrastructure	Total
	\$'000	\$'000	\$'000	\$'000
2014				
Carrying amount (Opening)	48,370	11,946	2,714,812	2,775,128
Additions	-	4,678	153,647	158,325
Disposals	-	-	(381)	(381)
Depreciation and impairment	-	(196)	(74,084)	(74,280)
Carrying amount (Closing)	48,370	16,428	2,793,994	2,858,792

i. Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the infrastructure assets, the significant unobservable inputs and the inter-relationship existing between the significant unobservable inputs and fair value measurement.

18. Property, plant and equipment

c. Measurement of fair value

ii. Valuation inputs and relationships to fair value

Unobservable inputs	Basis	Range of inputs	Relationship between unobservable inputs and fair value
Revenue growth rate	Average growth as forecast by management	5.6% - 6.3%	The higher the annual revenue cashflow growth rate, the higher the fair value
Operating expenses growth rate	Average growth as forecast by management	4.1%	The higher the operating expenditure, the lower the fair value
Capital expenses growth rate	Average growth as forecast by management	10.1%	The higher the capital expenditure, the lower the fair value
Terminal value	Gordon Growth Model and Regulatory Asset Base	\$4,373M – \$4,929M	The higher the terminal value, the lower the fair value
Weighted Average Cost of Capital	Developed by management in conjunction with independent experts	7.56%	The higher the weighted average cost of capital, the lower the fair value

d. Impairment testing

Following assessment of the fair value, Unitywater undertook an impairment review. The following information that would indicate impairment was considered:

Internal sources of information:

- i. Information such as the obsolescence or physical damage of an asset.
- ii. Significant changes with an adverse effect (e.g. discontinued operations, business operations, structure).
- iii. Internal reporting which suggests that an assets economic performance is worse than expected.

External sources of information that would indicate impairment:

- i. Unexpected decline in the asset's value.
- ii. Significant changes in the technological, market, economic or legal environment in which the entity operates.
- iii. Changes in the regulated environment i.e. Queensland Competition Authority.
- iv. Changes of policy and/or legislation enacted by the State Government that impacts on the way Unitywater conducts its business.
- v. Changes in the market interest rates that are likely to affect the assets value in use.

The results of this assessment were that there were no internal or external indicators of impairment.

e. Impact of possible changes in key assumptions

The values assigned to the key assumptions for fair value and recoverable amount assessment represent Unitywater's assessment of future trends in the water industry, including the continued application of the building block methodology currently applied by the Queensland Competition Authority under Price Monitoring of the South East Queensland Distributor-Retailers, and are based on both external and internal sources.

19. Intangible assets

a. Carrying amount

	Software \$'000	Utility easements \$'000	Work in progress \$'000	Total \$'000
2014				
Cost	39,733	2,100	3,085	44,918
Accumulated amortisation	(9,584)	-	-	(9,584)
Carrying amount	30,149	2,100	3,085	35,334
2013				
Cost	33,823	117	1,364	35,304
Accumulated amortisation	(5,904)	-	-	(5,904)
Carrying amount	27,919	117	1,364	29,400

b. Movements

	Software \$'000	Utility easements \$'000	Work in progress \$'000	Total \$'000
2014				
Carrying amount (opening)	27,919	117	1,364	29,400
Additions	-	-	9,665	9,665
Transfers from work in progress	5,910	1,983	(7,893)	-
Disposals	-	-	(51)	(51)
Amortisation	(3,680)	-	-	(3,680)
Carrying amount (closing)	30,149	2,100	3,085	35,334
2013				
Carrying amount (opening)	20,501	-	3,293	23,794
Additions	-	-	8,606	8,606
Transfers from work in progress	10,418	117	(10,535)	-
Amortisation	(3,000)	-	-	(3,000)
Carrying amount (closing)	27,919	117	1,364	29,400

20. Trade and other payables

	2014 \$'000	2013 \$'000
Current		
Trade creditors	23,758	18,975
Participation return payable	21,271	25,096
Interest payable	19,697	24,321
Accrued expenses	18,992	42,262
Income tax equivalent payable	15,282	604
Other	1,912	2,012
Total	100,912	113,270

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21. Loans and borrowings

a. Compositions of loans

	2014 \$'000	2013 \$'000
Current		
Participating Councils		
Working capital	9,407	8,795
Total	<u>9,407</u>	<u>8,795</u>
Non-current		
Participating Councils		
Working capital	2,452	11,860
Senior debt	-	644,807
Subordinated debt	1,160,652	515,845
Queensland Treasury Corporation Loans		
Client Specific Pool	397,000	319,000
Total	<u>1,560,104</u>	<u>1,491,512</u>

No assets have been pledged as security for any liabilities. All borrowings are in Australian dollar denominated amounts and carried at amortised cost, interest being expensed as it accrues, except for assets under construction where directly attributable borrowing costs are capitalised. There have been no defaults or breaches of the loan agreements during the year.

The Participating Councils senior and subordinated loans were renegotiated. The terms of these loans are 20 years commencing on 1 July 2013 and terminating on 30 June 2033 with an extension clause of 10 years and aggregation of the senior and subordinated loans into a single tranche of subordinated debt at variable interest rates on a portfolio based approach.

The weighted average rate of borrowings for the year is 5.11% (2013: 6.64%). Interest payments are made quarterly in arrears at rates ranging from 4.25% to 6.79% (2013: 5.17% to 7.51%).

Notes to and forming part of the
financial statements
for the year ended 30 June 2014



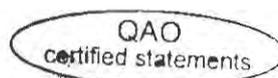
b. Financing arrangements at balance date

	<u>2014</u> \$'000	<u>2013</u> \$'000
The Authority has access available at balance date to the following facilities:		
Bank overdraft	50	50
Credit card	750	750
Working capital	61,860	70,655
Loans	1,609,652	1,479,652
	<u>1,672,312</u>	<u>1,551,107</u>
Facilities utilised at balance date:		
Bank overdraft	-	-
Credit card	71	26
Working capital	11,860	20,655
Loans	1,557,652	1,479,652
	<u>1,569,583</u>	<u>1,500,333</u>
Facilities not utilised at balance date:		
Bank overdraft	50	50
Credit card	679	724
Working capital	50,000	50,000
Loans	52,000	-
	<u>102,729</u>	<u>50,774</u>

22. Employee benefits

	<u>2014</u> \$'000	<u>2013</u> \$'000
Current		
Accrued salaries and wages	3,058	2,565
Annual leave	4,928	4,572
Long service leave	825	768
Rostered days off	361	511
Other employee entitlements	1	49
Total	<u>9,173</u>	<u>8,465</u>
Non-current		
Annual leave	1,678	2,419
Long service leave	10,092	10,370
Total	<u>11,770</u>	<u>12,789</u>

Refer to Note 28 for details of the amount of superannuation contributions paid by Unitywater for the benefit of the employees to their respective superannuation plans.



23. Other liabilities

	2014 \$'000	2013 \$'000
Current		
Unearned revenue	4,105	3,427
Security deposits and retentions	856	525
Provision for restructuring	1,962	-
Other payables	38	65
Total	6,961	4,017

24. Tax assets and liabilities

a. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Property, plant and equipment	-	-	(52,761)	(41,875)	(52,761)	(41,875)
Employee benefits	3,991	4,044	-	-	3,991	4,044
Other provisions and accruals	1,714	1,120	-	-	1,714	1,120
Formation costs	3	708	-	-	3	708
Other items	23	20	(3,079)	(2,286)	(3,056)	(2,266)
Tax asset (liability)	5,731	5,892	(55,840)	(44,161)	(50,109)	(38,269)
Set off	(5,731)	(5,892)	5,731	5,892	-	-
Net tax asset (liability)	-	-	(50,109)	(38,269)	(50,109)	(38,269)

b. Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at 1 July	5,892	6,726	(44,161)	(28,600)	(38,269)	(21,874)
Current year's income tax equivalent expense	(161)	(834)	(11,679)	(15,561)	(11,840)	(16,395)
Balance at 30 June	5,731	5,892	(55,840)	(44,161)	(50,109)	(38,269)

c. Unrecognised deferred tax assets and liabilities

Deferred tax assets and liabilities have not been recognised in respect of the following:

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciating assets transferred from Councils on 1 July 2010	-	-	(15,310)	(12,495)	(15,310)	(12,495)
Employee provisions transferred from Councils on 1 July 2010	1,717	1,812	-	-	1,717	1,812
Tax asset (liability)	1,717	1,812	(15,310)	(12,495)	(13,593)	(10,683)
Set off	(1,717)	(1,812)	1,717	1,812	-	-
Net tax asset (liability)	-	-	(13,593)	(10,683)	(13,593)	(10,683)

25. Contributed equity

	2014	2013
	\$'000	\$'000
Contributed equity	1,434,782	1,434,782
	1,434,782	1,434,782

On 1 July 2010, the Moreton Bay Regional Council and the Sunshine Coast Regional Council transferred their water businesses to Unitywater. The transfer comprised assets, liabilities and employees of the Participant Councils water distribution and sewerage operations.

On 30 May 2011 the Minister for Energy and Water Utilities advised Unitywater and the Participating Councils of the final determination of Unitywater's Regulated Asset Base (RAB) at 1 July 2010. An amended Participation Agreement was submitted to the Minister on 1 July 2011 reflecting each Council's Participation Rights based on the value of each participating local government's contribution to the RAB.

On 19 December 2013 the Minister for Energy and Water Supply approved the amendments to the Participation Agreement required to accommodate Noosa Shire Council as a participant from 1 January 2014. On 1 January 2014 the Sunshine Coast Regional Council transferred 110,869,501 Participation Rights for consideration of \$60,978,225 to Noosa Shire Council, being 4.25% of total Participation Rights.

The contribution to RAB by each participating local government and allocation of Participation Rights are as follows:

Total Participation RAB made up of:	Moreton Bay Regional Council	Sunshine Coast Regional Council	Noosa Shire Council	Total
	\$'000	\$'000	\$'000	\$'000
Debt (45%)	683,665	440,356	49,891	1,173,912
Equity (55%)	835,591	538,213	60,978	1,434,782
Total Participation RAB	1,519,256	978,569	110,869	2,608,694
Contributed equity %	58.24%	37.51%	4.25%	100%
Net liabilities transferred from Participants	(6,640)	(5,947)	(674)	(13,261)
Net assets transferred from Participants	1,512,616	972,622	110,195	2,595,433

26. Retained earnings

	2014 \$'000	2013 \$'000
Retained earnings at 1 July	47,174	26,774
Profit for the year	86,012	67,946
Participation returns paid or provided for	(48,274)	(47,546)
Retained earnings at 30 June	84,912	47,174

27. Participation returns

The following Participation returns have been paid or are payable at 30 June 2014:

	2014 \$'000	2013 \$'000
Moreton Bay Regional Council	28,115	27,691
Sunshine Coast Regional Council	19,255	19,855
Noosa Shire Council	904	-
Total	48,274	47,546

28. Superannuation

Local Government Superannuation Scheme – LG Super

Unitywater contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a multi-employer plan as defined in the Australian Accounting Standard *AASB 119 Employee Benefits*.

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

The scheme has three elements of which two are relevant to Unitywater, referred to as the Regional Defined Benefits Fund (Regional DBF) and the Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in *AASB 119 Employee Benefits*. Unitywater has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

The Regional DBF is a defined benefit plan as defined in *AASB 119 Employee Benefits*. Unitywater is not able to account for the Regional DBF as a defined benefit plan in accordance with *AASB 119 Employee Benefits* because the scheme is unable to account to Unitywater for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of Unitywater. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

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

The most recent actuarial assessment of the scheme was undertaken at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Unitywater has been advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional

DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the *Local Government Act 2009* the trustee of the scheme has the power to levy additional contributions on councils and local government entities that have employees in the Regional DBF, when the actuary advises such additional contributions are payable - normally when the assets of the Regional DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Unitywater made less than 4% of the total contributions to the plan in the 2013-14 financial year.

The next actuarial investigation will be made at 1 July 2015.

The amount of superannuation contributions by superannuation plan type and fund incurred by Unitywater is as follows:

	2014 \$'000	2013 \$'000
Superannuation plan		
Regional defined benefit fund - LG Super	1,063	1,109
Accumulation benefit fund - LG Super	6,248	5,575
Other Defined Contribution funds	464	452
Total	7,775	7,136

A portion of the above superannuation contributions related to work performed on capital projects which were capitalised. The amount recognised as an expense during the financial year is \$6,817,843 (2013: \$6,228,159).

29. Financial instruments

Financial risk management

Overview

Unitywater's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risk, interest rate risk and operational risk.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board on its activities.

Exposure to financial risks is managed in accordance with Unitywater's approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of Unitywater. Unitywater measures risk exposure using a variety of methods, as follows:

Risk Exposure	Measurement Method
Credit risk	Ageing analysis
Liquidity risk	Maturity analysis
Interest rate risk	Sensitivity analysis

Credit risk

Credit risk is the risk of financial loss to Unitywater if a customer or another party fails to meet its obligations. Unitywater is exposed to credit risk through its customers, investments with the Queensland Treasury Corporation (QTC) and deposits held with banks. Unitywater has a concentration of credit risk from receivables due from its customers.

The QTC Cash Fund is an asset management portfolio with investments in a wide variety of high credit rating counterparts. Deposits are capital guaranteed. Other investments are held with regulated financial institutions that have a credit rating of at least A+.

29. Financial instruments

Liquidity risk

Liquidity risk is the risk that Unitywater may encounter difficulty in meeting obligations associated with financial liabilities. Unitywater is exposed to liquidity risk through its trading in the normal course of business, and through borrowings from the QTC for asset acquisitions and capital works and from Moreton Bay Regional Council, Sunshine Coast Regional Council and Noosa Shire Council for its working capital requirements. Unitywater manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

Market risk

Unitywater does not trade in foreign currency and is not materially exposed to commodity price ranges. Unitywater is exposed to interest rate risk through its borrowings from QTC and cash deposited in interest bearing accounts. Unitywater manages that part of its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract with QTC.

Interest rate risk

Interest rate risk is the risk that a value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. Unitywater is exposed to interest rate risk through its borrowings with QTC and the Participating Councils, investment with QTC and cash deposited in interest bearing accounts. The risk in borrowing is effectively managed by borrowing from financial institutions that provide access to floating funding sources such that the desired interest rate risk exposure can be constructed.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with Unitywater's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of Unitywater's operations.

Unitywater's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to Unitywater's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- a. Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- b. Requirements for the reconciliation and monitoring of transactions.
- c. Compliance with regulatory and other legal requirements.
- d. Documentation of controls and procedures.
- e. Training and professional development.
- f. Risk mitigation, including insurance where this is effective.

a. Categorisation of financial instruments

Unitywater has the following categories of financial assets and financial liabilities:

Category	Notes	2014 \$'000	2013 \$'000
Financial assets			
Cash and cash equivalents	14	21,694	38,469
Trade and other receivables	15	113,951	108,057
Total		135,645	146,526
Financial liabilities			
Trade and other payables	20	100,912	113,270
Loans and borrowings	21	1,569,511	1,500,307
Total		1,670,423	1,613,577

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29. Financial instruments

b. Credit risk exposure

The maximum exposure to credit risk at 30 June 2014 in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table provides information regarding credit risk exposure of financial assets, classified according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating.

2014	Credit Rating					Total \$'000
	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	Not rated \$'000	
Cash and cash equivalents	-	21,457	-	-	237	21,694
Trade and other receivables	2,282	12,141	6,106	241	93,181	113,951
	2,282	33,598	6,106	241	93,418	135,645

2013	Credit Rating					Total \$'000
	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	Not rated \$'000	
Cash and cash equivalents	-	38,455	-	-	14	38,469
Trade and other receivables	2,400	7,738	6,383	938	90,598	108,057
	2,400	46,193	6,383	938	90,612	146,526

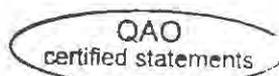
No collateral is held as security and no credit enhancements relate to financial assets held by Unitywater.

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

The method of calculating any impairment provision for risk is based on Unitywater's past experience and industry experience as a proportion of outstanding debt. The recognised impairment provision for receivables is \$3,500,000 (2013: \$3,500,000) for the current year.

Ageing past due, but not impaired, as well as impaired financial assets are disclosed in the following tables:

Trade and other receivables	Gross \$'000	Impairment \$'000	Total \$'000
2014			
Not past due	96,262	-	96,262
Past due 0-30 days	6,100	-	6,100
Past due 31- 60 days	1,270	-	1,270
Past due 61- 90 days	1,812	-	1,812
More than 91 days	12,007	3,500	8,507
	117,451	3,500	113,951
2013			
Not past due	89,795	-	89,795
Past due 0-30 days	4,770	-	4,770
Past due 31- 60 days	1,436	-	1,436
Past due 61- 90 days	8,067	-	8,067
More than 91 days	7,489	3,500	3,989
	111,557	3,500	108,057



29. Financial instruments

c. Liquidity risk

Unitywater is exposed to liquidity risk in respect of its payables and borrowings from QTC.

The following table sets out the liquidity risk of financial liabilities held by Unitywater. It represents the contractual maturity of financial liabilities, including interest payments, calculated based on undiscounted cash flows.

	Financial liabilities				Total cash flows \$'000
	Carrying amount \$'000	Cash flows payable in			
		<1 year \$'000	1-5 years \$'000	>5 years \$'000	
2014					
Trade and other payables	100,912	100,912	-	-	100,912
Loans	1,160,652	65,017	262,978	2,081,076	2,409,071
QTC borrowings	397,000	17,529	70,166	393,103	480,798
Working capital facilities	11,859	9,976	2,494	-	12,470
Total	1,670,423	193,434	335,638	2,474,179	3,003,251
2013					
Trade and other payables	113,270	113,270	-	-	113,270
Loans	1,160,652	62,443	249,772	2,097,298	2,409,513
QTC borrowings	319,000	13,725	54,937	315,765	384,427
Working capital facilities	20,655	9,976	12,470	-	22,446
Total	1,613,577	199,414	317,179	2,413,063	2,929,656

d. Market risk

Unitywater does not trade in foreign currency and is not materially exposed to commodity price changes. Unitywater is exposed to interest rate risk through borrowings with QTC and the Participating Councils, investment with QTC and cash deposited in interest bearing accounts.

Profile

At the reporting date the interest rate profile of Unitywater's interest bearing financial instruments was:

	2014 \$'000	2013 \$'000
Fixed rate instruments		
Financial liabilities	11,859	1,181,307
	<u>11,859</u>	<u>1,181,307</u>
Variable rate instruments		
Financial assets	21,457	38,455
Financial liabilities	1,557,652	319,000
	<u>1,579,109</u>	<u>357,455</u>

Sensitivity analysis for variable rate instruments

The following sensitivity analysis depicts the outcome to profit and loss if interest rates would change by +/- 1% from the year end rates applicable to Unitywater's financial assets and liabilities. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year, except for the current year financial liabilities which assume periodic refinancing.

29. Financial instruments

d. Market risk

	Interest rate risk				
	Net carrying amounts \$'000	-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2014					
Financial assets	21,457	(215)	(215)	215	215
Financial liabilities ¹	(1,557,652)	781	781	(771)	(771)
Sensitivity (net)	(1,536,195)	566	566	(556)	(556)
2013					
Financial assets	38,455	(385)	(385)	385	385
Financial liabilities ¹	(1,479,652)	709	709	(693)	(693)
Sensitivity (net)	(1,441,197)	324	324	(308)	(308)

1. Includes Participating Council loans as the terms have been renegotiated from 1 July 2013, and will no longer be considered as fixed loans.

Fair value

Unitywater has not recognised any financial assets or financial liabilities at fair value, except for cash and cash equivalents.

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

Cash and cash equivalent is held at fair value and is valued using Level 1 observable input. The fair value of interest bearing loans and borrowings is calculated based on discounted expected future cash flows. The fair values of the loans and borrowings, together with the carrying amounts, are as follows:

	Carrying amount \$'000	Fair value \$'000
2014		
Participating Councils		
Working capital	11,859	11,981
Subordinated loans	1,160,652	1,173,854
QTC borrowings		
Client Specific Pool	397,000	408,513
Total	1,569,511	1,594,348
2013		
Participating Councils		
Working capital	20,655	21,055
Senior loans	644,807	644,807
Subordinated loans	515,845	515,845
QTC borrowings		
Client Specific Pool	319,000	318,990
Total	1,500,307	1,500,697

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30. Operating leases

a. Leases as lessee

Commitments under non-cancellable operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

	2014 \$'000	2013 \$'000
Less than one year	2,700	2,744
Between one and five years	11,079	3,065
More than five years	15,251	7,193
	<u>29,030</u>	<u>13,002</u>

Unitywater leases various land, buildings, vehicles and office equipment. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

During the year an amount of \$3,427,928 (2013: \$3,399,470) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

b. Leases as lessor

Commitments under non-cancellable operating leases at reporting date are inclusive of anticipated GST and are receivable as follows:

	2014 \$'000	2013 \$'000
Less than one year	1,604	1,491
Between one and five years	5,200	4,511
More than five years	10,096	7,771
	<u>16,900</u>	<u>13,773</u>

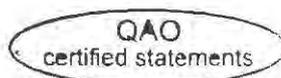
Unitywater leases sites to telecommunication carriers for installation and operation of mobile telecommunication facilities.

31. Commitments

a. Capital expenditure commitments

Material classes of capital expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts as payable are as follows:

	2014 \$'000	2013 \$'000
Property, plant and equipment		
Within one year	18,704	56,345
One year and no later than five years	64	7,888
	<u>18,768</u>	<u>64,233</u>



b. Operating expenditure commitments

Operating expenditure contracted but not yet provided for and payable at the end of the period are as follows:

	2014 \$'000	2013 \$'000
Within one year	16,111	9,859
One year and no later than five years	11,188	12,141
More than five years	8,558	8,619
	<u>35,857</u>	<u>30,619</u>

32. Contingencies

No amounts for contingent assets or liabilities have been provided in the financial statements.

33. Key management personnel

a. Board Members

An interim Board was established on 1 March 2010 under an Interim Participation Agreement during Unitywater's establishment phase. All initial Board Members were subsequently appointed on 1 July 2010 under the Participation Agreement for a term of three years, which has been extended by two years as allowed by the Participation Agreement. New Board Members are appointed for a period of three years.

Board Members' remuneration is established under the Participation Agreement and is with the unanimous agreement of the Participants. Board Members' fees include fees paid for membership of Unitywater's Board and relevant Board committees. The Board Members who were paid, or were due to be paid from Unitywater were:

	2014 Remuneration \$	2013 Remuneration \$
Jim Soorley	105,000	105,000
Barry Casson (appointed 14 January 2013)	56,000	28,000
Sharon Doyle	61,000	57,250
Megan Houghton	56,000	56,000
Mike Williamson (appointed 19 March 2013)	56,417	16,583
Michael Arnett (resigned 31 December 2012)	-	30,500
Noel Faulkner (resigned 31 December 2012)	-	28,000
	<u>334,417</u>	<u>321,333</u>

33. Key management personnel

b. Board Members' transactions

A number of the Board Members hold positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities.

Jim Soorley is a consultant for RP Data Pty Ltd. Unitywater made payments of \$7,247 (2013: \$7,036) for property information services during the financial year. This entity was engaged on an arm's length basis under commercial terms and conditions.

Sharon Doyle is a Director of InterFinancial Pty Ltd. Unitywater made payments of \$42,600 (2013:\$0) for corporate advisory services during the financial year. This entity was engaged on an arm's length basis under commercial terms and conditions.

Related party transactions between Unitywater and its Participants are disclosed in Note 34.

c. Loans to key management personnel

None of the key management personnel have personal loans with Unitywater outstanding at 30 June 2014 (2013: Nil).

d. Key executive management personnel transactions

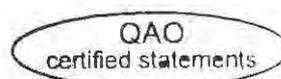
Key executive management personnel of Unitywater or their related parties conduct transactions with Unitywater on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-related entities on an arm's length basis.

A related party of the Chief Financial Officer, Stratboard Pty Ltd was engaged by the Chief Executive Officer during the financial year. Unitywater paid \$24,338 (2013: \$52,060) for corporate strategy services to Stratboard Pty Ltd during the financial year. This entity was engaged on an arm's length basis under commercial terms and conditions.

All other transactions with key executive management personnel that occurred during the financial year related to the domestic supply of water and sewerage services, and were trivial in nature.

e. Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of Unitywater during the year. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.



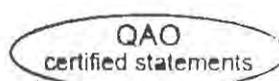
33. Key management personnel

Position	Responsibilities	Current incumbents	
		Contract classification	Date appointed to position
Chief Executive Officer	Accountable to the Board for the overall management and operation of the Authority as well as to ensure the successful delivery of the Authority's strategic direction.	Contract of employment	16 July 2012
Executive Manager Infrastructure Services	Responsible for managing all aspects of the day-to-day operation and maintenance of the water reticulation network, sewage collection network and sewage treatment plants of the Authority.	Contract of employment	29 April 2013
Executive Manager Infrastructure Planning & Capital Delivery	Responsible for infrastructure asset management including planning, design and capital delivery of the Authority.	Contract of employment	29 April 2013
Executive Manager Retail	Responsible for ensuring the commercial and regulatory obligations to customers, the community and the Government are met through effective leadership of the retail division of the Authority.	Contract of employment	1 July 2010
Chief Financial Officer	Responsible for managing strategy, planning, business development, performance management, financial reporting, tax, treasury, financial systems, procurement, pricing and economic regulation for the Authority.	Contract of employment	24 January 2011
Executive Manager People Culture & Safety	Responsible for workforce strategy, safety, risk management, quality systems, records management, compliance, human resources practices, policies and procedures of the Authority.	Contract of employment	2 July 2012
Chief Information Officer	Responsible for the strategy and management of data, information, its underlying technology and security for the Authority.	Contract of employment	26 July 2010 - 16 April 2014

In July 2014 the position of Chief Information Officer was abolished. Responsibility for the Information Communication and Technology division was transferred to the Chief Financial Officer.

On 1 July 2014 an Executive Manager of Legal, Governance and Risk Division was appointed.

There was no overall increase in Executive management personnel for the 13-14 financial year.



33. Key management personnel

f. Remuneration for key executive management personnel

Remuneration and other terms of employment for Unitywater's key executive management personnel are formalised in contracts of employment.

Contracts of employment make a provision for an appropriate combination of competitive fixed and variable remuneration components.

The fixed component of remuneration is linked to an assessment of the job size and value based on independent market advice and evaluation. A Fixed Annual Remuneration (FAR) concept for the structure of executive remuneration is utilised. The market median of remuneration in the Power, Water and Utilities: Government Business Enterprises is used as a basis for determining the FAR for executive managers. While the FAR is capped, the executive then has the flexibility to decide the composition of the total fixed remuneration, which could include cash salary, motor vehicle, additional superannuation, plus any fringe benefits tax incurred. No other non-cash benefits are provided to executives as the FAR concept captures various benefits structured within a total cost rather than a base salary plus benefits approach.

Annual increases in remuneration are in accordance with recommendations endorsed by the Nominations and Remuneration Committee and approved by the Board in line with the governance arrangements for executive managers provided by Unitywater.

The variable component of remuneration is provided to executive managers through an annual incentive payment scheme. This scheme is designed to effectively reward a combination of key behaviours, capability and performance aligned with business, divisional and individual goals and targets. The performance payment is contingent upon the Board's assessment of Unitywater's overall performance. Performance payments may not exceed a maximum of twenty per cent of the individual's FAR figure and require endorsement by the Nominations and Remuneration Committee and approval by the Board.

Where employment is terminated due to Unitywater's operational requirements, a redundancy payment is payable in accordance with the *Industrial Relations Act 1999* (QLD). The payment is based on the individual's FAR figure and period of service;

- | | | |
|------|-------------------|----------------------------|
| i. | 12 months service | 4 weeks redundancy payment |
| ii. | 24 months service | 6 weeks redundancy payment |
| iii. | 36 months service | 7 weeks redundancy payment |

An additional weeks redundancy payment per year of service is payable thereafter with a cap at sixteen weeks for twelve years service.

A termination payment made will comprise all entitlements accrued under the contract and where the executive has completed seven years of service the payment will include long service leave of 0.8667 or 1.3 weeks for each completed year of service.

All remuneration component amounts are reviewed annually by the Nominations and Remuneration Committee and the Board. All amendments to the remuneration policy for key executive management personnel are reviewed by the Nominations and Remuneration Committee for endorsement prior to submission to the Board.

Post employment benefits include superannuation contributions. Long term employee benefits include long service leave accrued up to the end of the reporting period.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits. All executives were employed for the entire financial year unless otherwise disclosed.

33. Key management personnel

f. Remuneration for key executive management personnel

1 July 2013 – 30 June 2014

Position	Short term employee benefits		Post employment benefits	Long term employee benefits ¹	Termination benefits	Total remuneration
	Monetary	Non-monetary benefits				
	\$	\$	\$	\$	\$	\$
Chief Executive Officer	338,527	-	25,572	4,163	-	368,262
Executive Manager Infrastructure Services	223,945	15,316	21,134	3,468	-	263,862
Executive Manager Infrastructure Planning & Capital Delivery	216,426	-	20,030	2,611	-	239,067
Executive Manager Retail	220,600	12,705	26,598	7,509	-	267,412
Chief Financial Officer	271,193	-	25,183	3,270	-	299,646
Executive Manager People Culture & Safety	217,162	-	20,097	2,175	-	239,434
Chief Information Officer ² (1 Jul 2013 - 16 Apr 2014)	162,004	-	21,394	(7,222)	101,684	277,861
Chief Information Officer (acting) ² (28 Apr 2014 - 30 Jun 2014)	34,354	-	3,178	482	-	38,014
Total remuneration	1,684,211	28,020	163,186	16,456	101,684	1,993,557

1. Long term employee benefits include long service leave accrued up to the end of the reporting period. This represents amounts payable if the required period of service is completed, not amounts that have been paid. When an employee leaves prior to the requisite period of service being completed an adjustment of the long service leave accrual is made.
2. In July 2014 the position of Chief Information Officer was abolished. Responsibility for the Information Communication and Technology Division was transferred to the Chief Financial Officer.

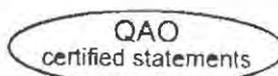
33. Key management personnel

f. Remuneration for key executive management personnel

1 July 2012 – 30 June 2013

Position	Short term employee benefits		Post employment benefits	Long term employee benefits ⁴	Termination benefits	Total remuneration
	Monetary	Non-monetary benefits				
	\$	\$	\$	\$	\$	\$
Chief Executive Officer (16 Nov 2012 - current)	312,500	-	23,598	5,566	-	341,664
Chief Executive Officer (acting) (1 Jul 2012 - 15 Jul 12)	10,383	-	935	238	-	11,556
Chief Operating Officer (acting) ¹ (1 Jul 2012 - 9 Dec 2012)	80,856	5,329	9,703	2,721	-	98,609
Executive Manager Infrastructure Services (acting) ¹ (10 Dec 2012 - 28 Apr 2013)	70,532	6,703	8,464	2,351	-	88,050
Executive Manager Infrastructure Services (29 Apr 2013 - Current)	38,603	2,041	3,474	702	-	44,820
Executive Manager Infrastructure Planning & Capital Delivery (acting) ¹ (10 Dec 2012 - 28 Apr 2013)	64,416	4,726	7,730	3,670	-	80,542
Executive Manager Infrastructure Planning & Capital Delivery (acting) ¹ (29 Apr 2013 - Current)	37,315	-	3,358	-	-	40,673
Executive Manager Retail Services	216,180	14,268	22,747	8,138	-	261,333
Chief Financial Officer	260,052	-	23,502	3,754	-	287,308
Executive Manager People Culture & Safety ²	197,248	-	17,752	2,141	-	217,141
Executive Manager Business Support Services ³ (1 Jul 2012 - 28 Apr 2013)	174,861	8,596	15,738	3,363	-	202,558
Chief Information Officer	185,242	9,026	16,672	3,210	-	214,150
Total remuneration	1,648,188	50,689	153,673	35,854	-	1,888,404

1. In December 2012, the Infrastructure Services Division (headed up by the Chief Operating Officer) was split into two divisions, the Infrastructure Services Division, and the Infrastructure Planning and Capital Delivery Division, both headed up by new executive managers.
2. The Workforce Capability and Change Division was renamed the People Culture and Safety Division.
3. During the year the Business Services Support Division functions were transferred to other divisions.
4. Long term employee benefits include long service leave accrued up to the end of the reporting period. This represents amounts payable if the required period of service is completed, not amounts that have been paid. When an employee leaves prior to the requisite period of service being completed an adjustment of the long service leave accrual is made.



33. Key management personnel

g. Performance payments

The performance assessment process occurs after the end of the financial year. Payment of performance bonuses occurs in the year following actual performance.

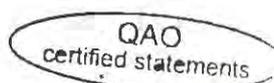
The basis for performance bonuses paid this financial year is set out below:

Position	Date paid	Basis for payment
Chief Executive Officer	6 Dec 2013	Individual performance payments are based upon achievement of corporate, divisional and individual targets.
Executive Manager Infrastructure Services	18 Oct 2013	
Executive Manager Retail Services	18 Oct 2013	
Chief Financial Officer	18 Oct 2013	
Executive Manager People Culture & Safety	18 Oct 2013	
Chief Information Officer	18 Oct 2013	

The aggregate performance bonuses paid to key executive management personnel after performance reviews are completed and endorsed by the Nominations and Remuneration Committee are as follows:

	2014 Remuneration \$	2013 Remuneration \$
Performance payments	<u>280,581</u>	<u>220,663</u>

At the date of certification the performance assessment process for the financial year ended 30 June 2014 was still being conducted.



34. Related parties

Transactions with Participating Councils

The amount of revenue and expenditure included in the Statement of Comprehensive Income, and the amount receivable or payable to Participating Councils are as follows:

	Moreton Bay Regional Council		Sunshine Coast Regional Council		Noosa Shire Council ¹	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Utility charges	4,427	3,234	4,018	3,894	298	-
Utility rebates	(4)	22,513	-	-	-	-
Other revenue	1,128	872	1,120	359	50	-
	<u>5,551</u>	<u>26,619</u>	<u>5,138</u>	<u>4,253</u>	<u>348</u>	<u>-</u>
Expenses						
Supplies and services	1,827	2,264	1,092	610	1	-
Interest on loans	36,940	48,508	25,211	34,882	1,324	-
Taxation equivalents	12,978	5,126	8,811	3,676	495	-
Participation returns	28,115	27,691	19,255	19,855	904	-
	<u>79,860</u>	<u>83,589</u>	<u>54,369</u>	<u>59,023</u>	<u>2,724</u>	<u>-</u>
Amounts receivable						
Utility charges	593	772	366	826	77	-
Other receivables	43	169	6	27	-	-
Developer contributions - cash	1,297	74	3,382	1,439	94	-
	<u>1,933</u>	<u>1,015</u>	<u>3,754</u>	<u>2,292</u>	<u>171</u>	<u>-</u>
Amounts payable						
Interest payable	9,207	12,101	5,943	8,694	662	-
Supplies and services	36	31	66	42	-	-
Taxation equivalents	9,720	1,254	6,638	899	332	-
Participation returns	12,388	14,616	7,979	10,480	904	-
	<u>31,351</u>	<u>28,002</u>	<u>20,626</u>	<u>20,115</u>	<u>1,898</u>	<u>-</u>
Loans and borrowings						
Loans	677,025	677,025	434,409	483,627	49,218	-
Working capital	5,930	10,327	5,930	10,327	-	-
	<u>682,955</u>	<u>687,352</u>	<u>440,339</u>	<u>493,954</u>	<u>49,218</u>	<u>-</u>

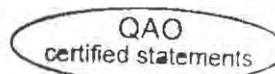
Amounts owing are unsecured and are expected to be settled in cash.

1. Noosa Shire Council commenced operations on 1 January 2014.

35. Auditor's remuneration

	2014 \$'000	2013 \$'000
Audit services		
Auditors of the Authority: <i>Queensland Audit Office</i>		
- Audit and review of financial reports	218	220

There are no non-audit services included in this amount.



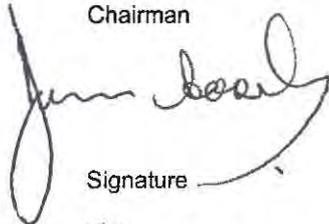
Certificate of Unitywater for the year ended 30 June 2014

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

- a. The prescribed requirements for establishing and keeping the accounts have been complied with in all material respects.
- b. The statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Unitywater for the financial year ended 30 June 2014 and of the financial position at the end of that year.
- c. These assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

Jim Soorley
B.A (Psych)
M.A (Org Psych), AM

Chairman



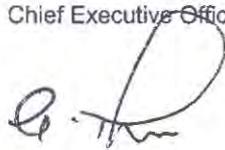
Signature

Date

25/8/2014

George Theo
MBA, BEng (Civil)
Ass Dip (Mun Eng), CP Eng
GAICD

Chief Executive Officer



Signature

Date 25/8/14

Pauline Thomson
BBus (ACC), CPA
GAICD

Chief Financial Officer



Signature

Date

25/8/14

QAO
certified statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Northern SEQ Distributor-Retailer Authority

Report on the Financial Report

I have audited the accompanying financial report of Northern SEQ Distributor-Retailer Authority, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificate given by the Chairman, Chief Executive Officer, and Chief Financial Officer.

The Board's Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

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

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Northern SEQ Distributor-Retailer Authority for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of this financial report should note that the audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial report to confirm the accuracy of this electronically presented information.

~ George

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



Queensland Audit Office
Brisbane



This report is publicly available and can be viewed and downloaded from www.unitywater.com/annualreport. To meet State Government requirements, a limited number of this report were printed.
