

ANNUAL REPORT 2015 – 2016



Unitywater

Serving you today,
investing in tomorrow.

About this report

The 2015-16 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 2016 edition.

To meet State Government requirements, a limited 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 6-10 Maud Street, Maroochydore, between the hours of 8.30am and 5pm, Monday to Friday.

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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 2015-16

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The Honourable Mark Bailey MP
Minister for Energy and Water Supply
41 George Street
BRISBANE QLD 4000

Dear Minister

I am pleased to submit for presentation to the Parliament the Annual Report 2015-2016 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 at page 83 of this annual report.

Yours sincerely

Jim Soorley

Chairman

6 September 2016

ABOUT US

Unitywater is a statutory authority, formed under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*. Governed by an independent Board, we have a Participation Agreement with the Moreton Bay Regional Council, Sunshine Coast Council and the Noosa Council. We service these local authority areas on behalf of their citizens.

What we do

Twenty-four hours a day, seven days a week, Unitywater's priority is providing our customers with a high quality, safe and reliable sewerage and water service that is economically and environmentally sustainable. We:

- maintain and supply drinking quality water to homes, businesses and public areas
- collect, treat and dispose of sewage
- manage trade waste from our business and industrial customers
- build, manage, operate and maintain our sewerage and water infrastructure
- provide around-the-clock response to sewerage and water emergencies
- manage customer and stakeholder enquiries
- issue and manage sewerage and water 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.

OUR VISION

WE AIM TO BE A SUSTAINABLE, INDUSTRY-LEADING COMMUNITY AND CUSTOMER-ORIENTED WATER AND ALLIED SERVICES BUSINESS

OUR PURPOSE

KEEPING OUR COMMUNITIES HEALTHY

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

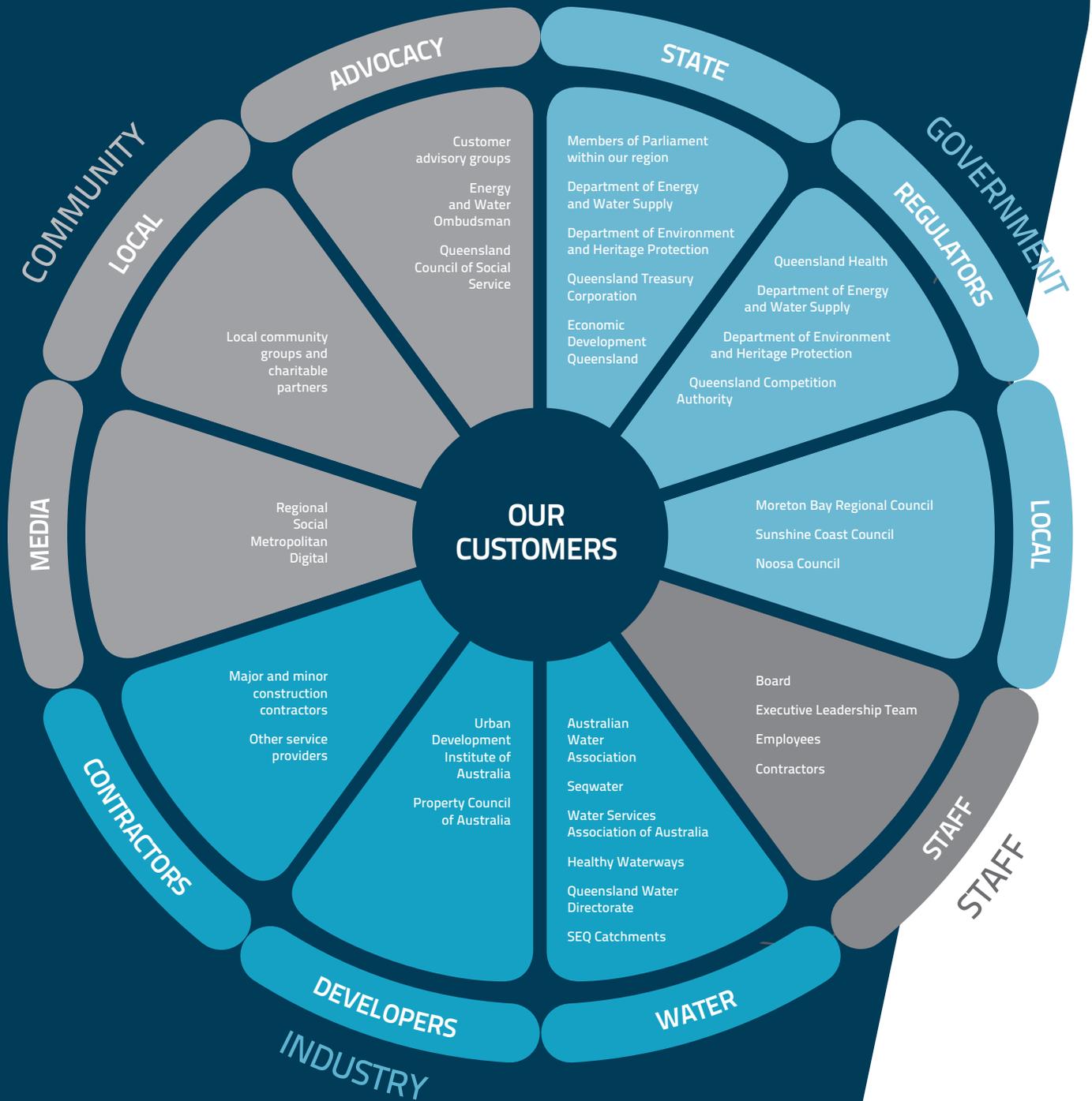
We don't waste time, money or effort because we have the right people in the right place getting it right the first time

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



STRATEGIC PRIORITIES

ENHANCE
CUSTOMER
VALUE

IMPROVE
SUSTAINABILITY

PURSUE
EFFICIENCY

STRATEGIES

PROVIDE EFFECTIVE,
LOW COST CUSTOMER
SERVICE

INFORM AND ENGAGE
STAKEHOLDERS

REDUCE THE COST
OF REGULATION

GENERATE A PROFIT
ON NEW PRODUCTS
AND SERVICES

MEET GOVERNANCE
AND COMPLIANCE
REQUIREMENTS

CREATE A SAFE, PROUD
AND PRODUCTIVE CULTURE

DEVELOP SMARTER SYSTEMS
AND PROCESSES

IMPROVE ASSET PERFORMANCE

OPERATE EFFICIENTLY

Unitywater's Corporate Strategic Plan 2015-20 is the roadmap for our organisation's achievement of our strategic goal of reducing our total cost to serve. This report describes and quantifies the strides we have made towards this goal.

Unitywater's business direction and service delivery aligns with the State Government's objectives for the community, which aim to protect the environment through ensuring sustainable management of natural resources, and deliver new infrastructure and quality frontline services.

Strategic risks

Unitywater has identified and assessed the strategic risks and opportunities that it faces in the following areas:

- Safety
- Water quality
- Customer service
- Financial sustainability
- Regulatory compliance and policy
- Climate change
- Workforce planning
- Asset management

Unitywater manages these risks and opportunities through its strategic initiatives and annual business planning.

Over the past six years we have made considerable progress towards our vision of becoming a sustainable, industry-leading community and customer oriented water and allied services business.

This Annual Report for 2015-16 provides a summary of our operational performance, key highlights, our governance and compliance practices and audited financial reports.

Our strategy

During the year we maintained our focus on our three strategic priorities: enhancing customer value, improving sustainability and pursuing efficiency.

■ Enhancing customer value

One of our most important achievements since our formation was to freeze water and sewerage prices in 2015-16 for the second time in four years as we work towards our goal of reducing our total cost to serve.

As a demonstration of how easy it is to engage with us on-line, 20 per cent of our customers had signed up to e-billing via our My Account portal by the end of the year.

■ Improving sustainability

Our detailed feasibility studies into a waste-to-energy facility at the Kawana Sewage Treatment Plant explore another opportunity to diversify revenue. Once implemented, this facility will reduce the plant's energy consumption by 30 per cent while generating new revenue by treating organic waste.

■ Pursuing efficiency

Technology continues to help us make better decisions for the benefit of our customers. During the year we implemented a business intelligence platform, continued rolling out to 90 per cent of our water supply network a technology that monitors for hidden leaks, and undertook an energy reduction program which aims to reduce energy costs by 19 per cent. By 30 June we had achieved a 12.3 per cent reduction.

Development and growth

With development and growth as defining characteristics of our service area, Unitywater continues to plan for the needs of our future customers.

During the year we processed 6788 development applications for new connections with the help of a new streamlined approvals process. We are now in the design stage of introducing on-line development applications.

Valuing innovation

We are always seeking new ways of doing things better and were recognised and rewarded with several industry awards during the year. They included the prestigious national Australian Water Association Infrastructure Project Innovation award for our Suncoast sewerage project and the Queensland Project Management Achievement Award for the upgrade of our Supervisory Control And Data Acquisition (SCADA) system.

Unitywater in the community

Working closely with the communities we serve to deliver quality services and extend our support of worthy grassroots projects helped our customer satisfaction rating to peak at 7.2 out of 10.

We continue to support many worthwhile organisations, events and sporting groups by providing equipment, in-kind support and water refill stations.

The community was overwhelmingly supportive of the giant murals painted on our high-profile Point Cartwright and Peregrin reservoirs during the year. The murals were part of a broader Unitywater initiative to place artwork chosen by the community on bland concrete reservoirs, turning them into works of art.

An increasing use of social media is helping us engage with community segments on a variety of issues, from water outages to creekside planting events.

Leadership and people development

We have again boosted our leadership and staff development programs to give all our staff every opportunity to be the best they can be.

We are working hard to implement new Enterprise Agreements that will further deliver efficient and effective customer services 24 hours a day whilst providing our staff with employment security and pay certainty.

We will continue to transform our workforce to meet the emerging challenges of a digital world and customer expectations through ongoing support of our people.

Unitywater is working to increase female participation rates and the number of staff under 35 within the business which currently stand at 33 per cent and 17 per cent respectively.

Equity and diversity has a heightened focus within the organisation. We launched a three-year program to attract diversity into all areas through targeted recruitment. For example, the annual Unitywater Scholarship in Engineering program was awarded to a female student for the first time.

Safety performance and wellbeing

Safety continues to be a priority for Unitywater. Despite the hard work by all employees across the business, the Significant Injury Frequency Rate (SIFR) per million hours worked for 2015-16 rose to 10.9 from 7.8 in 2014-15.

Management and the Board will ensure that the safety of our employees remains paramount in everything we do.

During the year we also launched our wellbeing program. Complementing our safety program, it provides information, tools and access to people who can assist staff with their overall wellbeing.

Providing essential water and sewerage infrastructure

In 2015-16 we invested \$98.2 million in water supply and sewerage infrastructure to support the ongoing delivery of water and sewerage services.

Financial performance

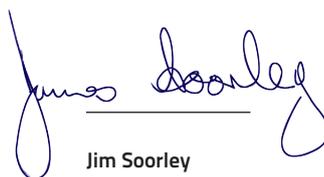
We are succeeding in our aim to lower operating costs without compromising our levels of service.

Unitywater's financial results demonstrate the hard work undertaken throughout the year which resulted in a slight increase of 0.3 per cent in operating expenses despite bulk water costs rising by 4.9 per cent compared to the previous year.

After excluding developer contributions (comprising gifted assets and cash) of \$143.7 million from profit after tax, Unitywater made a loss of \$7.4 million. This compares to a loss of \$7.6 million in 2014-15 after excluding developer contributions.

Total returns to Participating Councils, comprising tax equivalents, participation returns and interest on loans, were \$133 million, the same as provided in 2014-15.

As we move into our seventh financial year of operations, we extend a sincere thank-you to the Board members, the Executive and all staff for their ongoing support and commitment to making Unitywater an operationally excellent organisation for the benefit of our customers.



Jim Soorley

Chairman
6 September 2016



George Theo

Chief Executive Officer
6 September 2016

Key facts for 2015-16

Providing quality service to our customers sees us operate and maintain \$3.2 billion worth of assets. During the 2015-16 year we continued our investment for the long-term future of our customers and our region.

- We supplied more than 724,626 people across 5223 square kilometres with sewerage and water services.
- Our customer satisfaction rating reached 7.2.
- Our customers include 287,994 residential properties and 16,968 commercial and industrial enterprises.
- We invested \$35.8 million in water supply infrastructure.
- We invested \$62.4 million in sewerage infrastructure.

Meeting service standards

Water



Australian Drinking Water Guidelines compliance

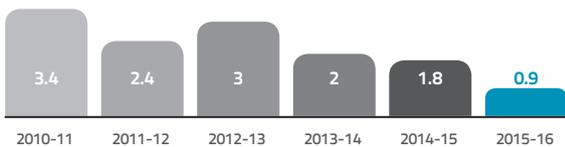
Drinking water quality complaints per 1000 connected properties

TARGET <10



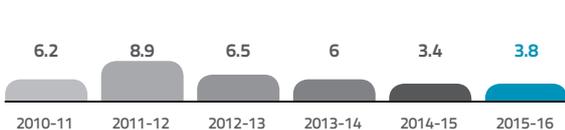
Unplanned water supply interruptions per 100 km of mains

TARGET <10



Water main breaks and leaks per 100 km of mains

TARGET <25



Sewerage



Sewage treatment plant compliance

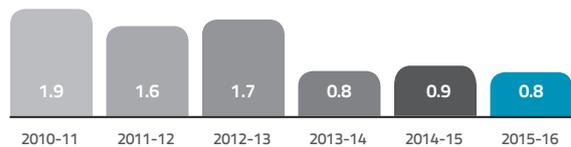
Odour complaints per 1000 connected sewerage properties

TARGET <3



Dry weather sewage overflows per 100 km of mains

TARGET <2.2



Sewer main breaks and chokes per 100 km of mains

TARGET <40



Customer Service

Calls answered by an operator within 30 seconds (%)

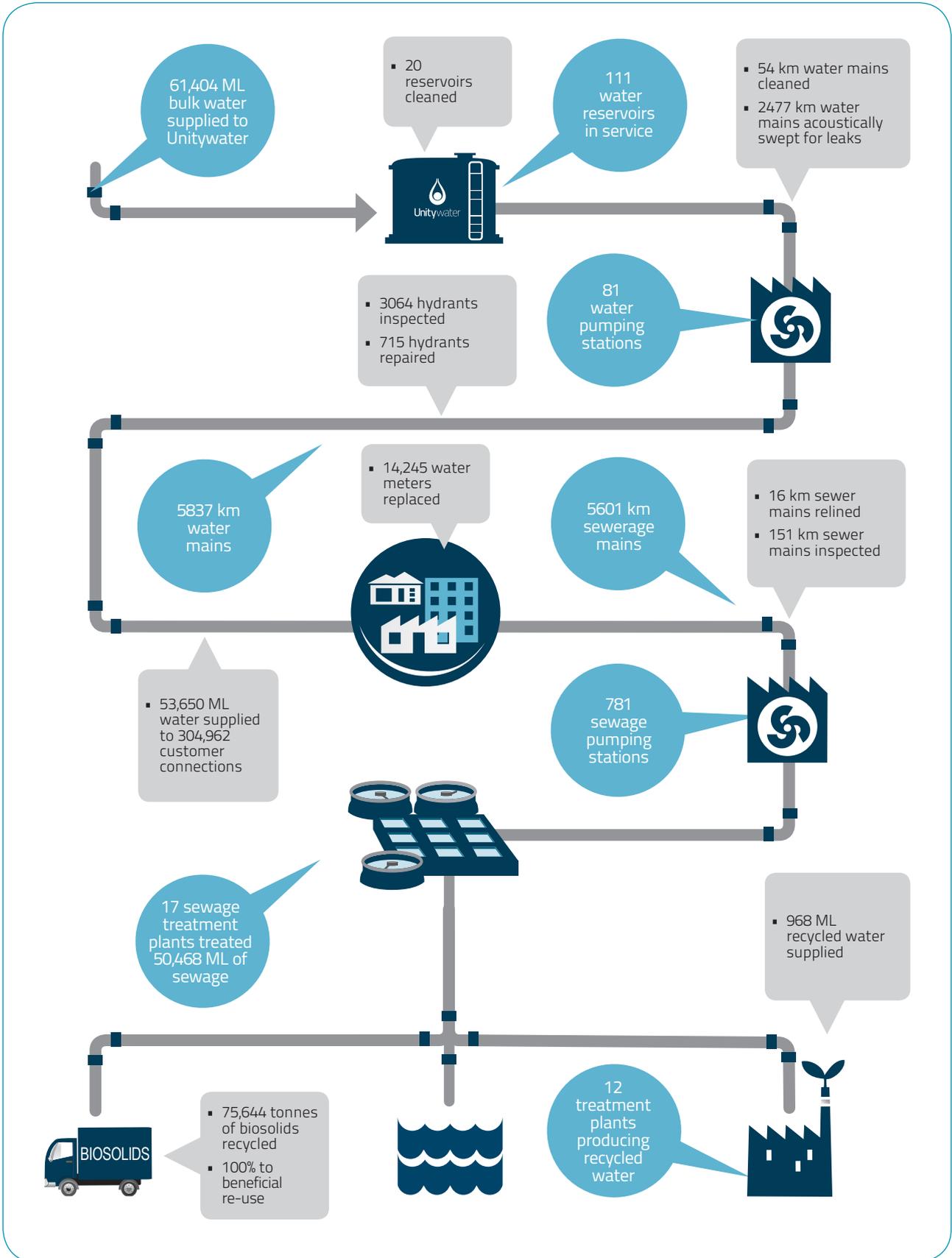


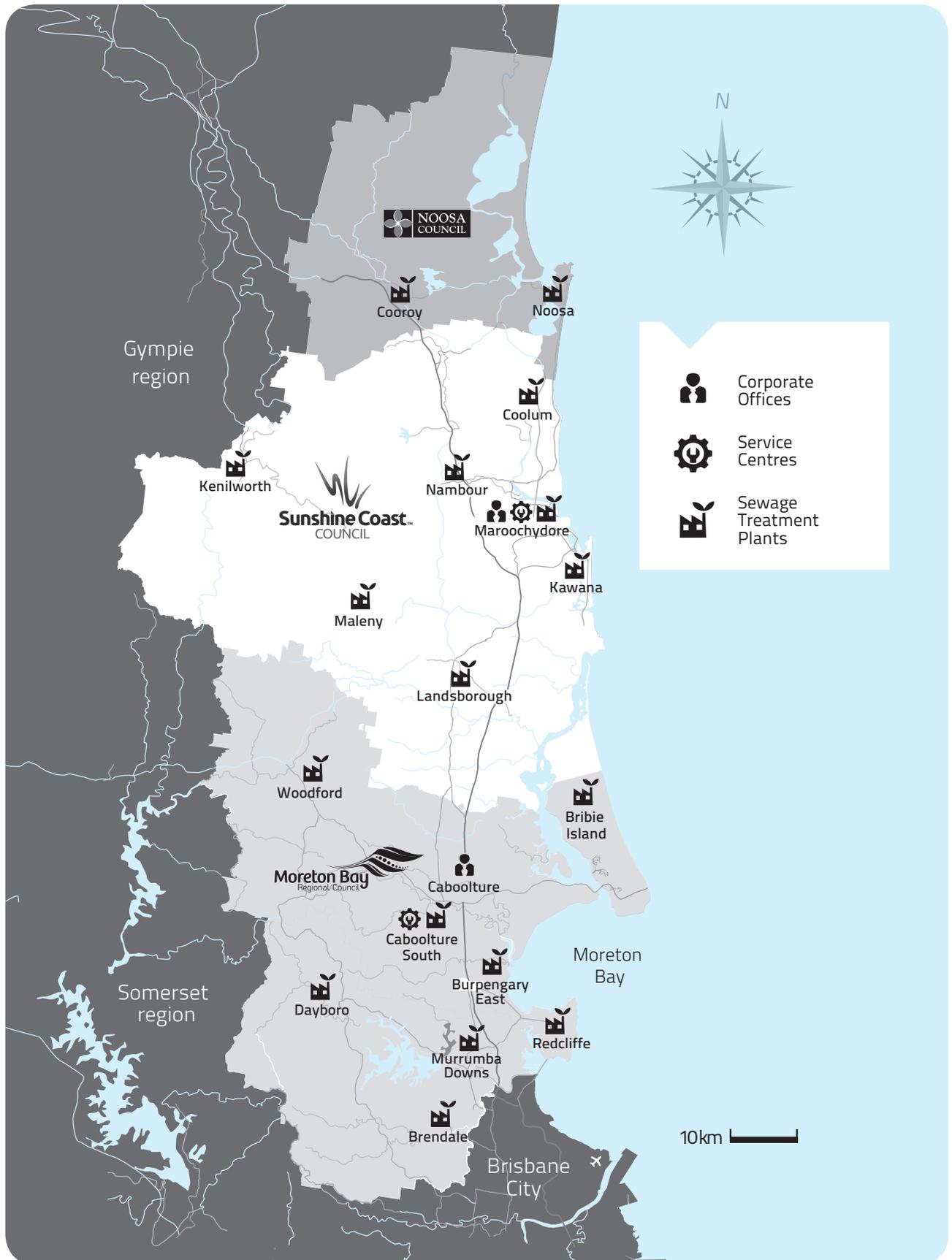
Sewerage and water complaints per 1000 properties



*Australian utilities with 100,000+ connected properties (National Performance Report 2014-15 Urban Water Utilities)

The following summarises our sewerage and water operations for the year:





THE YEAR IN REVIEW

The 2015-16 year saw Unitywater make substantial progress towards achieving our strategic goal of reducing our total cost to serve. Keeping our customers at the heart of everything we do means all our initiatives are designed to ultimately benefit them.

At a glance



90%

of our water supply network now monitored by advanced water leak technology



20%

of our customers now signed up for e-billing



12.3%

or \$1.2 million saved on our energy bills

6,788

development applications processed

7.2

out of 10 customer satisfaction rating

80

community events supported with hydration and refill stations

\$98.2M

invested in water supply and sewerage infrastructure

WON

National Australian Water Association Infrastructure Project Innovation Award

Innovation

With innovation as one of our core values, Unitywater fosters innovative thinking that improves our customers' experience and delivers better environmental outcomes.

Use of TaKaDu technology extended

During the year, we extended the use of TaKaDu technology to 90 per cent of our water supply network from 132 to 192 of our District Metering Areas. TaKaDu is an advanced software tool that uses Unitywater data to monitor water networks and quickly alert when potential leaks are detected. We estimate TaKaDu has prevented the loss of approximately 1079 ML of water worth \$2.85 million over the year.

Offering TaKaDu and Unitywater expertise to other utilities

In conjunction with our partner TaKaDu, Unitywater has developed an offer to small water utilities, which combines our network monitoring and leak detection technologies. The offer provides a cost-effective way for small utilities to use sophisticated technology that saves water and improves water security. We presented on the initiative to three council water businesses during the year.

To see a video presentation of TaKaDu =, go to <http://bit.ly/UWtakadu> or scan here.



SmartBall trial

A trial of the SmartBall technology from Pure Technologies Ltd saw a ball containing detection instruments floated through 8.9 kilometres of the Landers Shute trunk water main. The SmartBall proved its value by detecting three leaks which had the potential to lose \$31,000 worth of water annually had they not been found.

To see a video presentation of the SmartBall trial, go to <http://bit.ly/UWsmartball> or scan here.



Harnessing the potential of waste

During the year Unitywater approved a business case for a waste-to-energy plant to be located at the Kawana Sewage Treatment Plant. The concept would see the plant accept organic waste from the market to use as "fuel" to generate energy. A detailed feasibility study is currently underway. The waste-to-energy plant, if approved for construction, would be commissioned in 2019-20, is expected to offset 30 per cent of the treatment plant's electricity needs.

As part of a separate but parallel project, Unitywater also received tenders for the upgrade of Kawana Sewage Treatment Plant in June.

New operations centre

The Network Operations Control Room was upgraded at the beginning of 2016 as part of the refurbishment of the legacy section of the Northern Corporate Centre in Maroochydore. Staffed 24 hours a day, the control room now has better integration with the Customer Contact Centre and gives operators new and enhanced tools to remotely manage our sewerage and water supply networks.

\$2.85

MILLION

WORTH OF WATER SAVED THROUGH
LEAK DETECTION TECHNOLOGY

AWARDS

Innovation at Unitywater led to the organisation receiving prestigious industry accolades during the year:

- Unitywater's project to reconfigure the Suncoast-Coolum-Maroochydore sewerage network, which involved the closure of the Suncoast Sewage Treatment Plant and the diversion of the sewage load to Maroochydore Sewage Treatment Plant, won the Australian Water Association (AWA) Queensland Infrastructure Project Innovation Award in September.
- Having won the state award, the project to reconfigure the Suncoast-Coolum-Maroochydore sewerage network went on to win the national AWA Infrastructure Project Innovation Award in May.
- Unitywater, in partnership with Livingstones, was awarded an Australian Learning Impact Award for the leadership app that was developed to support our Trusted Leader Program.
- In April Unitywater was presented with the national Geospatial Information and Technology Association (GITA) Performance Award for the provision of the 'Dial Before You Dig' service.
- Unitywater's \$50 million project to upgrade our SCADA system, completed in 2014, won the Construction/Engineering award at the 2015 Queensland Project Management Achievement Awards.

The number of people served by Unitywater will be boosted in coming years by a number of priority growth areas. The new Maroochydore City Centre will be developed over the next 20 years and will include 2000 residential apartments. In the next 30 to 40 years, 20,000 homes will be built in Aura, previously known as Caloundra South. Unitywater is planning for these developments and more.

Maroochydore City Centre

As a greenfield site, the new Maroochydore City Centre provides many exciting opportunities for a master-planned development. To harness the potential, Unitywater held a joint workshop in August with development authority SunCentral to explore water and sewerage options.

As part of the fundamental infrastructure for the new Maroochydore City Centre, Unitywater awarded the contract to install a new sewerage main to link the development to the Maroochydore Sewerage Treatment Plant. The new sewerage main will be part of a \$16 million upgrade of the Maroochydore sewerage network to be completed late 2017.

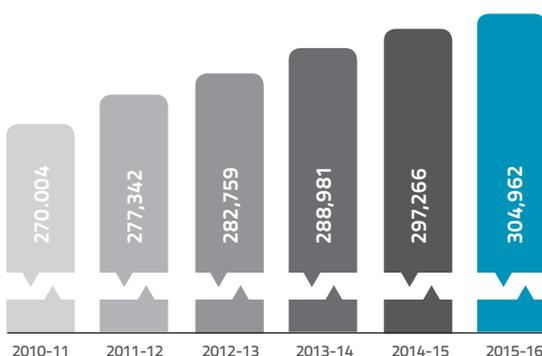
Greenfield developments

Unitywater is working with developers helping to unlock greenfield areas for master-planned developments that will provide high quality, liveable urban environments. These include Caloundra South on the Sunshine Coast, and Warner and Caboolture West in Moreton Bay.

In consultation with Economic Development Queensland, Unitywater provided approvals for sewerage and water infrastructure to Stockland, the developers of Aura, during the year. Construction on this new city, which will eventually include 20,000 homes for an expected 50,000 residents, began in 2016.

Growth in water connections

Since 2010-11, the number of Unitywater's water connections has grown by 13 per cent.



Redcliffe Sewerage Treatment Plant

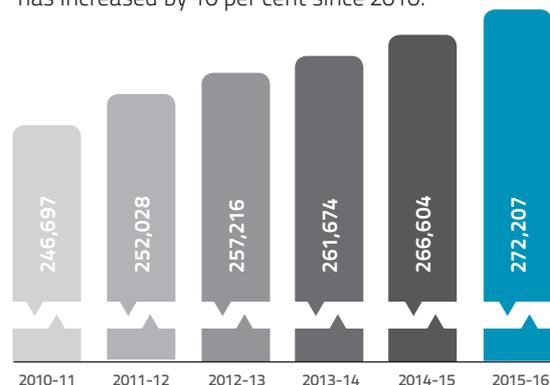
Rehabilitation works at the Redcliffe Sewerage Treatment Plant are in progress following the commencement of work on site in November by contractor TRILITY. A major component of the scope, the new odour control facility, is due for completion before the end of 2016. Construction works for the remainder of the rehabilitated sewerage treatment plant components continue, with the majority due for completion by mid-2017.

Modelling the future

Using our in-house developed Demand Modeller and Tracking Tool (DMaTT), during the year we worked with Sunshine Coast and Moreton Bay councils to progress the modelling of forecast demand. This work supports the planning of water supply and sewerage infrastructure to cater for future growth. DMaTT provides robust and transparent demand forecasts that support prudent and efficient investments in infrastructure. A review and feedback process with Sunshine Coast Council has resulted in demand forecasts ready for Council endorsement. Preliminary forecasts for Moreton Bay council have also been completed.

Growth in sewerage connections

The number of Unitywater's sewerage connections has increased by 10 per cent since 2010.



Sewerage and water services are essential to the community, so it is important they remain affordable and represent excellent value for money to our customers. Unitywater must remain competitive with the wider market in terms of quality, reliability and, in particular, price.

Serving our customers

Savings made over the previous three years of operations enabled Unitywater to freeze water and sewerage prices at 2014-15 levels throughout the 2015-16 year.

Since we launched electronic billing to our customers in December 2014, 20 per cent of our customers have chosen the convenience of receiving their bills by email or SMS. This has increased from 8.5 per cent at 30 June 2015. In January Unitywater launched a competition for residential customers to encourage them to sign up for electronic billing. The competition will run for each quarter of the 2016 calendar year. The winners receive 12 months free water and sewerage, capped at \$1500.

After a two-and-a-half year rollout, Unitywater's Tariff Reform Project was completed during the year. The project streamlined and harmonised customer charges for sewerage and water regardless of where in our service area they live: 830 price plans were reduced to 108.

Development

At the beginning of 2016 Unitywater embarked on creating an Accreditation and Certification System for development works. The aim of the system is to reduce the costs of certifications by accrediting private certifiers. Private certification is currently in place for many utilities across Australia.

Since 1 July 2015, Unitywater processed 6788 development applications for new connections to our water supply and sewerage networks. A new fast-track approval service now allows development applications to be approved within five working days of lodgement, where applications lodged are complete and accurate.

Throughout the year Unitywater continued to work with Moreton Bay and Sunshine Coast councils to identify options to improve the liveability of existing brownfield areas. Locations under examination are where the existing council planning schemes permit a variety of higher density residential and commercial land uses.

Developing these brownfield urban areas to their potential means that Unitywater will probably not have to build and maintain any new assets to service their new connections. By utilising the full capacity of existing assets with limited or no investment in new assets or increases in maintenance costs, it potentially reduces the cost of water supply and sewerage services to all Unitywater's customers.

Our sewerage and water operations

By negotiating a new environmental licence for our sewage treatment plants (STPs), we have reduced our forecast expenditure on STP upgrades from approximately \$1.1 billion to \$600 million over the next 30 to 40 years without compromising safety or the environment. The change to the licence from our regulator, the Department of Environment and Heritage Protection, means that all discharges from STPs are considered on a watercourse, as opposed to each STP on its own. This approach delivers better overall water quality outcomes in our rivers.

By streamlining asset data surrounding sewage treatment plants and pipes, we have completed the first phase of a program to facilitate better long-term management of our sewerage and water supply assets.

Unitywater's Energy Reduction Program has realised annualised energy savings of \$1.2 million, which represents 12.3 per cent of the 19 per cent savings target set for the end of 2016-17. Changes made to the control code of selected large water and sewage pump stations and to the operation of sewage treatment plants have contributed significantly to these savings.

Across the business

- Unitywater's great improvements in our safety record have resulted in a reduction of more than \$350,000 in our annual Workcover premium.
- The upgrade of Unitywater's Geographical Information System has allowed us to develop apps for sharing information, and to significantly improve the analysis, interpretation and impact of water quality-related complaints on our customers.
- By examining various business processes using Lean Improvement methodology, Unitywater has identified hundreds of hours of time and efficiency savings in payroll and procurement functions through examining waste in processes, and developing new ways of working.

Delivering safe water to our customers is a fundamental role of Unitywater. Through our water quality monitoring programs, we can be confident our customers have a safe and reliable water supply, seven days a week, every day of the year.

In January Unitywater was awarded international certification for ISO 22000 (Food Safety Management System), complementing the regulatory requirements for water quality management. The Department of Energy and Water Supply regulates the supply of drinking water through the Drinking Water Quality Management Plan. With ISO 22000 certification Unitywater can be even more confident that the network is well managed for the supply of safe drinking water and continue to protect the communities we serve. Unitywater is the first distributor-retailer in South-East Queensland to receive the certification.

Unitywater was the first water utility in Queensland to trial ozone disinfection technology in our water pipelines. The trial in June saw ozone gas pumped from a portable trailer unit into mains, and samples collected for testing. The technology is a cost-effective, reliable and environmentally friendly alternative method of sterilising water mains.

To support our existing programs Unitywater constantly seeks new ways to manage water quality. During the year we extended our advanced monitoring program. Unitywater now has more than 200 sample taps for routine monitoring, and online water quality instrumentation (e.g. analysers or probes) at strategic locations across our water supply network to proactively alert us of any potential deterioration in water quality.

A data exchange agreement now allows Unitywater staff to access Seqwater online instrumentation via SCADA at multiple Seqwater water treatment plants and bulk supply points. This arrangement improves the visibility of water quality information, allowing us to see changes early and continue to deliver water that meets our customers' expectations.

Unitywater manages 30 water quality management facilities that boost disinfection across our water supply network. During the year we continued a program of significantly upgrading these facilities so they can be remotely monitored and controlled by the Network Operations Control Room through our SCADA system.

For more information on our water quality compliance please refer to www.unitywater.com/Water-Quality-Reports



**FOOD SAFETY MANAGEMENT
SYSTEM AWARDED**

As an essential part of the community, we invest in a range of initiatives to support our customers and enhance our environment. Through our education program, we share our expertise with the next generation. Our sponsorship program supports initiatives that align with our purpose: keeping communities healthy. Through partnering with our neighbours in the community and investing in small, meaningful initiatives at a local level, we are able to make big differences to our customers.

Partnerships

Working with local communities and artists, Unitywater transformed the exterior of our Peregian and Point Cartwright reservoirs this year. Murals have been painted on the large concrete structures as part of our program to deter graffiti and improve the appearance of these substantial structures. The Peregian mural was completed in November and Point Cartwright in March.

To see a video of the painting of the Point Cartwright Reservoir go to <http://bit.ly/UWCart> or scan here.



Unitywater's annual Creekside Greening event at Pine Rivers in September saw the program's 10,000th seedling planted. Creekside Greening is a Unitywater environmental initiative in which we partner with councils to support the health of our regions' waterways, parklands and communities. It involves Unitywater staff working with bush care groups, schools and the community to revegetate public spaces with native seedlings.

In April we partnered with Noosa Council, Sunshine Coast Council and Moreton Bay Regional Council to promote and participate in Healthy Waterways' second annual Connect to Your Creek Week. The region-specific campaigns ranged from photo competitions, sewage treatment plant tours, kayak tours and river cruises.

A partnership formed with the Bunya Bunya Country Aboriginal Corporation guaranteed the final six months of a four-year project to monitor and map vulnerable Water Mouse habitats as well as register historical 'traditional use' sites of Aboriginal significance in the Maroochy and Mooloolah estuaries.

Education

Unitywater's Murrumba Downs Sewage Treatment Plant welcomed a film crew from children's television program Totally Wild in May. The segment went to air in June.

The Murrumba Downs Education Centre, within the grounds of the sewage treatment plant, welcomes regular excursions of school children who learn about the importance and technology of sewage treatment. During the year it facilitated nine school and community group tours. Unitywater staff also visited 23 schools and community groups to deliver presentations of the same educational information.

Social media is playing an increasingly important role in helping us to reach and educate our customers. During the year we produced three simple and quirky animated videos explaining how householders can help us reduce sewage overflows in very wet weather. The videos were distributed via Facebook and YouTube.

To see our Storm in a Teacup video, go to <http://bit.ly/UWteacup> or scan here.



10,000TH
SEEDLING

PLANTED AT OUR CREEKSIDE
GREENING EVENTS

Sponsorships

During the year, sporting groups were invited to contact Unitywater if they wanted donations of water bottles, coolers and scoreboards or loans of water refill stations and marquees for events. A total of 46 clubs with more than 15,500 players benefited from this sponsorship in 2015-16.

The Get Back to Tap campaign ran for a second year, encouraging the drinking of tap water instead of buying disposable plastic water bottles. The campaign reached approximately 3600 students, generated excellent media coverage and raised approximately \$10,000 for the Australia Zoo Wildlife Hospital.

As the principal sponsor of Sunshine Coast Council's Kids in Action program, Unitywater hosted the Unitywater Environmental Projects Day at the Maleny Community Precinct in August. Activities for the 350 primary school students included wetlands monitoring.

Unitywater continued its commitment to reducing the impact of domestic violence in the community through its partnership with Lions in Place, providing essential support and household items for women and children. Unitywater also supported Noosa Council's Day of Action against domestic violence on 10 October.

Our sponsorships of Men's Shed groups in Pomona, Noosa and Deception Bay are delivering mutual benefits, for example the building of nesting boxes for our sewage treatment plant grounds and wetlands.

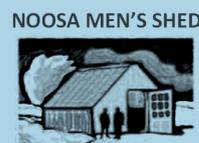
We are funding a literacy program for 30 children through the Rotary Redcliffe Sunrise Literary Program. Unitywater has committed \$2200 per annum for three years.

Unitywater's Hydration Stations and Refill Stations were loaned to 80 community events during the year, attended by 595,230 people.

In partnership with Moreton Bay Regional Council, Unitywater provided financial support and sponsorship for the Pumicestone Passage Shellfish Restoration Project during the year. The project is an initiative of SEQ Catchments.

Also in partnership with Moreton Bay Regional Council, we sponsored the inaugural Moreton Bay Innovation Awards which are aimed at underpinning the economic diversification and sustainability of the region through the reward and support of invention and innovation. The Unitywater Moreton Bay Showcase Award was presented to Packer Leather for its K-Fuse product.

Community partners



Vital to fulfilling our aspirations to be an industry-leading water and allied services business is building the capability of our people, systems and processes. During the year we continued with our established programs and created a number of new initiatives.

Safety Saves!

Unitywater hosted the inaugural South-East Queensland Workplace Health and Safety Water Industry Forum at the Brisbane Entertainment and Convention Centre in June. With the working name of Safety Saves!, the forum attracted an audience of 140 delegates from South-East Queensland's water utilities, councils, water industry contractors and suppliers.

Speakers included the Hon Mark Bailey, Minister for Energy and Water Supply, Jim Soorley, Chairman of Unitywater and industry experts.

Equity and diversity

Unitywater is committed to instilling equity and diversity organisationally to create an inclusive working environment grounded in respect and appreciation of difference. Focusing on diversity is a commercial decision that leads to higher levels of organisational performance by creating better quality outcomes, improved employee engagement, innovation, and long-term sustainability. Faced with the challenge of an ageing workforce in a traditionally male-oriented industry, Unitywater has implemented a three-year Equity and Diversity Program. Its initial focus centres on age and gender initiatives. Additionally two working groups have been established to support the drive for inclusiveness, diversity and generational change:

- The Equity and Diversity Working Group comprises representatives from all levels across the business. Their role is to liaise with their business areas and act as advocates, providing input into talent development programs and other initiatives designed to facilitate the achievement of the organisation's equity and diversity outcomes.
- Similarly, the Under 35s Working Group is drawn from representatives across the business and works to aid the development and review of programs to ensure the under 35s are appropriately considered. For example, the working group provided input into the Unitywater Graduate Development Program and has compiled a calendar of networking and development events. The group was launched with the help of guest speaker and Olympic hockey player Angie Lambert in June.

Recruiting the next generation

We continued with our programs that help recruit and develop the next generation of Unitywater employees:

- In September the University of the Sunshine Coast awarded the third Unitywater Scholarship in Engineering to an outstanding undergraduate Engineering student. For the first time the scholarship was awarded to a female student. She receives the opportunity to join Unitywater's vacation work program and graduate program as well as financial support.
- Five engineering graduates joined the Unitywater Graduate Development Program in June as part of our commitment to building future talent pipelines within our workforce. From next year the program will expand to include an annual intake of graduates across a broader range of disciplines.
- After completing their apprenticeships during the year, five Unitywater employees made the transition to becoming trade qualified. We also employed two new apprentices as part of our Apprenticeship Program. This ensures we have ten apprentices engaged on an ongoing basis as part of our commitment to providing apprenticeships to locals wanting to gain trade qualifications.

System improvements

Improvements to Unitywater's Safety, Health and Wellbeing, Environment and Quality (SHEQ) data recording systems during the year has led to better quality and quantity of data to guide process improvement. The improvements have also allowed the inclusion of environmental incidents in the database so they can be analysed in the same way as safety incidents.

Seeking a significant upgrade of our human resources system drove Unitywater to market through the year. The new system, expected to be implemented in 2017, will see the automation of key HR processes, self-service of all core HR functions for staff and managers, and enhanced HR analytics that support workforce planning and talent management.

Leadership development

Significant investment in leadership development is helping drive transformational change at Unitywater in line with our strategic priorities. Each of our middle and senior leaders is now assessed against those behaviours defined as critical for transformational leadership. The outcomes of the assessment are worked through with their executive coach before creating a development plan.

The major vehicle of leadership development is the Trusted Leader Program; it is supported by a series of short leadership capabilities courses and the Frontline Leader Program that tailors practical approaches to frontline leaders.

Corporate induction

All new staff undergo corporation induction which during the year was enhanced to become more strategically aligned. Newcomers now gain an understanding of our customers – who they are, how we interact with them and what they expect of us – and are taken on a tour of our water and sewerage assets where they experience the practical aspects of what our business does.

Personal and professional development

Unitywater is committed to building the capability of our people. Throughout the year we continued our focus on core safety and compliance training for all staff to ensure mandatory training requirements are adhered to. A solid calendar of programs is also offered to employees to ensure they have the personal, professional and technical skills they need to do their jobs effectively and to support career development opportunities. Study assistance and industry-based subscriptions and networks are available to support employees to develop in their roles.

Health and wellbeing

By partnering with health insurer Bupa, Unitywater undertook health assessments of 457 of our employees during the year, which gleaned a summary of key themes and trends in our workforce.

As part of the assessment process, employees also received personalised feedback, advice and strategies to improve their individual health and wellness.

Armed with the health assessment summary, Unitywater was able to develop a multifaceted health and wellbeing program that is now being delivered into the business.

The program aims to address various health and wellbeing issues identified by the health assessments, as well a larger industry and national issues such as domestic violence and healthy levels of alcohol consumption.

Many employees at Unitywater are now participating in Bupa Life-skills programs and partnerships aimed at improving their overall health. Some have won wearable sensors that help them track their daily activities.

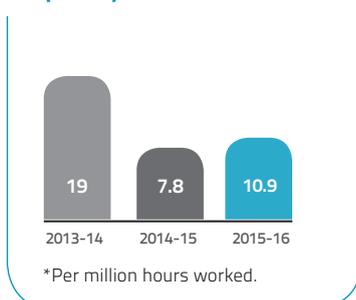
A drug and alcohol testing program was developed and implemented during the year with the aim of reducing risks in the workplace. The testing program will be supported by an ongoing awareness and support program for people struggling with addiction.

Unitywater also signed an agreement to become accredited to the national "White Ribbon" program, which represents our organisational commitment to prevent domestic violence.

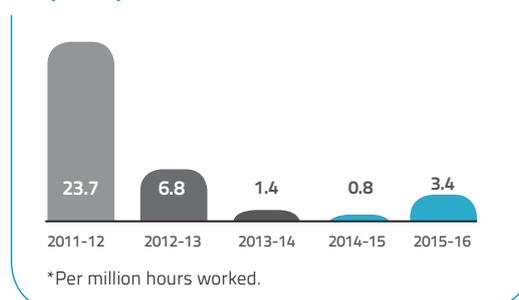
Manual handling awareness sessions were delivered into the business and will continue throughout 2016-17.

Our safety initiative of installing void protection systems was completed during the year. There are now more than 800 wet wells at sewage pump station sites across the region with safety grate and railsafe barrier systems in place, preventing falls into open voids and providing maintenance workers with a greater sense of safety when working in these high-risk environments.

Significant injury frequency rate*



Lost time injury frequency rate*



Our business-wide approach to identifying, prioritising and managing risks underpins Unitywater's commitment to good management and corporate governance.

Unitywater aligns our approach to risk management with the framework outlined in ISO 31000-2009 Risk Management – principles and guidelines.

The Audit and Risk Committee (see page 24 for details) 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 appetite. The team reports to the Audit and Risk Committee on the effectiveness of internal control systems in managing Unitywater's risk profile.

The Audit and Risk Committee observes the terms of the *Audit and Risk Committee Charter* and the *Audit Committee Guidelines: Improving Accountability and Performance* issued by the Queensland Treasury. The Committee's role is to oversee the financial management, internal controls, risk management, compliance and work health and safety. It receives and considers reports and recommendations from the external (Queensland Audit Office) and internal auditors (see below).

Unitywater's Code of Conduct aligns to the Public Sector Ethics Act's ethics, principles and values.

Code of Conduct training is provided to all new employees. Existing staff undertake retraining every two years. The latest round of Code of Conduct training was completed by all staff by April 2016.

Internal audit

Unitywater has established an internal audit function to provide assurance to the Board that Unitywater's financial and operational controls designed to manage the organisation's risks and achieve the entities objectives are operating in an efficient, effective and ethical manner. The function is undertaken by independent internal auditors who work in accordance with a strategic and annual plan approved by the Audit and Risk Committee, in accordance with the *Internal Audit Charter* and the Treasury's *Audit Committee Guidelines*. In 2015-16 the internal auditors have successfully completed all audits identified in the annual plan. An assurance map has been developed to assist identification of areas of the business to be audited.

Information systems and record keeping

Unitywater makes and keeps full and accurate records of its activities in accordance with the 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 2015-16 we:

- completed a review of the Business Classification Scheme to further assist the business in their information management obligations
- adopted an approved Retention and Disposal Schedule
- adopted an Enterprise Information Management Strategic Framework and Enterprise Information Governance Framework.

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 113 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

Our Board

Unitywater's independent skills-based Board guides our Executive Leadership Team to fulfil 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.

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

On 1 September 2015, Ms Kate Farrar was appointed to the Board to replace Ms Megan Houghton, who resigned to take up a senior role with the State Government.

Jim Soorley AM

BA (Psych), MA (Org Psych)
Chairman

Jim was Lord Mayor of Brisbane from 1991 to 2003. He has been the Chairman at Unitywater now for six years. Involved in many activities in South-east Queensland, he is also the Chair of CS Energy and the LGAQ and AEGIS enterprise, Propel, which works in the public sector cutting cost and improving customer service delivery.

Sharon Doyle

LLB (Hons), BIT (Dist), Grad Dip Bus Admin, GAICD

Sharon is the Managing Director of InterFinancial, a corporate finance advisory and mergers and acquisitions firm. Sharon is also a non-executive director of Social Investments Australia, an impact investment fund manager, as well as Starts at 60, an online media business partially owned by Seven West Media. Sharon has held leadership roles in Mincom Limited and Allens Linklaters.

Kate Farrar

BMus (Hons), MCom (Econ), GAICD
(Appointed 1 September 2015)

Recognised as an electricity industry leader, Kate has grown her company QEnergy from a start-up into a national business with 25,000 small business customers across Australia's eastern states. Prior to this, Kate was a Director with the national stockbroking firm Morgans and built up and sold Ergon Energy Retail for \$1.2 billion. She has a decade of directorship experience in the energy, financial services and health sectors.

Megan Houghton

BCom, BA (Econ), GAICD
(1 July 2015 to 24 August 2015)

Megan has more than 19 years' experience as a senior executive in the Australian energy, water and sustainability industries in areas including corporate strategy, customer management, digital engagement, 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 Pricewaterhouse Coopers. Megan has also held non-executive directorships for the last six years with companies including Urbis and Wide Bay Water.

Barry Casson

CA, MAICD

Barry has been primarily in corporate finance roles working in accounting firms, corporate finance and executive management positions for more than 40 years. While his roles have predominantly been in the mining sector, they include property development and agribusiness, as a consultant or in executive positions. Barry currently serves as non-executive Chairman of Metallica Minerals Limited (ASX listed) and as a non-executive director on the boards of Archipelago Metals Limited and CassTech Limited. Barry is also company secretary of CassTech Limited and 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 2015-16

Board Member	Eligible to attend	Meetings attended
Jim Soorley	11	11
Sharon Doyle	11	10
Barry Casson	11	11
Mike Williamson	11	11
Kate Farrar	9	7
Megan Houghton	2	2

Board committees 2015-16

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

Committee	Scope of activities	Members	Meetings attended
Audit and Risk	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)	4
		Megan Houghton (to August 2015)	0
		Kate Farrar (from September 2015)	3
		Sharon Doyle	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)	3
		Jim Soorley	3
		Sharon Doyle ² (to November 2015)	2
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)	2
		Barry Casson	2
Sustainability and Innovation Committee ¹	The Sustainability and Innovation Committee provides direction on environment and sustainability and strategies for innovation and commercialisation that contribute to cost reduction.	Megan Houghton (Chair to August 2015)	1
		Jim Soorley	3
		Mike Williamson	3
		Kate Farrar (from September 2015, Chair from April 2016)	2
		Sharon Doyle ² (from April 2016)	1

Notes:

¹ Formerly the Environment Committee. The first meeting of the Sustainability and Innovation Committee was on 25 November 2015

² Sharon Doyle transferred from the Capital Works Committee to the Sustainability and Innovation Committee.

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 achieving strategic goals, improving customer service, achieving operational efficiencies and providing high quality, affordable and sustainable sewerage services and water supply that provide benefits to customers, stakeholders, our community and the environment.

George Theo

MBA (Bus), BEng (Civil), CPEng, Ass Dip Mun (Eng), MIEAust, GAICD
CHIEF EXECUTIVE OFFICER

George brings more than 30 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 CSC

MBA, BA (Hons), GAICD
EXECUTIVE MANAGER INFRASTRUCTURE SERVICES
(to April 2016)

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

Grad Dip Admin, MAICD
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

BCom, CAHRMI
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

BSc (Hons), MSc (Eng), CPEng (IPENZ), RPEQ, MIEAust, MAICD, CWEM, FRGS
EXECUTIVE MANAGER INFRASTRUCTURE PLANNING
AND CAPITAL DELIVERY

In Simon's 30 years in the water industry he has held senior management positions in water utilities and water industry regulators, led strategic planning investigations, managed teams and a wide range of projects covering most aspects of the water cycle.

Simon also has extensive experience of achieving water and wastewater outcomes in the SEQ water industry. His leadership experience covers infrastructure planning, project and capital delivery as well as utility regulation.

Pauline Thomson

BBus (Acc), CPA, GAICD
CHIEF FINANCIAL OFFICER

Pauline is a Certified Practising Accountant and brings more than 25 years' experience in retail, distribution and transmission entities across the energy and water sectors. Her leadership experience includes leading teams in a range of senior commercial, finance and regulatory roles.

Jane Nant

BA (Hons), LLB (Hons), LLM, Grad Dip ACG, GAICD, AGIA
GENERAL COUNSEL AND COMPANY SECRETARY

Jane is an experienced lawyer and senior executive with post-graduate qualifications in environmental and planning law as well corporate governance. Jane started her career in private practice with top tier law firms, before moving to in-house roles in the property development, construction and water sectors.

Michael O'Toole

ACTING EXECUTIVE MANAGER INFRASTRUCTURE SERVICES
(from April 2016)

Michael has 20 years' experience in the water industry working across a variety of disciplines. His management experience includes leadership in frontline operations and key support services.

Michael has led change across diverse functions including construction and fleet services. He was a part of the team that worked on the establishment of Unitywater and led the development of a number of key functions in the company.

Unitywater needs a highly trained and competent workforce with the right mix of skills, knowledge, attitudes and behaviours if we are to achieve our corporate goals.

At the end of June 2016, Unitywater employed 708 full-time equivalent staff, with a broad range of professional, para-professional, technical and trades skills and competencies.

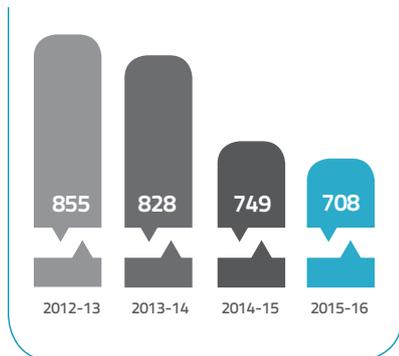
The number of full-time equivalent staff reduced by 5.5 per cent compared to 2014-15 and by 17 per cent since 2012-13.

Secondments or acting in higher duties are a means of providing valuable experience and development opportunities for employees. During the year 142 secondments or elevation to higher duties occurred. Another 31 people were promoted to new positions.

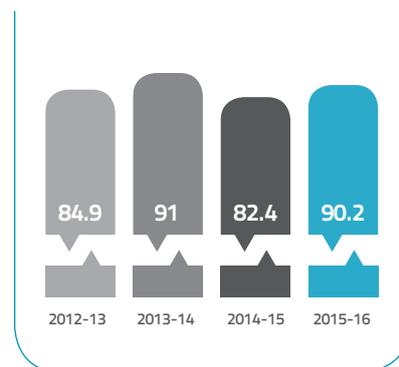
Unitywater's major initiatives that are designed to develop our people and transform our workforce to one that is safer, more engaged and productive are outlined under Building Capability on pages 20 and 21.

Unitywater partnered with employees and their representatives over the 2015-16 year to develop an updated industrial agreement that balances favourable employment conditions, long-term security and the needs of the organisation's customers. This process will continue into 2016-17.

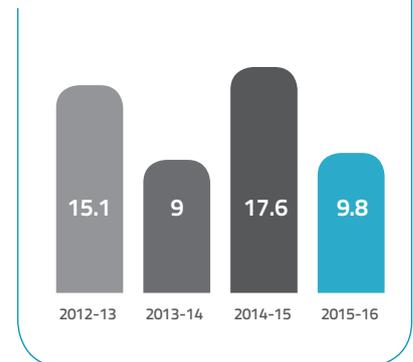
Full-time equivalent employees



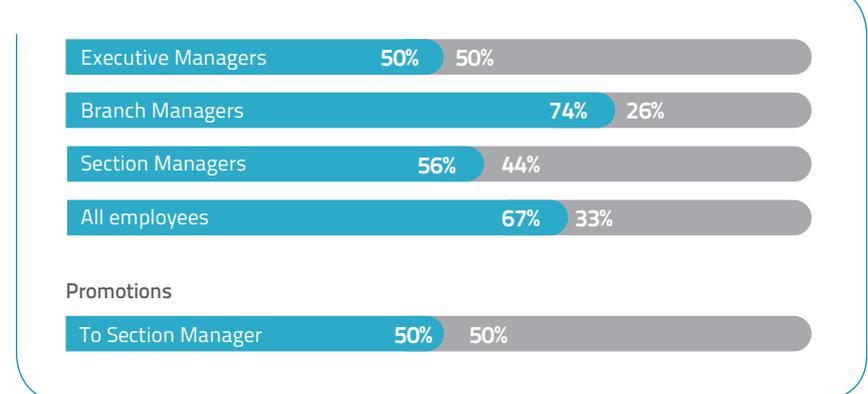
Permanent retention rate (%)



Permanent separation rate (%)



Gender balance



Unitywater made a loss of \$7.4 million after excluding developer contributions (comprising gifted assets and cash) of \$143.7 million from profit after tax. This compares to an adjusted loss of \$7.6 million in 2014-15. Unitywater continues to rely on developer cash contributions as a key source of funding for ongoing investment in water and sewerage infrastructure.

The statement of comprehensive income below highlights the reliance by Unitywater on developer contributions.

	2011-12 \$M	2012-13 \$M	2013-14 \$M	2014-15 \$M	2015-16 \$M
PROFIT AND LOSS STATEMENT					
Revenue					
Utility charges	394.0	414.0	448.2	474.2	482.4
Fees and charges	5.5	5.7	7.7	7.7	8.0
Developer contributions	77.1	84.3	118.9	117.5	143.7
Other income	17.0	15.7	14.5	13.8	16.3
TOTAL REVENUE	493.6	519.6	589.4	613.2	650.4
Operating Expenses					
Bulk water purchases	(91.0)	(112.0)	(131.3)	(143.7)	(150.8)
Supplies and services	(72.9)	(68.0)	(70.1)	(69.5)	(75.3)
Employee expenses	(72.5)	(68.2)	(69.6)	(70.2)	(67.8)
Depreciation and amortisation	(76.7)	(79.8)	(81.3)	(86.0)	(79.0)
Impairment losses	-	-	-	(6.7)	(0.3)
Finance and borrowing costs	(89.7)	(93.3)	(75.7)	(82.2)	(80.8)
Other expenses	(5.2)	(4.3)	(7.9)	(5.3)	(11.2)
TOTAL OPERATING EXPENSES	(408.1)	(425.5)	(435.8)	(463.6)	(465.2)
Profit before tax	85.4	94.1	153.6	149.7	185.3
Income tax equivalent expense	(22.2)	(26.6)	(45.0)	(39.8)	(48.9)
PROFIT AFTER TAX*	63.2	67.5	108.6	109.9	136.3
ADJUSTED PROFIT					
Profit after tax	63.2	67.5	108.6	109.9	136.3
Less developer contributions	(77.1)	(84.3)	(118.9)	(117.5)	(143.7)
Adjusted profit for the year	(13.9)	(16.8)	(10.4)	(7.6)	(7.4)

Totals may not add due to rounding.

*Prior years' profits have been restated. Further details are set out in the Financial Statements.

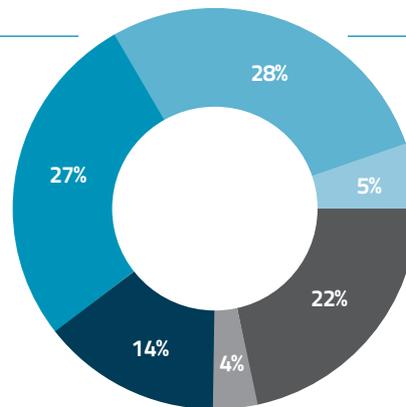
Revenue

In 2015-16, revenue increased by \$37.2 million or 6.1 per cent.

This change was primarily driven by a \$26.3 million (22.4 per cent) increase in developer contributions as a result of an increase in the property market over the last year.

Utility revenue has increased by \$8.2 million or 1.7 per cent as a result of bulk water price increases (Unitywater's prices were frozen in 2015-16) and connections growth.

The adjacent figure shows where Unitywater's revenue came from in 2015-16.



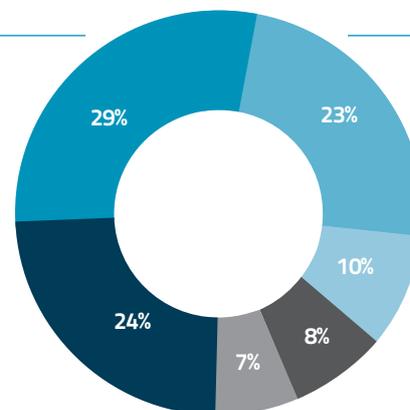
Water access charges	14%
Water volumetric charges	27%
Sewerage access charges	28%
Sewerage volumetric charges	5%
Developer contributions	22%
Other revenue (incl. trade waste)	4%

Expenses

Operating expenses increased by \$1.6 million (0.3 per cent) from 2014-15. This change is primarily driven by higher bulk water costs of \$7.1 million (4.9 per cent), offset by multiple items including depreciation expenses of \$7.0 million.

Our continued focus on key strategic initiatives aimed at driving down costs throughout 2015-16 realised a reduction in controllable operating costs, which has enabled us to freeze prices again in 2016-17.

The number of full-time equivalent staff reduced from 749 to 708 during the year, and this reduction is expected to assist with continuing the trend of maintaining controllable operating costs.



Operating expenses	24%
Infrastructure upgrades	29%
State government bulk water charges	23%
Interest	10%
Tax	8%
Return on equity	7%

Profit/Loss

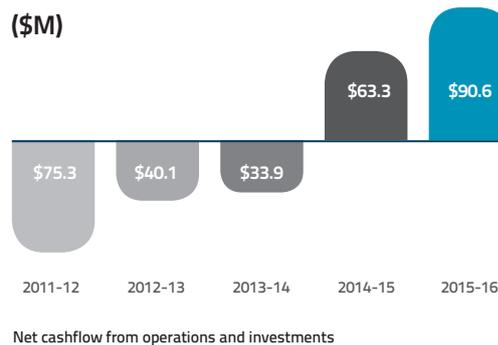
Excluding developer contributions, Unitywater made a loss after tax of \$7.4 million for 2015-16.

Developer contributions include cash to fund water and sewerage infrastructure, and infrastructure given to Unitywater to manage and maintain into the future.



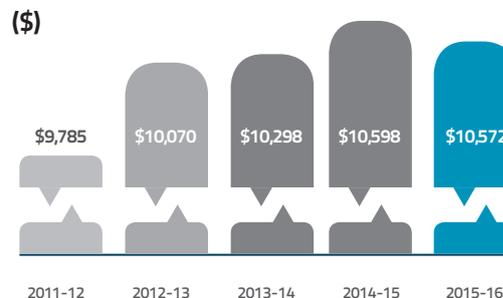
Net cashflows from operating and investing

Net cashflows from operations and investing further increased in 2015-16 mainly due to greater cash contributions from developers and slighter lower capital expenditure.



Assets invested per customer

Our \$98.2 million investment in water supply and sewerage infrastructure in 2015-16 was funded by developer cash contributions and prior year retained earnings. Unitywater continues to invest in infrastructure to support our growing customer base with a strong focus on innovation in investment.



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 2016. 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 (ceased 24 August 2015)
- e. Mike Williamson
- f. Kate Farrar (appointed 1 September 2015)

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 2015-16 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.

Operating results

The profit of Unitywater after providing for income tax equivalent expense, amounted to \$136,310,382 (2015: \$109,905,470). This profit includes adjustments arising from an ongoing focus on improving systems, processes and reporting relating to property, plant and equipment. These improvements identified a number of issues relating to the recognition and de-recognition of infrastructure assets which resulted in the recognition of \$56.8M in additional revenue (of which \$17.4M related to the 2016 year and \$39.4M related to prior periods) and \$14.8M in net operating costs (of which \$7.4M related to the 2016 year and \$7.4M related to prior periods). Full details of the adjustments, including the impact on comparatives, is outlined in Note 3 of the financial statements. Including these adjustments profit after income tax equivalent expense increased 24%.

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 2015-16.

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.

Board Members' Report

Participation returns

Participation returns paid or declared by Unitywater during the 2015-16 financial year were:

	Total amount 2016 \$000	Total amount 2015 \$000
Final participation return	43,865	45,126

Refer to Note 23 of the financial statements for details of participation returns paid or payable.

Board Members' benefits and interests in contracts

Between 1 July 2015 and 30 June 2016, no Board Member has received or become entitled to receive a benefit, other than those benefits disclosed in Note 27 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, Barry Casson, Mike Williamson and Kate Farrar, 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:

- 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.
- 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' Report

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 2016 were:

Unitywater	Board meetings		Committee meetings									
	A	B	Audit and risk		Environment		Sustainability and Innovation		Nominations and remuneration		Capital works	
Board Members	A	B	A	B	A	B	A	B	A	B	A	B
Jim Soorley – Chairman	11	11	-	-	1	1	2	2	-	-	3	3
Barry Casson	11	11	4	4	-	-	-	-	2	2	-	-
Sharon Doyle	10	11	4	4	-	-	1	1	2	2	2	2
Megan Houghton	2	2	-	1	1	1	-	-	-	-	-	-
Mike Williamson	11	11	-	-	1	1	2	2	-	-	3	3
Kate Farrar	7	9	3	3	-	-	2	2	-	-	-	-

A - Number of meetings attended

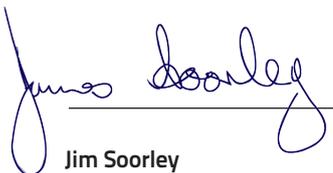
B - Number of meetings held during the year

Remuneration of Board Members and executives

Refer to Note 27 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
29 August 2016
Caboolture, Queensland

Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 Restated* \$'000
Income			
Utility charges	4	482,386	474,201
Fees and charges	5	7,994	7,709
Developer contributions	6	143,744	117,463
Grants and subsidies		4,114	4,268
Interest revenue		2,828	2,278
Other income	7	9,345	7,303
Total income		650,411	613,222
Expenses			
Bulk water purchases	8	(150,808)	(143,697)
Supplies and services	8	(75,260)	(69,535)
Employee expenses	9	(67,798)	(70,158)
Depreciation and amortisation	15,16	(78,967)	(85,967)
Impairment losses	15	(321)	(6,703)
Finance and borrowing costs	10	(80,789)	(82,157)
Other expenses	11	(11,214)	(5,336)
Total expenses		(465,157)	(463,553)
Profit before income tax equivalent		185,254	149,669
Income tax equivalent expense	21	(48,944)	(39,764)
Profit for the year		136,310	109,905
Total comprehensive income for the year		136,310	109,905

*Refer Note 3 for details regarding the restatement as a result of errors.

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

Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$'000	2015 Restated* \$'000	1 July 2014 Restated* \$'000
Current assets				
Cash and cash equivalents	12	77,377	32,615	21,694
Trade and other receivables	13	113,009	109,915	113,951
Inventories	14	1,203	1,306	1,881
Prepayments		3,351	2,623	1,762
Total current assets		194,940	146,459	139,288
Non-current assets				
Trade and other receivables	13	-	3,798	-
Property, plant and equipment	15	3,272,530	3,192,687	3,140,075
Intangible assets	16	31,207	31,960	35,334
Total non-current assets		3,303,737	3,228,445	3,175,409
Total assets		3,498,677	3,374,904	3,314,697
Current liabilities				
Trade and other payables	17	98,072	89,982	100,067
Loans and borrowings	18	-	2,452	9,407
Employee benefits	19	9,613	9,232	9,173
Other liabilities	20	8,768	6,528	6,961
Total current liabilities		116,453	108,194	125,608
Non-current liabilities				
Loans and borrowings	18	1,557,652	1,557,652	1,560,104
Employee benefits	19	10,584	9,543	11,770
Deferred tax liabilities	21	112,255	90,227	72,706
Total non-current liabilities		1,680,491	1,657,422	1,644,580
Total liabilities		1,796,944	1,765,616	1,770,188
Net assets		1,701,733	1,609,288	1,544,509
Equity				
Contributed equity	22	1,434,782	1,434,782	1,434,782
Retained earnings		266,951	174,506	109,727
Total equity		1,701,733	1,609,288	1,544,509

*Refer Note 3 for details regarding the restatement as a result of errors.

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 2016

	Notes	Retained earnings \$'000	Contributed equity \$'000	Total \$'000
Balance at 1 July 2014		77,427	1,434,782	1,512,209
Correction of errors (net of tax)*	3	32,300	-	32,300
Restated total equity at the beginning of the financial year		109,727	1,434,782	1,544,509
Participation return to owners of the Authority	23	(45,126)	-	(45,126)
Total distributions to owners of the Authority		(45,126)	-	(45,126)
Profit for the year		109,905	-	109,905
Total comprehensive income for the year		109,905	-	109,905
Balance at 30 June 2015		174,506	1,434,782	1,609,288
Participation return to owners of the Authority	23	(43,865)	-	(43,865)
Total distributions to owners of the Authority		(43,865)	-	(43,865)
Profit for the year		136,310	-	136,310
Total comprehensive income for the year		136,310	-	136,310
Balance at 30 June 2016		266,951	1,434,782	1,701,733

*Refer Note 3 for details regarding the restatement as a result of errors.

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 2016

	Notes	2016 Inflow (Outflow) \$'000	2015 Inflow (Outflow) \$'000
Cash flows from operating activities			
Receipts from customers		509,375	488,299
Developer contributions		67,435	67,270
Government grants and subsidies		4,114	4,268
Interest received		2,828	2,278
GST input tax credits from ATO		14,364	14,937
GST collected from customers		511	538
Payments to suppliers		(227,125)	(219,898)
Employee expenses		(66,398)	(74,334)
Finance and borrowing costs		(81,319)	(81,603)
Income tax equivalent		(30,512)	(29,438)
GST paid to suppliers		(14,875)	(15,475)
Net cash provided by operating activities	12(b)	178,398	156,842
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,514	1,660
Payments for property, plant and equipment		(84,469)	(87,017)
Payments for intangibles		(4,820)	(8,231)
Net cash used in investing activities		(87,775)	(93,588)
Cash flows from financing activities			
Borrowings from Queensland Treasury Corporation		102,757	91,104
Borrowing redemptions		(105,209)	(100,512)
Participation return payments		(43,409)	(42,925)
Net cash (used in)/provided by financing activities		(45,861)	(52,333)
Net increase (decrease) in cash and cash equivalents		44,762	10,921
Cash and cash equivalents at beginning of financial year		32,615	21,694
Cash and cash equivalents at end of financial year	12(a)	77,377	32,615

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

Notes to and forming part of the financial statements

for the year ended 30 June 2016

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 the *Statutory Bodies Financial Arrangements 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 Council and Noosa 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.

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 Regulated Asset Base, 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 Council and Noosa 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's *Financial Reporting Requirements for Queensland Government Agencies* (as applicable under the Restructuring Act).
- v. *Statutory Bodies Financial Arrangements Act 1982*.
- vi. The exemptions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.
- vii. Other authoritative pronouncements.

The financial statements were authorised for issue by the Board on 29 August 2016.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

2. Basis of preparation

b. Measurement of fair values

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.

Unitywater recognises any evident transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair value is included in Note 25(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. 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.

e. Comparatives

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

f. Going concern

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

g. 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 4	Utility charges
Note 6	Developer contribution (non-cash)
Note 15(b)(ii)	Asset Valuation
Note 15(b)(iii)	Depreciation
Note 15(c)	Impairment Testing
Note 19	Employee benefits
Note 21	Income tax equivalents
Note 26	Contingencies and Commitments

Notes to and forming part of the financial statements

for the year ended 30 June 2016

2. Basis of preparation

h. New and revised accounting standards

Unitywater voluntarily changed its asset valuation policy during 2015-16. Refer to Note 15 (b) (ii) for further disclosure in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. There are no Australian Accounting Standard changes applicable for the first time for 2015-16 that have a material impact on Unitywater's financial statements.

With the exception of AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*, Unitywater has not applied any other 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.

Unitywater has early adopted AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*. The amendments arising from this standard seek to improve financial reporting by providing flexibility as to the ordering of notes, the identification and location of significant accounting policies and the presentation of sub-totals, and provides clarity on aggregating line items. It also emphasises only including material disclosures in the notes. Unitywater has applied this flexibility in preparing the 2015-16 financial statements, including co-locating significant accounting policies with the related breakdowns of financial statement figures in the notes.

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 2016. Our assessment of the impact of these new standards and interpretations is set out below.

AASB 124 Related Party Disclosures will become effective from reporting periods on or after 1 July 2016. That accounting standard requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities, and relationships between parent and controlled entities. Unitywater already

discloses information about the remuneration expenses for key management personnel (refer to Note 27). Therefore, the implications of AASB 124 for Unitywater's financial statements are likely to be in respect of the disclosures to be made about transactions with related parties, including transactions with key management personnel or close members of their families.

AASB 15 Revenue from Contracts with Customers will become effective from reporting periods beginning on or after 1 January 2018. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of goods and services, such that some revenue may need to be deferred to a later reporting period to the extent that Unitywater has received cash but has not met its associated obligations, such amounts would be reported as a liability (unearned revenue) in the meantime. Unitywater is yet to complete its analysis of current arrangements for sale of its goods and services, but at this stage does not expect a significant impact on its present accounting practices.

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) will become effective from reporting periods beginning on or after 1 January 2018. The main impacts of these standards are that they will change the requirements for the classification, measurement, impairment and disclosures associated with Unitywater's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

While Unitywater has yet to undertake a detailed assessment, the new guidance is not expected to have a significant impact on the classification or measurement of its financial assets. At this stage, and assuming no change in the types of transactions Unitywater enters into, all of Unitywater's financial assets are expected to be required to be measured at fair value. In the case of Unitywater's current

Notes to and forming part of the financial statements

for the year ended 30 June 2016

2. Basis of preparation

h. New and revised accounting standards

receivables which are currently measured at amortised cost, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

There will be no impact on Unitywater's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Unitywater does not have any such liabilities.

Another impact of AASB 9 relates to calculating impairment losses for Unitywater's receivables. Assuming no substantial change in the nature of Unitywater's receivables, as they do not include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, Unitywater will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised. Unitywater has not estimated the effect of the new rules but no significant adjustment is expected.

AASB 16 Leases will become effective from reporting periods beginning on or after 1 January 2019. While Unitywater has yet to undertake a detailed assessment of the impact of the new standard, the changes introduced by this standard are likely to increase both assets and liabilities, change income statement and cash flow presentation and impact financial ratios. The distinction between operating and finance leases is removed, effectively bringing all leases into the statement of financial position, with the exception of short term leases (less than 12 months) and leases of low value assets.

Lease rental expense will be replaced by depreciation and interest expense resulting in a front loaded lease expense. A choice of either a full retrospective approach or a modified retrospective approach is available to transition to the new standard with the selected approach to be applied to the entire lease portfolio.

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.

3. Restated Balances

a. Decommissioned physical assets still assigned financial value:

During the 2016 financial year it was identified that a portion of decommissioned physical assets incorrectly still retained financial values. The process, system and controls gaps that resulted in this adjustment have been addressed.

Investigation has quantified the impact and also determined that a portion relates to prior periods.

	2014 \$'000	2015 \$'000	2016 \$'000	Total \$'000
Writeoff impact	3,806*	2,846	7,091	13,743
Cumulative Writeoff and Property, plant and equipment impact	3,806	6,652	13,743	

*The prior year values cannot be reliably estimated therefore the cumulative impact is shown in the first available period above.

The adjustment has been treated as an error with retrospective adjustment in accordance with the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. As a result, comparative balances have been restated as detailed below.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

3. Restated Balances

b. Developer Contributions – Assets valuation/recognition gap:

During the 2016 financial year it was identified that a portion of assets donated from developers had not been correctly recognised within property, plant and equipment balances nor as developer contributions revenue. The process and controls gaps that resulted in this adjustment have been addressed.

Investigation has quantified the impact and also determined that a portion relates to prior periods.

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	Total \$'000
Donated asset adjustment	3,916	5,387	2,677	4,112	5,929	3,274	25,295
Estimated depreciation impact	(28)	(94)	(152)	(201)	(272)	(338)	(1,085)
Net profit impact	3,888	5,293	2,525	3,911	5,657	2,936	24,210
Cumulative Net Profit and Property, plant and equipment adjustment	3,888	9,181	11,706	15,617	21,274	24,210	

The adjustment has been treated as an error with retrospective adjustment in accordance with the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. As a result, comparative balances have been restated as detailed below.

c. Developer Contributions – Assets revenue recognition

Unitywater's Accounting Policy for developer contributions – donated assets is that they are recognised as revenue when the assets are accepted on maintenance. However, during the 2016 financial year it was highlighted that there is a more than insignificant timing difference between when assets are accepted on maintenance to when they are created in the Fixed Asset Register for recognition in developer contributions revenue and property, plant and equipment balances. The process gap that resulted in this prior period adjustment has been addressed.

Investigation has quantified the impact and also determined that the same situation applied to prior periods.

	2014 \$'000	2015 \$'000	2016 \$'000	Total \$'000
Estimated Donated asset recognition adjustment required	34,756	17,377	31,500	
Net impact to Donated asset revenue	34,756*	(17,379)	14,123	31,500
Cumulative Net Profit and Property, plant and equipment adjustment	34,756	17,377	31,500	

* The prior year recognition adjustment positions cannot be reliably estimated therefore the cumulative impact is shown in the first available period above.

The adjustment has been treated as an error with retrospective adjustment in accordance with the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. As a result, comparative balances have been restated as detailed below.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

3. Restated Balances

d. Statement of Comprehensive Income and Statement of Financial Position (extracts)

Statement of comprehensive income (extract)	30 June 2015 \$'000	Increase/ (Decrease) \$'000	30 June 2015 Restated \$'000
Income			
Developer contributions	128,914	(11,451)	117,463
Total Income	624,673	(11,451)	613,222
Expenses			
Depreciation and amortisation	85,695	272	85,967
Other expenses	2,490	2,846	5,336
Total expenses	460,435	3,118	463,553
Profit before income tax equivalent	164,238	(14,569)	149,669
Income tax equivalent expense	43,936	(4,172)	39,764
Profit for the year	120,302	(10,397)	109,905
Total comprehensive income for the year	120,302	(10,397)	109,905

Notes to and forming part of the financial statements

for the year ended 30 June 2016

3. Restated Balances

d. Statement of Comprehensive Income and Statement of Financial Position (extracts)

Statement of financial position (extract)	30 June 2015 \$'000	Increase/ (Decrease) \$'000	30 June 2015 Restated \$'000	30 June 2014* \$'000	Increase/ (Decrease) \$'000	1 July 2014 Restated \$'000
Non-current assets						
Property, plant and equipment	3,160,689	31,998	3,192,687	3,093,508	46,567	3,140,075
Total non-current assets	3,196,447	31,998	3,228,445	3,128,842	46,567	3,175,409
Total assets	3,342,906	31,998	3,374,904	3,268,130	46,567	3,314,697
Current liabilities						
Trade and other payables	91,482	(1,500)	89,982	100,912	(845)	100,067
Total current liabilities	109,694	(1,500)	108,194	126,453	(845)	125,608
Non-current liabilities						
Deferred tax liabilities	78,632	11,595	90,227	57,594	15,112	72,706
Total non-current liabilities	1,645,827	11,595	1,657,422	1,629,468	15,112	1,644,580
Total liabilities	1,755,521	10,095	1,765,616	1,755,921	14,267	1,770,188
Net assets	1,587,385	21,903	1,609,288	1,512,209	32,300	1,544,509
Equity						
Retained earnings	152,603	21,903	174,506	77,427	32,300	109,727
Total Equity	1,587,385	21,903	1,609,288	1,512,209	32,300	1,544,509

* In the 30 June 2015 financial statements an unrelated prior period error adjustment was recognised. The 30 June 2014 balances reported above are the restated versions as reported in the 30 June 2015 financial statements which incorporates this earlier error adjustment.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

4. Utility charges

	2016 \$'000	2015 \$'000
Water access charges	90,081	86,867
Water volumetric charges	174,797	164,146
Sewerage access charges	185,377	193,171
Sewerage volumetric charges	32,131	30,017
	482,386	474,201

Utility revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to Unitywater. Revenue is measured at the fair value of the consideration received or receivable.

Utility charges are recognised as revenue on an accrual basis in the period to which they relate. Unitywater invoices 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.

5. Fees and charges

	2016 \$'000	2015 \$'000
Application fees	2,117	1,560
Permits and licences	961	554
Connection fees	1,388	2,130
Search fees	2,701	2,625
Other fees and charges	827	840
	7,994	7,709

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.

6. Developer contributions

	2016 \$'000	2015 Restated* \$'000
Developer contributions – donated assets	69,696	54,790
Developer contributions – cash	74,048	62,673
	143,744	117,463

*Refer Note 3 for details regarding the restatement as a result of errors.

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 (donated 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.

Cash contributions

Non-refundable cash contributions from developers towards the cost of water supply and sewerage infrastructure for assets already constructed or for which there are no performance obligations are recognised as revenue when received or receivable. Cash developer contributions for specific assets are recognised as a liability where that specific asset has not been constructed at reporting date.

Refunds payable to developers are recognised as a liability upon either subsequent take up of excess demand by other developers or where construction of the asset has been lawfully completed or in accordance with the agreement with the developer.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

7. Other income

	2016 \$'000	2015 \$'000
Private works	6,687	4,563
Rent revenue	1,561	1,406
Other revenue	1,097	1,334
	<u>9,345</u>	<u>7,303</u>

8. Bulk Water and Supplies and services

Bulk water

	2016 \$'000	2015 \$'000
Bulk water	150,808	143,697
	<u>150,808</u>	<u>143,697</u>

Supplies and services

	2016 \$'000	2015 \$'000
Materials and services	72,516	65,694
Consultants and legal fees	1,978	3,090
Other supplies and consumables	766	751
	<u>75,260</u>	<u>69,535</u>

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.

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

Notes to and forming part of the financial statements

for the year ended 30 June 2016

9. Employee expenses

	2016 \$'000	2015 \$'000
Salaries and wages	54,187	54,114
Restructuring costs	481	2,689
Employer superannuation contribution	6,114	6,397
Payroll tax	3,143	3,362
Board Members' fees	353	351
Other employee expenses	3,520	3,245
	67,798	70,158

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:

	2016	2015
Number of employees	708	749

10. Finance and borrowing costs

	2016 \$'000	2015 \$'000
Interest costs	79,774	82,251
Interest costs - capitalised	(260)	(1,445)
Other financial costs	1,275	1,351
	80,789	82,157

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.

The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.20% (2015: 4.37%), which is the effective interest rate of the specific borrowing.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

11. Other expenses

	2016 \$'000	2015 Restated* \$'000
Insurance	1,323	1,541
Audit fees (internal and external) ¹	525	568
Regulatory fees	59	324
Impairment of trade receivables	(115)	(1,907)
Loss on disposal of property, plant and equipment	8,610	4,269
Industry membership	639	295
Other	173	246
	11,214	5,336

* Refer Note 3 for details regarding the restatement as a result of errors.

1. Total external audit fees paid to the Queensland Audit Office relating to the 2015-16 financial statements are estimated to be \$250,000 (2015: \$250,000). There are no non-audit services included in this amount.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

12. Cash and cash equivalents

a. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash on hand	676	1,374
Bank balances	76,701	31,241
Cash and cash equivalents in the Statement of Cash Flows	77,377	32,615

Cash and cash equivalents comprise cash on hand and at bank, cheques receipted not banked, deposits held on call and other short-term highly liquid investments.

b. Reconciliation of cash flows from operating activities

	2016 \$'000	2015 Restated \$'000
Cash flows from operating activities		
Profit for the year	136,310	109,905
Adjustments for:		
Depreciation	72,470	78,255
Amortisation of intangible assets	6,497	7,712
Loss on disposal of property, plant and equipment	8,609	4,269
Donated assets	(69,696)	(54,790)
Impairment losses on property, plant and equipment	321	6,703
Impairment losses on trade receivables	(115)	(1,907)
Change in assets and liabilities		
Change in trade and other receivables	815	2,148
Change in inventories	103	575
Change in prepayments	(728)	(858)
Change in trade and other payables	(1,877)	(10,089)
Change in employee benefits	1,380	(2,167)
Change in other liabilities	2,281	(434)
Change in deferred tax liabilities	22,028	17,520
Net cash provided by operating activities	178,398	156,842

Notes to and forming part of the financial statements

for the year ended 30 June 2016

13. Trade and other receivables

	2016			2015		
	Current \$'000	Non- current \$'000	Total \$'000	Current \$'000	Non- current \$'000	Total \$'000
Current						
Trade debtors	105,253	-	105,253	109,274	-	109,274
Less: Provision for impairment	(1,313)	-	(1,313)	(1,502)	-	(1,502)
	103,940	-	103,940	107,772	-	107,772
GST receivable	2,304	-	2,304	1,991	-	1,991
Receivables from Participating Councils	31	-	31	152	-	152
Other receivables	6,734	-	6,734	-	3,798	3,798
Total	113,009	-	113,009	109,915	3,798	113,713

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.

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. Other receivables consist of developer contributions due from developers not yet invoiced.

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

13. Trade and other receivables

	2016 \$'000	2015 \$'000
Movements in the provision for impairment loss		
Balance at 1 July	1,502	3,500
Decrease in allowance	(189)	(259)
Decrease in allowance for developer debt	-	(1,739)
Balance at 30 June	1,313	1,502

14. Inventories

	2016 \$'000	2015 \$'000
Inventories held for use	1,203	1,306
Total	1,203	1,306

An amount of \$2,699,544 (2015:\$2,617,031) of inventory was recognised as an expense during the year.

15. Property, plant and equipment

a. Carrying amount

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
2016						
Gross carrying amount	52,449	20,168	3,522,166	61,434	76,801	3,733,018
Accumulated depreciation	-	(1,619)	(433,566)	(18,279)	-	(453,464)
Accumulated impairment losses	-	-	(7,024)	-	-	(7,024)
Carrying amount	52,449	18,549	3,081,576	43,155	76,801	3,272,530
2015						
Restated*						
Gross carrying amount	52,431	17,668	3,381,818	59,250	72,289	3,583,456
Accumulated depreciation	-	(1,133)	(367,710)	(15,223)	-	(384,066)
Accumulated impairment losses	-	-	(6,703)	-	-	(6,703)
Carrying amount	52,431	16,535	3,007,405	44,027	72,289	3,192,687

*Refer Note 3 for details regarding the restatement as a result of errors.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

15. Property, plant and equipment

b. Movements

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
2016						
Carrying amount (opening)	52,431	16,535	3,007,405	44,027	72,289	3,192,687
Additions	-	-	-	-	92,406	92,406
Transfers from work in progress	18	2,500	81,085	4,291	(87,894)	-
Contributed assets	-	-	69,696	-	-	69,696
Disposals	-	-	(8,350)	(1,118)	-	(9,468)
Depreciation	-	(486)	(67,939)	(4,045)	-	(72,470)
Impairment	-	-	(321)	-	-	(321)
Carrying amount (closing)	52,449	18,549	3,081,576	43,155	76,801	3,272,530
2015						
Restated*						
Carrying amount (opening)	48,370	16,428	2,840,561	38,331	196,385	3,140,075
Additions	-	-	-	-	88,890	88,890
Transfers from work in progress	4,061	525	195,648	12,572	(212,806)	-
Contributed assets	-	-	54,790	-	-	54,790
Disposals	-	(10)	(3,681)	(2,239)	(180)	(6,110)
Depreciation	-	(408)	(73,210)	(4,637)	-	(78,255)
Impairment ¹	-	-	(6,703)	-	-	(6,703)
Carrying amount (closing)	52,431	16,535	3,007,405	44,027	72,289	3,192,687

*Refer Note 3 for details regarding the restatement as a result of errors.

1. In March 2015 a decision was made to close the South Caboolture Advanced Recycled Water Treatment Plant. The plant was already in care and maintenance mode and there was no future revenue generation expected from it, thus in advance of final decommissioning the assets relating to the plant were written down to their recoverable amount.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

15. Property, plant and equipment

b. Movements

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

Asset Type	Threshold
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 for example individual components of a pumping station.

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. Initial recognition 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.

Constructed assets include the cost of purchased services, materials, direct labour, borrowing costs and an appropriate proportion of overheads attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction not commissioned at the reporting date are reported as Work In Progress.

Assets donated by developers are initially recorded at fair value when Unitywater obtains control of the assets and then AASB 116 *Property, Plant and Equipment* rules apply after that as if that figure had been their cost.

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

ii. Asset valuation

The accounting policy for the recognition of property, plant and equipment has been changed during the year from a fair value less subsequent depreciation basis to now be recognised at historical cost less depreciation.

This change to recognise property, plant and equipment at historical cost less depreciation is in line with the requirements of AASB 116 *Property, Plant & Equipment* and is considered by management to be a change in accounting policy in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In management's opinion, the justification for this change was to provide reliable and more relevant information for users of Unitywater's financial statements in accordance with AASB 108. In coming to this conclusion management considered the views of key users and consideration of their information and decision making needs. Key users of Unitywater's financial statements have confirmed that the cost approach is either more relevant to their information and decision making needs or that the asset valuation policy does not impact on their information and decision making needs.

There is no retrospective impact from this change in accounting policy as historically there have been no material differences between the fair value determined under the revaluation model and the historical cost of property, plant and equipment held and thus no revaluation entries had been processed to date. It is not possible to anticipate the potential prospective impacts from this change in accounting policy.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

15. Property, plant and equipment

b. Movements

iii. 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.

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

iv. 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.

Class of fixed asset	Useful life
Buildings	60 years
Infrastructure assets	
Water infrastructure assets	10 – 100 years
Sewer infrastructure assets	15 – 160 years
Plant and equipment	
Motor vehicles	2 – 4 years
Heavy equipment	6 – 25 years
Other including office, IT, scientific and minor plant and equipment	3 – 30 years

Notes to and forming part of the financial statements

for the year ended 30 June 2016

15. Property, plant and equipment

c. Impairment Testing

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.

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.

Unitywater undertook an impairment review during the financial year. Internal indicators of impairment including obsolescence and physical damage, significant changes with an adverse effect and internal reporting concerning economic performance of an asset were considered, together with external sources of information such as changes in technological, market, economic or legal environment, changes in regulated environment, policy and/or legislative changes and market interest rate changes. Based on this review an impairment adjustment of \$0.3M to water infrastructure assets has been recognised in the Statement of Comprehensive Income in the ordinary course of business and no impairment indicators were identified as at 30 June 2016.

16. Intangible assets

a. Carrying amount

	Software \$'000	Utility easements \$'000	Work in progress \$'000	Total \$'000
2016				
Cost	48,390	3,130	2,874	54,394
Accumulated amortisation	(23,187)	-	-	(23,187)
Carrying amount	25,203	3,130	2,874	31,207
2015				
Cost	43,946	2,991	2,005	48,942
Accumulated amortisation	(16,982)	-	-	(16,982)
Carrying amount	26,964	2,991	2,005	31,960

Notes to and forming part of the financial statements

for the year ended 30 June 2016

16. Intangible assets

b. Movements

	Software \$'000	Utility easements \$'000	Work in progress \$'000	Total \$'000
2016				
Carrying amount (opening)	26,964	2,991	2,005	31,960
Additions	-	-	5,744	5,744
Transfers from work in progress	4,736	139	(4,875)	-
Amortisation	(6,497)	-	-	(6,497)
Carrying amount (closing)	25,203	3,130	2,874	31,207
2015				
Carrying amount (opening)	30,149	2,100	3,085	35,334
Additions	-	-	4,338	4,338
Transfers from work in progress	4,527	891	(5,418)	-
Amortisation	(7,712)	-	-	(7,712)
Carrying amount (closing)	26,964	2,991	2,005	31,960

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 are capitalised. 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:

Class of intangible asset	Useful life
Computer software	4 – 10 years
Utility easements	Indefinite

Notes to and forming part of the financial statements

for the year ended 30 June 2016

17. Trade and other payables

	2016 \$'000	2015 Restated* \$'000
Current		
Trade creditors	26,001	22,239
Participation return payable	23,928	23,472
Interest payable	19,719	20,250
Accrued expenses	22,821	14,793
Income tax equivalent payable	3,647	7,243
Other	1,956	1,985
Total	98,072	89,982

*Refer Note 3 for details regarding the restatement as a result of errors.

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.

18. Loans and borrowings

a. Compositions of loans

	2016 \$'000	2015 \$'000
Current		
Participating Councils Working capital	-	2,452
Total	-	2,452
Non-current		
Participating Councils Subordinated debt	1,160,652	1,160,652
Queensland Treasury Corporation Loans Client Specific Pool	397,000	397,000
Total	1,557,652	1,557,652

No assets have been pledged as security for any liabilities. All borrowings are in Australian dollar denominated amounts and carried at amortised cost. There have been no defaults or breaches of the loan agreements during the year.

Participating Councils loans have a 20 year term, terminating on 30 June 2033 with an extension clause of 10 years. Debt is subordinated to Queensland Treasury Corporation with variable interest rates set annually on a portfolio based approach.

The weighted average rate of borrowings for the year is 5.06% (2015: 5.19%). Interest payments are made quarterly in arrears at rates ranging from 4.20% to 5.36% (2015: 4.37% to 6.79%).

Notes to and forming part of the financial statements

for the year ended 30 June 2016

18. Loans and borrowings

b. Financing arrangements at balance date

	2016 \$'000	2015 \$'000
The Authority has access available at balance date to the following facilities:		
Bank overdraft	50	50
Credit card	750	750
Working capital	50,000	52,452
Loans	1,597,652	1,617,652
	1,648,452	1,670,904
Facilities not utilised at balance date:		
Bank overdraft	50	50
Credit card	701	725
Working capital	50,000	50,000
Loans	40,000	60,000
	90,751	110,775

19. Employee benefits

	2016 \$'000	2015 \$'000
Current		
Accrued salaries and wages	4,542	3,843
Annual leave	4,111	4,403
Long service leave	696	696
Rostered days off	255	282
Other employee entitlements	9	8
Total	9,613	9,232
Non-current		
Annual leave	1,109	1,252
Long service leave	9,475	8,291
Total	10,584	9,543

Notes to and forming part of the financial statements

for the year ended 30 June 2016

19. 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 Corporate 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 Corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

20. Other liabilities

	2016 \$'000	2015 \$'000
Current		
Unearned revenue	6,141	4,952
Security deposits and retentions	2,605	1,576
Other payables	22	-
Total	8,768	6,528

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. Revenue arising on payment of quotable private works jobs received in advance of work being performed is deferred and is recognised in the Statement of Comprehensive Income on delivery of the service.

21. Income Tax

a. 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.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

21. Income Tax

a. Income tax equivalents

	2016 \$'000	2015 Restated* \$'000
Income tax equivalents recognised in profit or loss		
Current tax expense		
Current income tax charge	26,916	22,243
Current tax expense	26,916	22,243
Deferred tax expense		
Deferred income tax charge	22,258	17,521
Adjustments for deferred income tax of prior year	(230)	-
Deferred tax expense	22,028	17,521
Total income tax equivalent expense	48,944	39,764
Reconciliation of effective tax rate		
Profit (loss) before income tax equivalent	185,254	149,669
Income tax equivalent expense at 30%	55,576	44,900
Recognition of previously unrecognised temporary differences	(230)	-
Non deductible expenses	13	7
Change in unrecognised temporary differences subject to initial recognition exemption	(6,415)	(5,143)
Income tax equivalent expense	48,944	39,764

*Refer Note 3 for details regarding the restatement as a result of errors.

b. Deferred tax assets and liabilities

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

21. Income Tax

b. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 Restated* \$'000	2016 \$'000	2015 Restated* \$'000
Property, plant and equipment	-	-	(114,468)	(91,970)	(114,468)	(91,970)
Employee benefits	3,702	3,385	-	-	3,702	3,385
Other provisions and accruals	426	486	-	-	426	486
Prepayments	-	-	(82)	(80)	(82)	(80)
Other items	24	25	(1,857)	(2,073)	(1,833)	(2,048)
Tax asset (liability)	4,152	3,896	(116,407)	(94,123)	(112,255)	(90,227)
Set off	(4,152)	(3,896)	4,152	3,896	-	-
Net tax asset (liability)	-	-	(112,255)	(90,227)	(112,255)	(90,227)

*Refer Note 3 for details regarding the restatement as a result of errors.

c. Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 Restated* \$'000	2016 \$'000	2015 Restated* \$'000
Balance at 1 July	3,896	5,732	(94,123)	(78,438)	(90,227)	(72,706)
Current year's income tax equivalent expense	256	(1,836)	(22,284)	(15,685)	(22,028)	(17,521)
Balance at 30 June	4,152	3,896	(116,407)	(94,123)	(112,255)	(90,227)

*Refer Note 3 for details regarding the restatement as a result of errors.

d. Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 Restated* \$'000	2016 \$'000	2015 Restated* \$'000
Depreciating assets transferred from Councils on 1 July 2010	-	-	(18,437)	(12,168)	(18,437)	(12,168)
Employee provisions transferred from Councils on 1 July 2010	1,391	1,537	-	-	1,391	1,537
Tax asset (liability)	1,391	1,537	(18,437)	(12,168)	(17,046)	(10,631)
Set off	(1,391)	(1,537)	1,391	1,537	-	-
Net tax asset (liability)	-	-	(17,046)	(10,631)	(17,046)	(10,631)

*Refer Note 3 for details regarding the restatement as a result of errors.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

22. Contributed equity

	2016 \$'000	2015 \$'000
Contributed equity	1,434,782	1,434,782
	<u>1,434,782</u>	<u>1,434,782</u>

On 1 July 2010, the Moreton Bay Regional Council and the Sunshine Coast 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 Council as a participant from 1 January 2014. On 1 January 2014 the Sunshine Coast Council transferred 110,869,501 Participation Rights for consideration of \$60,978,225 to Noosa 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 \$'000	Sunshine Coast Council \$'000	Noosa Council \$'000	Total \$'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

Notes to and forming part of the financial statements

for the year ended 30 June 2016

23. Participation returns

The Participating Councils (Moreton Bay Regional Council, Sunshine Coast Council and Noosa Council) are required by 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 following Participation returns have been paid or are payable at 30 June 2016:

24. Superannuation

Unitywater contributes to the Local Government Superannuation Scheme (Qld) (the scheme) 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.

Local Government Superannuation Scheme – LG Super

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*.

	2016 \$'000	2015 \$'000
In accordance with the Participation Agreement, an interim participation return was declared on 4 February 2016 and paid on 15 February 2016.	19,937	21,654
The Board declared the final participation return payment on 29 June 2016. Payment will be made by 30 September 2016.	23,928	23,472
Total participation return paid/payable	43,865	45,126
Moreton Bay Regional Council	25,547	26,281
Sunshine Coast Council	16,454	16,927
Noosa Council	1,864	1,918
Total	43,865	45,126

Notes to and forming part of the financial statements

for the year ended 30 June 2016

24. Superannuation

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 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 as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contributions levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on 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 69 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 69 entities. Unitywater made less than 4% of the total contributions to the plan in the 2015-16 financial year. The next actuarial investigation will be made at 1 July 2018.

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

	2016 \$'000	2015 \$'000
Superannuation plan		
Regional defined benefit fund - LG Super	770	901
Accumulation benefit fund - LG Super	5,869	5,985
Other Defined Contribution funds	378	366
Total	7,017	7,252

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 \$6,113,690 (2015: \$6,397,398).

Notes to and forming part of the financial statements

for the year ended 30 June 2016

25. 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.

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
Market risk - interest rate	Sensitivity analysis

Notes to and forming part of the financial statements

for the year ended 30 June 2016

25. Financial instruments

a. Categorisation of financial instruments

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

	Notes	2016 \$'000	2015 Restated* \$'000
Category			
Financial assets			
Cash and cash equivalents	12	77,377	32,615
Trade and other receivables	13	113,009	113,713
Total		190,386	146,328
Financial liabilities			
Trade and other payables	17	98,072	89,982
Loans and borrowings	18	1,557,652	1,560,104
Total		1,655,724	1,650,086

*Refer Note 3 for details regarding the restatement as a result of errors.

b. Credit risk exposure

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+.

In respect of trade and other receivables, Unitywater is obliged to service all customers in its service area without regard to customer credit quality. Unitywater manages credit risk in accordance with its Credit Management Policy, which outlines credit collection processes, continuing service provision whilst minimising risks associated with fulfilling payment requirements, customer awareness regarding the use of appropriate payment options and plans to reduce likelihood of non-payment and provisions for those customers suffering genuine financial hardship. Exposure to credit risk is monitored on an ongoing basis.

In respect of cash and cash equivalents, Unitywater only deals with creditworthy counterparties and recognised financial intermediaries as a means of mitigating against the risk of financial losses from default. Unitywater's Investment and Cash Management Policy provides a high level framework which prescribes the credit rating of counterparties.

The maximum exposure to credit risk at 30 June 2016 in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment (Refer Notes 12 and 13).

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 \$1,313,292 (2015: \$1,501,967) for the current year.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

25. Financial instruments

b. Credit risk exposure

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
2016			
Not past due	101,610	-	101,610
Past due 0-30 days	5,518	-	5,518
Past due 31- 60 days	1,346	-	1,346
Past due 61- 90 days	1,209	-	1,209
More than 91 days	4,639	1,313	3,326
	114,322	1,313	113,009
2015			
Not past due	102,093	-	102,093
Past due 0-30 days	5,454	-	5,454
Past due 31- 60 days	1,218	-	1,218
Past due 61- 90 days	1,438	-	1,438
More than 91 days	5,012	1,502	3,510
	115,215	1,502	113,713

c. 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 Council and Noosa 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.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

25. Financial instruments

c. Liquidity risk

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	
2016					
Trade and other payables	98,072	98,072	-	-	98,072
PLG Loans	1,160,652	61,863	247,451	1,903,004	2,212,318
QTC borrowings	397,000	16,098	64,438	390,567	471,103
Total	1,655,724	176,033	311,889	2,293,571	2,781,493
2015					
Trade and other payables	89,982	89,982	-	-	89,982
PLG Loans	1,160,652	62,211	248,843	1,969,393	2,280,447
QTC borrowings	397,000	16,913	67,513	392,401	476,827
Working capital facilities	2,452	2,494	-	-	2,494
Total	1,650,086	171,600	316,356	2,361,794	2,849,750

d. Market risk

Unitywater does not trade in foreign currency and is not materially exposed to commodity price ranges. 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 from QTC and Participating Councils, investment with 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 and the Participating Councils such that the desired interest rate risk exposure can be constructed.

Profile

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

	2016 \$'000	2015 \$'000
Fixed rate instruments		
Financial liabilities	-	2,452
	-	2,452
Variable rate instruments		
Financial assets	76,701	31,241
Financial liabilities	1,557,652	1,557,652
	1,634,353	1,588,893

Notes to and forming part of the financial statements

for the year ended 30 June 2016

25. Financial instruments

d. Market risk

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.

	Net carrying amounts \$'000	Interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2016					
Financial assets	76,701	(767)	(767)	767	767
Financial liabilities	(1,557,652)	788	788	(776)	(776)
Sensitivity (net)	(1,480,951)	21	21	(9)	(9)
2015					
Financial assets	31,241	(312)	(312)	312	312
Financial liabilities	(1,557,652)	778	778	(766)	(766)
Sensitivity (net)	(1,526,411)	466	466	(454)	(454)

Notes to and forming part of the financial statements

for the year ended 30 June 2016

25. Financial instruments

d. Market risk

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 notified by QTC. It 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
2016		
Participating Councils		
Subordinated loans	1,160,652	1,247,703
QTC borrowings		
Client Specific Pool	397,000	427,882
Total	1,557,652	1,675,585
2015		
Participating Councils		
Working capital	2,452	2,452
Subordinated loans	1,160,652	1,191,210
QTC borrowings		
Client Specific Pool	397,000	413,807
Total	1,560,104	1,607,469

26. Contingencies and Commitments

a. Leases

Finance 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.

Non-cancellable operating 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.

i. Leases as lessee

Commitments under non-cancellable operating leases at reporting date are payable as follows:

	2016 \$'000	2015 \$'000
Less than one year	2,500	2,464
Between one and five years	10,690	10,426
More than five years	9,059	11,852
	22,249	24,742

Unitywater leases various land, buildings, and vehicles. 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 \$2,379,092 (2015: \$2,419,223) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

26. Contingencies and Commitments

a. Leases

ii. Leases as lessor

Commitments under non-cancellable operating leases at reporting date are receivable as follows:

	2016 \$'000	2015 \$'000
Less than one year	1,428	1,463
Between one and five years	4,711	4,440
More than five years	7,880	8,341
	14,019	14,244

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

b. Capital expenditure commitments

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

	2016 \$'000	2015 \$'000
Property, plant and equipment		
Within one year	26,969	20,293
One year and no later than five years	1,287	7,491
	28,256	27,784
Intangibles		
Within one year	159	161
	159	161

c. Contingencies

There are no contingent assets or liabilities requiring additional disclosure in the financial statements.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

27. Key management personnel

Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance with Financial Reporting Requirements for Queensland Government Agencies, FRR 3C Employee Benefits Expenses and Key Management Personnel Remuneration.

a. Board Members

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:

	2016 Remuneration \$	2015 Remuneration \$
Jim Soorley	111,683	110,250
Barry Casson	59,564	58,800
Sharon Doyle	64,883	64,050
Megan Houghton (ceased 24 August 2015)	9,927	58,800
Mike Williamson	59,564	58,800
Kate Farrar (appointed 1 September 2015)	49,637	-
	355,258	350,700

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 no payments for property information services during the financial year (2015:\$7,247). This entity was engaged on an arm's length basis under commercial terms and conditions.

Sharon Doyle is a Director of InterFinancial Corporate Finance Ltd. Unitywater made no payments for corporate advisory services during the financial year (2015:\$2,500). This entity was engaged on an arm's length basis under commercial terms and conditions.

c. Loans to key management personnel

None of the key management personnel have personal loans with Unitywater outstanding at 30 June 2016 (2015: \$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.

All 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.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

27. Key management personnel

e. Key executive management personnel

Position	Responsibilities	Current incumbents	
		Contract classification	Dates position held
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	Appointed 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, recycled water network, sewage collection network and sewage treatment plants of the Authority.	Contract of employment	Appointed 29 April 2013; Resigned 22 April 2016. Acting replacement appointed 25 April 2016
Executive Manager Infrastructure Planning & Capital Delivery	Responsible for water and sewerage asset management including planning, design and capital delivery, drinking water quality monitoring and assurance, and development services of the Authority.	Contract of employment	Appointed 29 April 2013
Executive Manager Retail Services	Responsible for ensuring the Authority's commercial and regulatory obligations to customers, community and government are met through the effective management and leadership of communications, stakeholder engagement, customer service, business improvement measures and revenue assurance.	Contract of employment	Appointed 1 July 2010
Chief Financial Officer	Responsible for managing strategy, innovation and business development, corporate performance, financial reporting, tax, treasury, financial systems, procurement, pricing and economic regulation and Unitywater's information technology environment.	Contract of employment	Appointed 24 January 2011
Executive Manager People Culture & Safety	Responsible for workforce strategy, safety, environmental compliance, quality systems, workplace relations, human resources practices, policies and procedures of the Authority.	Contract of employment	Appointed 2 July 2012
General Counsel and Company Secretary	Responsible for the company secretariat, governance, internal audit, risk and compliance, legal functions, and information and records management of the Authority.	Contract of employment	Appointed 1 July 2014

Notes to and forming part of the financial statements

for the year ended 30 June 2016

27. 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 Mercer Australian General Market 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 *Fair Work Act 2009*. The payment is based on the individual's FAR figure and period of service;

i. At least 1 year but less than 2 years	4 weeks redundancy payment
ii. At least 2 years but less than 3 years	6 weeks redundancy payment
iii. At least 3 years but less than 4 years	7 weeks redundancy payment
iv. At least 4 years but less than 5 years	8 weeks redundancy payment
v. At least 5 years but less than 6 years	10 weeks redundancy payment
vi. At least 6 years but less than 7 years	11 weeks redundancy payment
vii. At least 7 years but less than 8 years	13 weeks redundancy payment
viii. At least 8 years but less than 9 years	14 weeks redundancy payment
ix. At least 9 years but less than 10 years	16 weeks redundancy payment
x. At least 10 years	12 weeks redundancy payment

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.

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

27. Key management personnel

f. Remuneration for key executive management personnel

Remuneration for key executive management personnel comprises the following components:

1 July 2015 – 30 June 2016

Position	Short term employee benefits		Post employment benefits ³	Long term employee benefits ⁴	Termination benefits ⁵	Total remuneration
	Monetary ¹	Non-monetary benefits ²				
	\$	\$	\$	\$	\$	\$
Chief Executive Officer	478,630	-	34,354	11,467	-	524,451
Executive Manager Infrastructure Services (1 July 2015 - 22 April 2016)	204,959	14,273	22,677	(17,945)	33,294	257,258
Executive Manager Infrastructure Services (acting) (25 April 2016 - current)	35,881	1,266	3,962	3,400	-	44,509
Executive Manager Infrastructure Planning & Capital Delivery	274,541	-	25,458	3,744	-	303,743
Executive Manager Retail Services	278,530	7,893	30,619	18,257	-	335,299
Chief Financial Officer	353,223	-	29,885	7,177	-	390,285
Executive Manager People Culture & Safety	265,579	-	24,703	5,319	-	295,601
General Counsel & Company Secretary	218,134	-	20,896	2,407	-	241,437
Total remuneration	2,109,477	23,432	192,554	33,826	33,294	2,392,583

1 Short term monetary benefits include:

- salaries and allowances paid during the year;
- performance payments paid during the year; and
- annual leave entitlements paid and provided for.

2 Short term non-monetary benefits consist of the provision of motor vehicles.

3 Post employment benefits consist of superannuation contributions.

4 Long term employee benefits represent the movements in the provision for long service leave. This represents amounts provided for, not amounts that have been paid. A number of factors impact upon the provision including earning and taking of leave, changes to escalation rates, discount rates, and probability factors of employees reaching the required length of service to be eligible for long service leave. When an employee leaves prior to the requisite period of service being completed a reversal of the long service leave accrual is made.

5 Termination benefits consist of the payout of unused leave balances.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

27. Key management personnel

f. Remuneration for key executive management personnel

1 July 2014 – 30 June 2015

Position	Short term employee benefits		Post employment benefits ³	Long term employee benefits ⁴	Termination benefits ⁵	Total remuneration
	Monetary ¹	Non-monetary benefits ²				
	\$	\$	\$	\$	\$	\$
Chief Executive Officer	386,660	-	32,553	5,468	-	424,681
Executive Manager Infrastructure Services	272,873	14,852	25,170	3,763	-	316,658
Executive Manager Infrastructure Planning & Capital Delivery	254,994	-	23,320	2,227	-	280,541
Executive Manager Retail Services	273,783	9,682	25,360	(14,777)	-	294,048
Chief Financial Officer	312,979	-	29,617	5,057	-	347,653
Executive Manager People Culture & Safety	243,824	-	22,814	2,364	-	269,002
General Counsel & Company Secretary	187,315	-	16,761	1,878	-	205,954
Total remuneration	1,932,428	24,534	175,595	5,980	-	2,138,537

1 Short term monetary benefits include:

- salaries and allowances paid during the year;
- performance payments paid during the year; and
- annual leave entitlements paid and provided for.

2 Short term non-monetary benefits consist of the provision of motor vehicles.

3 Post employment benefits consist of superannuation contributions.

4 Long term employee benefits represent the movements in the provision for long service leave. This represents amounts provided for, not amounts that have been paid. A number of factors impact upon the provision including earning and taking of leave, changes to escalation rates, discount rates, and probability factors of employees reaching the required length of service to be eligible for long service leave. When an employee leaves prior to the requisite period of service being completed a reversal of the long service leave accrual is made.

5 Termination benefits consist of the payout of unused leave balances.

Comparatives for short term monetary benefits and post employment benefits were updated to reflect methodology outlined in footnotes 1 and 3.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

27. Key management personnel

g. Performance payments

Individual performance payments are based upon achievement of corporate, divisional and individual targets.

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

Performance bonuses were paid this financial year on 19 November 2015 to the Chief Executive Officer and 30 October 2015 for all other Executives.

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:

	2016 Remuneration \$	2015 Remuneration \$
Performance payments paid	328,662	200,609

At the date of certification the performance assessment process for the financial year ended 30 June 2016 was still being conducted.

Notes to and forming part of the financial statements

for the year ended 30 June 2016

28. 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 Council		Noosa Council		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue								
Utility charges	5,747	5,098	3,857	3,580	829	869	10,433	9,547
Other revenue	913	765	643	1,622	194	111	1,750	2,498
	6,660	5,863	4,500	5,202	1,023	980	12,183	12,045
Expenses								
Supplies and services	1,223	1,441	192	31	10	9	1,425	1,481
Interest on loans	36,289	37,238	23,284	23,967	2,638	2,692	62,211	63,897
Taxation equivalents	15,681	14,203	10,099	9,147	1,144	1,036	26,924	24,386
Participation returns	25,547	26,281	16,454	16,927	1,864	1,918	43,865	45,126
	78,740	79,163	50,029	50,072	5,656	5,655	134,425	134,890
Amounts receivable								
Utility charges	689	640	835	492	72	172	1,596	1,304
Other receivables	278	101	34	73	1	(1)	313	173
Developer contributions - cash	-	-	31	137	-	14	31	151
	967	741	900	702	73	185	1,940	1,628
Amounts payable								
Interest payable	9,072	9,279	5,821	5,961	660	673	15,553	15,913
Supplies and services	20	57	-	1	-	-	20	58
Taxation equivalents	3,003	5,958	1,934	3,837	219	435	5,156	10,230
Participation returns	13,936	13,670	8,975	8,804	1,017	998	23,928	23,472
	26,031	28,964	16,730	18,603	1,896	2,106	44,657	49,673
Loans and borrowings								
Loans	677,025	677,025	434,409	434,409	49,218	49,218	1,160,652	1,160,652
Working capital	-	1,226	-	1,226	-	-	-	2,452
	677,025	678,251	434,409	435,635	49,218	49,218	1,160,652	1,163,104

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

Refer to Note 27 for details about related party transactions with Key Management Personnel.

Management Certificate

for the year ended 30 June 2016

Certificate of Unitywater for the year ended 30 June 2016

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 2016 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 AM
BA (Psych), MA (Org Psych)
Chairman



Signature
29 August 2016

George Theo
MBA (Bus), BEng (Civil), CPEng,
Ass Dip Mun (Eng), MIEAust, GAICD
Chief Executive Officer



Signature
29 August 2016

Pauline Thomson
BBus (Acc), CPA, GAICD
Chief Financial Officer



Signature
29 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of the Northern SEQ Distributor-Retailer Authority

Report on the Financial Report

I have audited the accompanying financial report of the Northern SEQ Distributor-Retailer Authority, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and certificates 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 2015 to 30 June 2016 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 these financial statements should note that 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 statements. If users of the financial statements 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 statements to confirm the accuracy of this electronically presented information.



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



Queensland Audit Office
Brisbane

Summary of compliance

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 8	Page 4
Accessibility	Table of contents	ARRs – section 10.1	Page 3
	Glossary	ARRs – section 10.1	Page 32
	Public availability	ARRs – section 10.2	Page 2
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 10.3	Page 2
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 10.4	Page 2
	Information licensing	ARRs – section 10.5	N/A
General information	Introductory information	ARRs – section 11.1	Page 5
	Agency role and main functions	ARRs – section 11.2	Page 5
	Operating environment	ARRs – section 11.3	Page 5
	Machinery of government changes	ARRs – section 11.4	N/A
Non-financial performance	Government's objectives for the community	ARRs – section 12.1	Page 7
	Other whole-of-government plans/specific initiatives	ARRs – section 12.2	N/A
	Agency objectives and performance indicators	ARRs – section 12.3	Page 7
	Agency service areas and service standards	ARRs – section 12.4	Page 10, 12
Financial performance	Summary of financial performance	ARRs – section 13.1	Page 27
Governance – management and structure	Organisational structure	ARRs – section 14.1	Page 23
	Executive management	ARRs – section 14.2	Page 25
	Government bodies (statutory bodies and other entities)	ARRs – section 14.3	N/A
	<i>Public Sector Ethics Act 1994</i>	ARRs – section 14.4	Page 22
	<i>Queensland public service values</i>	ARRs – section 14.5	Page 8, 9

Summary of compliance

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	Risk management	ARRs – section 15.1	Page 7, 22
	Audit committee	ARRs – section 15.3	Page 22, 24
	Internal Audit	ARRs – section 15.4	Page 22
	External scrutiny	ARRs – section 15.2	Page 22
	Information systems and record keeping	ARRs – section 15.5	Page 22
Governance – human resources	Workforce planning and performance	ARRs – section 16.1	Page 20, 21, 26
	Early retirement, redundancy and retrenchment	<i>Directive No. 11/12 Early Retirement, Redundancy and Retrenchment</i> ARRs – section 16.2	N/A
	Voluntary separation program	ARRs – section 16.3	N/A
Open Data	Open Data	ARRs – section 17	Page 22
	Consultancies	ARRs – section 17 ARRs – section 34.1	Page 22
	Overseas travel	ARRs – section 17 ARRs – section 34.2	Page 22
	Queensland Language Services Policy	ARRs – section 17 ARRs – section 34.3	N/A
	Government bodies	ARRs – section 17 ARRs – section 34.4	N/A
	Financial statements	FAA – section 62	
Certification of financial statements	FPMS – sections 42, 43 and 50 ARRs – section 18.1	Page 80	
Independent Auditor's report	FAA – section 62 FPMS – section 50 ARRs – section 18.2	Page 81	
Remuneration disclosures	<i>Financial Reporting Requirements for Queensland Government Agencies</i> ARRs – section 18.3	Page 73, 76, 77, 78, 79	
Definitions	FAA	<i>Financial Accountability Act 2009</i>	
	FPMS	<i>Financial and Performance Management Standard 2009</i>	
	ARRs	<i>Annual report requirements for Queensland Government agencies</i>	
	N/A	Not applicable	

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 Record-keeping Management System
EWOQ	Energy and Water Ombudsman Queensland
GL	Gigalitre, which is 1 billion litres
GPS	Global Positioning System
ICT	Information and Communications Technology
Infiltration	Groundwater entering underground infrastructure via cracks and faulty joints
Inflow	Rainwater entering the sewerage network via defective or inappropriate plumbing of stormwater to the sewer
IPA	Information Privacy Act
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 Regional Council, Sunshine Coast Council and Noosa Council, with whom Unitywater has a Participation Agreement
QCA	Queensland Competition Authority
R&D	Research and development
RTI	Right to Information Act
Sewage	Waste discharged from sinks, drains, toilets and appliances such as dishwashers and washing machines
Sewerage	The infrastructure network used to receive, store, transport and treat sewage
SEQ	South East Queensland
STP	Sewage Treatment Plant



Unitywater

Serving you today,
investing in tomorrow.

-
-  **unitywater.com**
 -  **1300 0 UNITY (1300 086 489)**
Emergencies and Faults 24 hours
Customer Service: 8.30am - 5pm,
Mon - Fri (except public holidays)
 -  Unitywater, PO Box 953, Caboolture QLD 4510
 -  Customer Service Counters 8.30am - 4.30pm,
Mon - Fri (except public holidays)
8-10 Maud Street, Maroochydore QLD 4558
33 King Street, Caboolture QLD 4510

Unitywater has certification to
OH&S ISO 4801
Environmental ISO 14001
Quality Systems ISO 9001
Food Safety Management ISO 22000

