CONTENTS
ANNUAL FINANCIAL REPORT

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 2018. 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. Mike Williamson
e. Fiona Waterhouse

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 2017-18 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 expense, amounted to $119,405,401 (2017: $135,507,148).

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 2017-18.

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 2017-18 financial year were:

	Total amount 2018 $'000	Total amount 2017 $'000
Final participation return	713	36,888

Refer to Note 4.12 of the financial statements for details of Participation returns paid or payable.

BOARD MEMBERS' BENEFITS AND INTERESTS IN CONTRACTS

Between 1 July 2017 and 30 June 2018, no Board member has received or become entitled to receive a benefit, other than those benefits disclosed in Note 6.1 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 Fiona Waterhouse, being current Board members of Unitywater, and other former Board members of Unitywater, against all liabilities to another person (other than Unitywater or a related body corporate) that may arise from their position as a Board member of Unitywater, except where the liability arises out of conduct involving a lack of good faith or liability against which Unitywater is not permitted by law to exempt or indemnify the Board member in accordance with the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009.*

Indemnification of Board members of Unitywater and officers appointed to external boards and committees

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

a. Indemnities provided to former Board members continue for seven years following their resignation from that position, in accordance with the terms of the deed of indemnity.

b. Other officers appointed to external boards and committees are indemnified in accordance with the terms of Unitywater's Directors' and officers' liability insurance policy.

Insurance premiums

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

BOARD MEMBERS 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 2018 were:

Unitywater	Board meetings		Committee meetings: Audit and Risk		Sustainability and Innovation		Nominations and Remuneration		Capital Works	
BOARD MEMBERS	A	B	A	B	A	B	A	B	A	B
Jim Soorley - Chairman	10	10	-	-	3	3	-	-	4	4
Barry Casson	9	10	4	4	-	-	3	3	-	-
Sharon Doyle	9	10	4	4	3	3	3	3	-	-
Mike Williamson	10	10	-	-	3	3	-	-	4	4
Fiona Waterhouse	10	10	4	4	3	3	-	-	-	-

A - Number of meetings attended

B - Number of meetings held during the year

REMUNERATION OF BOARD MEMBERS AND EXECUTIVES

Refer to Note 6.1 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.

James Soorley

Jim Soorley

Chairman
Unitywater
27 August 2018
Caboolture, Queensland

STATEMENT OF PROFIT OR LOSS

for the year ended 30 June 2018

	Notes	2018 $'000	2017 $'000
Income			
Utility charges	2.1	526,191	512,795
Developer contributions	2.2	142,603	130,245
Other income	2.3	27,454	26,483
Total income		**696,248**	**669,523**
Expenses			
Bulk water purchases	3.1	(176,400)	(170,178)
Supplies and services	3.1	(88,609)	(81,308)
Employee expenses	3.2	(61,124)	(64,084)
Depreciation and amortisation	4.4, 4.5	(80,465)	(79,658)
Impairment losses	4.4	(114)	(1,809)
Finance and borrowing costs	3.4	(77,523)	(79,848)
Other expenses	3.5	(5,976)	(12,314)
Total expenses		**(490,211)**	**(489,199)**
Profit before income tax expense		**206,037**	**180,324**
Income tax expense	4.10	(86,632)	(44,817)
Profit for the year		**119,405**	**135,507**

The Statement of Profit or Loss should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	4.1	122,358	102,980
Trade and other receivables	4.2	116,792	114,017
Other current assets	4.3	6,370	4,386
Total current assets		**245,520**	**221,383**
Non-current assets			
Property, plant and equipment	4.4	3,508,610	3,367,215
Intangible assets	4.5	23,812	30,944
Total non-current assets		**3,532,422**	**3,398,159**
Total assets		**3,777,942**	**3,619,542**
Current liabilities			
Trade and other payables	4.6	107,961	101,249
Employee benefits	4.8	16,798	16,663
Other liabilities	4.9	14,374	8,067
Total current liabilities		**139,133**	**125,979**
Non-current liabilities			
Loans and borrowings	4.7	1,557,652	1,557,652
Employee benefits	4.8	1,722	1,887
Deferred tax liabilities	4.10	140,072	124,212
Other liabilities	4.9	20,319	9,460
Total non-current liabilities		**1,719,765**	**1,693,211**
Total liabilities		**1,858,898**	**1,819,190**
Net assets		**1,919,044**	**1,800,352**
Equity			
Contributed equity	4.11	1,434,782	1,434,782
Retained earnings		484,262	365,570
Total equity		**1,919,044**	**1,800,352**

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 2018

	Notes	Retained earnings $'000	Contributed equity $'000	Total $'000
Balance at 1 July 2016		**266,951**	**1,434,782**	**1,701,733**
Participation return to Participants	4.12	(36,888)	-	(36,888)
Total distributions to Participants		**(36,888)**	**-**	**(36,888)**
Profit for the year		135,507	-	135,507
Balance at 30 June 2017		**365,570**	**1,434,782**	**1,800,352**
Participation return to Participants	4.12	(713)	-	(713)
Total distributions to Participants		**(713)**	**-**	**(713)**
Profit for the year		119,405	-	119,405
Balance at 30 June 2018		**484,262**	**1,434,782**	**1,919,044**

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 2018

	Notes	2018 Inflow (Outflow) $'000	2017 Inflow (Outflow) $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		546,848	526,224
Developer contributions		76,213	91,471
Government grants and subsidies		4,053	3,642
Interest received		3,942	3,556
GST input tax credits from ATO		19,240	17,997
Payments to suppliers (inclusive of GST)		(285,917)	(268,200)
Employee expenses		(68,521)	(69,510)
Finance and borrowing costs		(78,137)	(80,077)
Income tax equivalent		(54,228)	(26,682)
Net cash inflow from operating activities	4.1.2	**163,493**	**198,421**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,120	2,294
Payments for property, plant and equipment		(114,512)	(128,665)
Payments for intangibles		(8,238)	(5,717)
Loan to controlled entity		-	(1,686)
Net cash (outflow) from investing activities		**(121,630)**	**(133,774)**
Cash flows from financing activities			
Proceeds from borrowings (Queensland Treasury Corporation)		37,002	78,876
Borrowing redemptions		(37,000)	(78,878)
Participation return payments		(22,487)	(39,042)
Net cash (outflow) from financing activities		**(22,485)**	**(39,044)**
Net increase in cash and cash equivalents		19,378	25,603
Cash and cash equivalents at beginning of financial year		102,980	77,377
Cash and cash equivalents at end of financial year	4.1.1	**122,358**	**102,980**

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 2018

1 NOTES ABOUT THIS FINANCIAL REPORT

1.1 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. Refer to note 4.11 for Participation Rights allocation.

Unitywater's primary activities for its geographic area are set out in Section 11(1) of the Restructuring Act.

1.2 BASIS OF PREPARATION

1.2.1 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 to statutory bodies).

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 27 August 2018.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

1 NOTES ABOUT THIS FINANCIAL REPORT

1.2 BASIS OF PREPARATION

1.2.2 The reporting entity

The financial statements include all income, expenses, assets, liabilities and equity of Unitywater (the parent entity) only. The transactions and balances of the directly controlled entity (Unitywater Properties Pty Ltd) are not considered material (refer to note 6.4).

1.2.3 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.

Further information about the assumptions made in measuring fair value is included in Note 4.4.3 and 5.1.5.

1.2.4 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.

1.2.5 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 gross 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.

1.2.6 Comparatives

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

1.2.7 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 2.1	Utility charges
Note 2.2	Developer contributions (non-cash)
Note 4.4.2(ii)	Asset valuation
Note 4.4.2(iii)	Depreciation
Note 4.4.3	Impairment testing
Note 4.8	Employee benefits
Note 4.10	Income tax
Note 5.2	Contingencies and commitments

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2 NOTES ABOUT INCOME

2.1 UTILITY CHARGES

	2018 $'000	2017 $'000
Water access charges	97,505	93,612
Water volumetric charges	203,020	197,377
Sewerage access charges	191,055	187,689
Sewerage volumetric charges	34,611	34,117
	526,191	**512,795**

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.

2.2 DEVELOPER CONTRIBUTIONS

	2018 $'000	2017 $'000
Developer contributions - donated assets	74,332	54,949
Developer contributions - cash	68,271	75,296
	142,603	**130,245**

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.

Refundable infrastructure offsets 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 2018

2 NOTES ABOUT INCOME

2.3 OTHER INCOME

	2018 $'000	2017 $'000
Fees and charges	7,882	7,667
Grants and subsidies	4,053	3,642
Interest	3,942	3,556
Private works	8,964	8,796
Other revenue	2,613	2,822
	27,454	**26,483**

3 NOTES ABOUT EXPENSES

3.1 BULK WATER AND SUPPLIES AND SERVICES

3.1.1 Bulk water

Bulk water purchases consist of water purchased from Seqwater which is the sole supplier of bulk water to Unitywater. The price Unitywater pays for bulk water is recommended by the Queensland Competition Authority and determined by the State government. Bulk water purchases are recognised as an expense in the period that the water is provided.

3.1.2 Supplies and services

	2018 $'000	2017 $'000
Materials and services	85,674	77,929
Consultants and legal fees	2,046	2,546
Other supplies and consumables	889	833
	88,609	**81,308**

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

3.2 EMPLOYEE EXPENSES

	2018 $'000	2017 $'000
Salaries and wages	48,350	47,598
Restructuring costs	704	4,725
Employer superannuation contribution	5,448	5,739
Payroll tax	2,911	3,030
Board members' fees	362	355
Other employee expenses	3,349	2,637
	61,124	**64,084**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3 NOTES ABOUT EXPENSES

3.2 EMPLOYEE EXPENSES

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:

	2018	2017
Number of employees	619	615

3.3 SUPERANNUATION

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

Local Government Superannuation Scheme - LGIAsuper

Unitywater contributes to the LGIAsuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIAsuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act 2009*.

The scheme is a defined benefit plan, however Unitywater is not able to account for it as a defined benefit plan in accordance with AASB 119 *Employee Benefits* because LGIAsuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of Unitywater.

Technically Unitywater can be liable to the scheme for a portion of another entities obligations should that entity be unable to meet them. However, the risk of this occurring is extremely low and in accordance with the LGIAsuper trust deed, changes to Unitywater's obligations will only be made on the advice of an actuary.

The last completed 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." Unitywater is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have 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.

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.
Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 63 entities contributing to the scheme and any changes in contribution rates would apply equally to all 63 entities. Unitywater made less than 4% of the total contributions to the plan in the 2017-18 financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3 NOTES ABOUT EXPENSES

3.3 SUPERANNUATION

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

	2018 $'000	2017 $'000
Superannuation plan		
Regional defined benefit fund - LGIAsuper	482	722
Accumulation benefit fund - LGIAsuper	4,852	5,451
Other defined contribution funds	888	473
Total	**6,222**	**6,646**

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 $5,447,579 (2017: $5,739,046).

3.4 FINANCE AND BORROWING COSTS

	2018 $'000	2017 $'000
Interest costs	76,186	78,645
Other financial costs	1,337	1,203
	77,523	**79,848**

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. Where material, 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.

No borrowings were used to fund capital projects in 2017-18 (2017: nil).

3.5 OTHER EXPENSES

	2018 $'000	2017 $'000
Insurance	1,320	1,185
Audit fees (internal and external)*	579	571
Impairment of trade receivables	185	21
Loss on disposal of property, plant and equipment	2,888	9,669
Other	1,004	868
	5,976	**12,314**

*Total external audit fees quoted by the Queensland Audit Office (QAO) relating to the 2017-18 financial statements are estimated to be $245,000 (2017: $245,000). There are no non-audit services included in this amount. An additional $5,000 (2017: nil) was paid to QAO for the audit of a special purpose financial report of Unitywater's Waste to Energy Project (Activity) to meet the requirements of the Advancing Renewables Programme Funding Agreement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.1 CASH AND CASH EQUIVALENTS

4.1.1 Cash and cash equivalents

	2018 $'000	2017 $'000
Cash at bank and on hand	122,358	102,980
Cash and cash equivalents in the Statement of Cash Flows	**122,358**	**102,980**

Cash and cash equivalents comprise cash on hand and at bank, cheques receipted not banked, deposits held on call, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

4.1.2 Reconciliation of cash flows from operating activities

	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit for the year	119,405	135,507
Non-Cash items included in operating result:		
Depreciation	72,294	73,578
Amortisation of intangible assets	8,171	6,080
Loss on disposal of property, plant and equipment	2,888	9,669
Donated assets	(80,296)	(54,949)
Impairment losses on property, plant and equipment	114	1,809
Impairment losses on trade receivables	185	21
Change in assets and liabilities		
(Increase) / Decrease in trade and other receivables	(2,965)	663
(Increase) / Decrease in inventories	(126)	6
(Increase) / Decrease in prepayments	(1,524)	161
Increase in trade and other payables	12,351	6,807
(Decrease) in employee benefits	(30)	(1,647)
Increase in other liabilities	17,166	8,759
Increase in deferred tax liabilities	15,860	11,957
Net cash inflow from operating activities	**163,493**	**198,421**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.2 TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Current		
Trade debtors	114,332	110,827
Less: Provision for impairment	(1,388)	(1,198)
	112,944	109,629
GST receivable	2,126	2,649
Other receivables	1,722	1,739
Total	**116,792**	**114,017**

Trade and other receivables are recognised at the present value of the 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. Other receivables include an intercompany loan receivable from Unitywater Properties Pty Ltd $1,686,379 (2017: $1,686,379).

Collectability of trade and other receivables is reviewed on an ongoing basis with provision being made for impairment (incorporating nature, age and history of the debt). Movements in the provision for impairment are recognised as an expense. Individual debts that are uncollectable are written off when identified. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss.

	2018 $'000	2017 $'000
Movements in the provision for impairment loss		
Balance at 1 July	1,198	1,313
Increase/(Decrease) in allowance	190	(115)
Balance at 30 June	**1,388**	**1,198**

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

	Gross $'000	Impairment $'000	Total $'000
Trade and other receivables			
2018			
Past due 0-30 days	5,152	-	5,152
Past due 31-60 days	934	-	934
Past due 61-90 days	1,329	-	1,329
More than 91 days	4,467	1,388	3,079
	11,882	**1,388**	**10,494**
2017			
Past due 0-30 days	6,064	-	6,064
Past due 31-60 days	963	-	963
Past due 61-90 days	1,089	-	1,089
More than 91 days	4,361	1,198	3,163
	12,477	**1,198**	**11,279**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.3 OTHER CURRENT ASSETS

	2018 $'000	2017 $'000
Prepayments	4,713	3,189
Inventories held for use (cost)	1,323	1,197
Non-current assets held for sale	334	-
Total	**6,370**	**4,386**

An amount of $3,118,067 (2017: $3,015,883) of inventory was recognised as an expense during the year.

4.4 PROPERTY, PLANT AND EQUIPMENT

4.4.1 Carrying amount

	Land $'000	Buildings $'000	Infrastructure $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
2018						
Gross carrying amount	55,778	16,877	3,819,962	68,795	136,557	4,097,969
Accumulated depreciation	-	(1,897)	(555,302)	(25,250)	-	(582,449)
Accumulated impairment losses	-	-	(6,703)	(207)	-	(6,910)
Carrying amount	**55,778**	**14,980**	**3,257,957**	**43,338**	**136,557**	**3,508,610**
2017						
Gross carrying amount	55,928	20,226	3,649,491	68,183	105,529	3,899,357
Accumulated depreciation	-	(2,002)	(499,240)	(22,067)	-	(523,309)
Accumulated impairment losses	-	-	(8,833)	-	-	(8,833)
Carrying amount	**55,928**	**18,224**	**3,141,418**	**46,116**	**105,529**	**3,367,215**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.4 PROPERTY, PLANT AND EQUIPMENT

4.4.2 Movements

	Land $'000	Buildings $'000	Infrastructure $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
2018						
Carrying amount (opening)	55,928	18,224	3,141,418	46,116	105,529	3,367,215
Transfers between classes[1]	104	(3,085)	6,968	(710)	-	3,277
Transfers to held for sale	(334)	-	-	-	-	(334)
Additions	-	-	-	-	134,571	134,571
Transfers from work in progress	80	172	98,548	4,743	(103,543)	-
Donated assets	-	-	80,296	-	-	80,296
Disposals	-	-	(2,468)	(1,539)	-	(4,007)
Depreciation expense	-	(331)	(66,898)	(5,065)	-	(72,294)
Impairment losses	-	-	93	(207)	-	(114)
Carrying amount (closing)	**55,778**	**14,980**	**3,257,957**	**43,338**	**136,557**	**3,508,610**
2017						
Carrying amount (opening)	52,449	18,549	3,081,576	43,155	76,801	3,272,530
Additions	-	-	-	-	125,947	125,947
Transfers from work in progress	3,485	162	83,665	9,907	(97,219)	-
Donated assets	-	-	54,949	-	-	54,949
Disposals	(6)	(92)	(9,077)	(1,649)	-	(10,824)
Depreciation expense	-	(395)	(67,886)	(5,297)	-	(73,578)
Impairment losses	-	-	(1,809)	-	-	(1,809)
Carrying amount (closing)	**55,928**	**18,224**	**3,141,418**	**46,116**	**105,529**	**3,367,215**

[1] A Financial Fixed Asset Register rebuild was completed during the year resulting in a standard asset hierarchy linking financial values to all physical assets within the current asset management system. As part of this review it was identified that some assets had been assigned to an incorrect asset class and required transferring including assets with a cost of $3,521,084 and accumulated depreciation of $435,559 being transferred out of buildings and into other asset classes, primarily infrastructure. The written down value of the assets transferred is disclosed as a transfer between asset classes in the table above. Included as part of the transfers is reclassification of the easements class from intangible assets to the infrastructure class in property, plant and equipment.

4 NOTES ABOUT OUR FINANCIAL POSITION

4.4 PROPERTY, PLANT AND EQUIPMENT

4.4.2 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 value had been their cost.

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for Unitywater. 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.

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset. Components are separately recorded and valued on the same basis as the asset class to which they relate.

Unitywater's complex assets are its infrastructure distribution networks.

ii. **Asset valuation**

Property, plant and equipment is measured at historical cost less accumulated depreciation and accumulated impairment losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.4 PROPERTY, PLANT AND EQUIPMENT

4.4.2 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:

Class	Useful life
Buildings	40 - 60 years
Infrastructure assets	
Water infrastructure assets	10 - 100 years
Sewer infrastructure assets	15 - 160 years
Plant and equipment	5 - 25 years

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 Profit or Loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.4 PROPERTY, PLANT AND EQUIPMENT

4.4.3 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. 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 of $207,433 was recognised in relation to plant and equipment in the Statement of Profit or Loss. Separately, in the ordinary course of business, an impairment reversal of $93,178 was recognised in relation to infrastructure assets (2017: impairment of $1,809,407) in the Statement of Profit or Loss.

4.5 INTANGIBLE ASSETS

4.5.1 Carrying amount

	Software $'000	Utility easements $'000	Work in progress $'000	Total $'000
2018				
Cost	58,021	-	2,227	60,248
Accumulated amortisation	(36,436)	-	-	(36,436)
Carrying amount	**21,585**	**-**	**2,227**	**23,812**
2017				
Cost	50,801	3,277	6,132	60,210
Accumulated amortisation	(29,266)	-	-	(29,266)
Carrying amount	**21,535**	**3,277**	**6,132**	**30,944**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.5 INTANGIBLE ASSETS

4.5.2 Movements

	Software $'000	Utility easements $'000	Work in progress $'000	Total $'000
2018				
Carrying amount (opening)	21,535	3,277	6,132	30,944
Transfers between classes[1]	-	(3,277)	-	(3,277)
Additions	-	-	4,316	4,316
Transfers from work in progress	8,221	-	(8,221)	-
Amortisation	(8,171)	-	-	(8,171)
Carrying amount (closing)	**21,585**	**-**	**2,227**	**23,812**
2017				
Carrying amount (opening)	25,203	3,130	2,874	31,207
Additions	-	-	5,817	5,817
Transfers from work in progress	2,412	147	(2,559)	-
Amortisation	(6,080)	-	-	(6,080)
Carrying amount (closing)	**21,535**	**3,277**	**6,132**	**30,944**

[1] Refer to Note 4.4.2

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 software are capitalised. The cost of software includes the cost of all materials, direct labour, other directly attributable costs, borrowing costs and an appropriate proportion of overheads attributable during the configuration 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:

Intangible asset	Useful life
Software	4 – 10 years
Utility easements	Indefinite

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.6 TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Current		
Trade creditors	24,685	23,447
Participation return payable	-	21,774
Interest payable	18,876	19,490
Accrued expenses	36,185	24,938
Income tax equivalent payable	26,369	9,825
Other	1,846	1,775
Total	**107,961**	**101,249**

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.

4.7 LOANS AND BORROWINGS

4.7.1 Compositions of loans

	2018 $'000	2017 $'000
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**

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.

No assets have been pledged as security for any liabilities. All borrowings are in Australian dollar denominated amounts and carried at amortised cost. The fair value of the loans and borrowings subsequently measured at amortised cost is set out in Note 5.1.5. There have been no defaults or breaches of the loan agreements during the 2017-18 financial year (2017: none).

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.

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 maturity profile is disclosed in Note 5.1.4 along with Unitywater's other financial liabilities.

The weighted average rate of borrowings for the year is 4.85% (2017: 5.01%). Interest payments are made quarterly in arrears at rates ranging from 3.88% to 5.18% (2017: 4.06% to 5.33%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.7 LOANS AND BORROWINGS

4.7.1 Compositions of loans

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.

		Interest rate risk			
		-1%		+1%	
	Net carrying amounts $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2018					
Financial assets	122,229	(1,222)	(1,222)	1,222	1,222
Financial liabilities	(1,557,652)	788	788	(772)	(772)
Sensitivity (net)	**(1,435,423)**	**(434)**	**(434)**	**450**	**450**
2017					
Financial assets	101,534	(1,015)	(1,015)	1,015	1,015
Financial liabilities	(1,557,652)	785	785	(767)	(767)
Sensitivity (net)	**(1,456,118)**	**(230)**	**(230)**	**248**	**248**

4.7.2 Financing arrangements at balance date

	2018 $'000	2017 $'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	50,000
Loans	1,557,652	1,557,652
	1,608,452	**1,608,452**
Facilities not utilised at balance date:		
Bank overdraft	50	50
Credit card	713	711
Working capital	50,000	50,000
	50,763	**50,761**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.8 EMPLOYEE BENEFITS

	2018 $'000	2017 $'000
Current		
Accrued salaries and wages	4,360	4,981
Annual leave	5,146	4,746
Long service leave	7,115	6,747
Leave in lieu	177	189
Total	**16,798**	**16,663**
Non-current		
Long service leave	1,722	1,887
Total	**1,722**	**1,887**

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.

Employee benefits are recognised as a current liability where Unitywater does not have an unconditional right to defer settlement beyond 12 months after the reporting date.

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 and long service leave**

A liability for annual leave and long service leave expected to be settled within 12 months of the reporting date is recognised in respect of employee's service up to the reporting date and is measured at current salary and wage rates and includes related employee on-costs. Leave expected to be settled more than 12 months after the reporting date is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

For long service leave, consideration is also given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments relating to such leave is 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.

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**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.9 OTHER LIABILITIES

	2018 $'000	2017 $'000
Current		
Unearned revenue	9,540	5,326
Security deposits and retentions	3,284	2,681
Other payables	1,550	60
Total	**14,374**	**8,067**
Non-current		
Unearned revenue	20,319	9,460
Total	**20,319**	**9,460**

Revenue received in advance of work being performed or goods and services being provided is deferred and is recognised in the Statement of Profit or Loss on delivery of the goods or service. Cash developer contributions for specific assets are recognised as a liability where that specific asset has not been constructed at reporting date.

4.10 INCOME TAX

4.10.1 Income tax expense

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 (referred to as income tax 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 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.10 INCOME TAX

4.10.1 Income tax expense

	2018 $'000	2017 $'000
Income tax expense recognised in profit or loss		
Current tax expense		
Current income tax charge	39,658	32,860
Adjustments for current income tax of prior years	31,114	-
Current tax expense	70,772	32,860
Deferred tax expense		
Deferred income tax charge	22,055	13,231
Adjustments for deferred income tax of prior years	(6,195)	(1,274)
Deferred tax expense	15,860	11,957
Total income tax expense	**86,632**	**44,817**
Reconciliation of effective tax rate		
Profit (loss) before income tax	206,037	180,324
Income tax expense at 30%	61,811	54,097
Recognition of previously unrecognised temporary differences	24,919	(1,274)
Non deductible expenses	10	12
Change in unrecognised temporary differences subject to initial recognition exemption	(108)	(8,018)
Income tax expense	**86,632**	**44,817**

Tax adjustments relating to changes in self-assessed asset effective lives

During the 2018 financial year Unitywater lodged amended tax returns with the Tax Assessor for the tax years 2011 to 2017 resulting in an accumulative increase to current tax expense of $31,113,780 and a related decrease to the deferred tax liability of $6,194,657. Amendments apply self-assessed asset effective lives in the calculation of depreciation deductions against taxable income which differ from previously applied tax asset effective lives. Adjustment is made to ensure efficient and effective administration of asset data in future reporting periods with the primary purpose of reducing Unitywater's tax risk profile.

4.10.2 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 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.10 INCOME TAX

4.10.2 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Property, plant and equipment	-	-	(144,442)	(128,413)	(144,442)	(128,413)
Employee benefits	3,953	3,513	-	-	3,953	3,513
Other provisions and accruals	549	836	-	-	549	836
Prepayments	-	-	(85)	(56)	(85)	(56)
Other items	2	3	(49)	(95)	(47)	(92)
Tax asset (liability)	4,504	4,352	(144,576)	(128,564)	(140,072)	(124,212)
Set off	(4,504)	(4,352)	4,504	4,352	-	-
Net tax asset (liability)	-	-	(140,072)	(124,212)	(140,072)	(124,212)

4.10.3 Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at 1 July	4,352	4,152	(128,564)	(116,407)	(124,212)	(112,255)
Current year's income tax equivalent expense	152	200	(16,012)	(12,157)	(15,860)	(11,957)
Balance at 30 June	4,504	4,352	(144,576)	(128,564)	(140,072)	(124,212)

4.10.4 Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Depreciating assets transferred from Councils on 1 July 2010	-	-	(136)	(25,904)	(136)	(25,904)
Employee provisions transferred from Councils on 1 July 2010	742	840	-	-	742	840
Tax asset (liability)	742	840	(136)	(25,904)	606	(25,064)
Set off	(742)	(840)	742	840	-	-
Net tax asset (liability)	-	-	606	(25,064)	606	(25,064)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.11 CONTRIBUTED EQUITY

	2018 $'000	2017 $'000
Contributed equity	1,434,782	1,434,782
	1,434,782	1,434,782

On 1 July 2010, the Moreton Bay Regional Council and the Sunshine Coast 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 2018

4 NOTES ABOUT OUR FINANCIAL POSITION

4.12 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 liability for Participation return payable 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 Participation return may only be paid out of current year net profits of Unitywater.

The following Participation returns have been paid or are payable at 30 June 2018:

	2018 $'000	2017 $'000
In accordance with the Participation Agreement, an interim Participation return was declared on 23 January 2018 and paid on 15 February 2018.	17,599	15,114
The Board declared the full year Participation return on 27 June 2018. The interim Participation return was adjusted against the Income tax equivalent payable.	(16,886)	21,774
Total Participation return paid/payable	**713**	**36,888**
Moreton Bay Regional Council	415	21,483
Sunshine Coast Council	268	13,837
Noosa Council	30	1,568
Total	**713**	**36,888**

5 NOTES ABOUT RISKS AND OTHER UNCERTAINTIES

5.1 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 amortised cost

ii. loans and receivables - held at amortised cost

iii. payables - held at amortised cost

iv. borrowings - held at amortised cost

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5 NOTES ABOUT RISKS AND OTHER UNCERTAINTIES

5.1 FINANCIAL INSTRUMENTS

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

5.1.1 Categorisation of financial instruments

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

Category	Notes	2018 $'000	2017 $'000
Financial assets			
Cash and cash equivalents	4.1	122,358	102,980
Trade and other receivables	4.2	116,792	114,017
Total		**239,150**	**216,997**
Financial liabilities			
Trade and other payables	4.6	107,961	101,249
Loans and borrowings	4.7	1,557,652	1,557,652
Total		**1,665,613**	**1,658,901**

5.1.2 Financial risk management

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.

Risk exposure

Unitywater's activities expose it to a variety of financial risks as set out in the following table:

Risk exposure	Definition	Exposure
Credit risk	Credit risk is the risk of financial loss to Unitywater if a customer or another party fails to meet its obligations.	Unitywater is exposed to credit risk through its customers, investments with the Queensland Treasury Corporation (QTC) and deposits held with banks.
Liquidity risk	Liquidity risk is the risk that Unitywater may encounter difficulty in meeting obligations associated with financial liabilities which are settled by delivering cash or another financial asset.	Unitywater is exposed to liquidity risk through its trading in the normal course of business, and through borrowings from the QTC for its working capital requirements.
Market risk - interest rate risk	Interest rate risk is the risk that a value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates.	Unitywater is exposed to interest rate risk through its borrowings from QTC and Participating Councils, investment with QTC and cash deposited in interest bearing accounts. Unitywater does not trade in foreign currency and is not materially exposed to commodity price changes.

5 NOTES ABOUT RISKS AND OTHER UNCERTAINTIES

5.1 FINANCIAL INSTRUMENTS

5.1.2 Financial risk management

Risk measurement and management strategies

Unitywater measures risk exposure using a variety of methods, as follows:

Risk exposure	Measurement method	Risk management strategies
Credit risk	Ageing analysis	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 counterparties. 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 to 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.
Liquidity risk	Maturity analysis	Unitywater manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.
Market risk - interest rate risk	Sensitivity analysis	Unitywater manages this 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.

5.1.3 Credit risk exposure

The maximum exposure to credit risk at 30 June 2018 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 4.1 and 4.2).

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.

5.1.4 Liquidity risk

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5 NOTES ABOUT RISKS AND OTHER UNCERTAINTIES

5.1 FINANCIAL INSTRUMENTS

5.1.4 Liquidity risk

	Financial liabilities				
	Carrying amount	Cash flows payable in			Total cash flows
	$'000	<1 year $'000	1-5 years $'000	>5 years $'000	$'000
2018					
Trade and other payables	107,961	107,961	-	-	107,961
PLG Loans	1,160,652	58,729	233,059	1,757,705	2,049,493
QTC borrowings	397,000	14,997	59,472	397,000	471,469
Total	**1,665,613**	**181,687**	**292,531**	**2,154,705**	**2,628,923**
2017					
Trade and other payables	101,249	101,249	-	-	101,249
PLG Loans	1,160,652	60,557	240,487	1,837,022	2,138,066
QTC borrowings	397,000	15,563	61,537	397,000	474,100
Total	**1,658,901**	**177,369**	**302,024**	**2,234,022**	**2,713,415**

5.1.5 Fair value

Unitywater has not recognised any financial assets or financial liabilities at fair value.

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.

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
2018		
Participating Councils		
Subordinated loans	1,160,652	1,374,734
QTC borrowings		
Client Specific Pool	397,000	411,874
Total	**1,557,652**	**1,786,608**
2017		
Participating Councils		
Subordinated loans	1,160,652	1,212,567
QTC borrowings		
Client Specific Pool	397,000	414,608
Total	**1,557,652**	**1,627,175**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5 NOTES ABOUT RISKS AND OTHER UNCERTAINTIES

5.2 CONTINGENCIES AND COMMITMENTS

5.2.1 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:

	2018 $'000	2017 $'000
Within one year	2,759	2,684
Between one and five years	11,979	11,623
More than five years	3,668	6,823
	18,406	**21,130**

Unitywater leases various land and buildings. 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 $2,593,150 (2017: $2,436,253) was recognised as an expense in the Statement of Profit or Loss in respect of operating leases.

ii. Leases as lessor

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

	2018 $'000	2017 $'000
Within one year	1,533	1,389
Between one and five years	4,974	4,808
More than five years	6,336	6,826
	12,843	**13,023**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5 NOTES ABOUT RISKS AND OTHER UNCERTAINTIES

5.2 CONTINGENCIES AND COMMITMENTS

5.2.2 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:

	2018 $'000	2017 $'000
Property, plant and equipment		
Within one year	33,660	57,293
One year and no later than five years	1,877	20,226
More than five years	-	329
	35,537	**77,848**
Intangibles		
Within one year	51	983
One year and no later than five years	30	39
	81	**1,022**

5.2.3 Contingencies

Legal claims

A number of construction claims may be made by Unitywater contractors against Unitywater, the financial effect and timing of which cannot be estimated as at the date of this report. Unitywater does not admit liability.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER NOTES

6.1 KEY MANAGEMENT PERSONNEL

6.1.1 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:

	2018 Remuneration $	2017 Remuneration $
Jim Soorley	115,510	113,181
Barry Casson	61,604	60,338
Sharon Doyle	67,105	65,726
Mike Williamson	61,604	60,338
Fiona Waterhouse	61,604	50,282
	367,427	**349,865**

6.1.2 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 can be found in the body of the Annual Report under the section relating to Our Structure - Executive Leadership Team.

Position	Responsibilities
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.
Chief Financial Officer	Responsible for managing strategy, business development, corporate performance, financial reporting, tax, treasury, financial systems, procurement, pricing and economic regulation and Unitywater's information technology environment.
Executive Manager Sustainable Infrastructure Solutions	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.
Executive Manager Customer Delivery	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.
Executive Manager Customer and Community	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 and revenue assurance.
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, risk management and legal and governance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER NOTES

6.1 KEY MANAGEMENT PERSONNEL

6.1.3 Remuneration for key executive management personnel

Remuneration and other terms of employment for Unitywater's key executive management personnel are determined by the Board and specified in individual employment contracts. The contracts provide for the provision of fixed term and performance-related cash payments, including:

- Short-term employee benefits:
  - Salaries, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position;
  - Performance payments; and
  - Non-monetary benefits (e.g. special leave provisions).
- Long term employee benefits include long service leave accrued
- Post-employment benefits include superannuation contributions

Performance payments of key executive management are capped at 20% of Fixed Annual Remuneration (FAR). Amounts payable are tied to the achievement of pre-determined organisational, business unit and individual performance targets as agreed by the Board and the Chief Executive Officer. Performance payments require endorsement by the Nominations and Remuneration Committee and approval by the Board.

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.

All remuneration component amounts are reviewed annually and 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.

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.

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 2018

6 OTHER NOTES

6.1 KEY MANAGEMENT PERSONNEL

6.1.3 Remuneration for key executive management personnel

Remuneration for key executive management personnel comprises the following components:

1 July 2017 - 30 June 2018

Position	Short term employee benefits		Post employment benefits[3]	Long term employee benefits[4]	Total remuneration
	Monetary[1] $	Non-monetary benefits[2] $	$	$	$
Chief Executive Officer	481,369	-	25,000	19,219	525,588
Chief Financial Officer	408,158	-	25,000	13,791	446,949
Executive Manager Sustainable Infrastructure Solutions (1 July 2017 - 14 January 2018)	152,340	-	10,614	2,588	165,542
Executive Manager Sustainable Infrastructure Solutions (acting 15 January 2018 - 10 June 2018) (appointed 11 June 2018)	96,960	-	12,601	13,085	122,646
Executive Manager Customer Delivery	322,780	-	25,000	3,428	351,208
Executive Manager Customer and Community	332,896	-	20,351	6,283	359,530
Executive Manager People Culture & Safety	287,838	-	25,000	5,688	318,526
General Counsel & Company Secretary[5] (acting) (1 July 2017 - 29 September 2017)	47,834	-	2,484	557	50,875
Total remuneration	**2,130,175**	**-**	**146,050**	**64,639**	**2,340,864**

1 Short term monetary benefits include:
- salaries and allowances paid and provided for 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 The role of General Counsel & Company Secretary was discontinued. The role of Company Secretary ceased to be KMP. Legal governance and risk functions were transferred to Executive Manager People, Culture & Safety.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER NOTES

6.1 KEY MANAGEMENT PERSONNEL

6.1.3 Remuneration for key executive management personnel

1 July 2016 - 30 June 2017

Position	Short term employee benefits		Post employment benefits[3]	Long term employee benefits[4]	Total remuneration
	Monetary[1] $	Non-monetary benefits[2] $	$	$	$
Chief Executive Officer	487,921	-	29,359	10,022	527,302
Chief Financial Officer	364,713	-	25,492	6,949	397,154
Executive Manager Sustainable Infrastructure Solutions[6]	272,956	-	22,226	4,083	299,265
Executive Manager Customer Delivery (acting) (25 April 2016 - 11 September 2016)	44,305	7,028	1,596	590	53,519
Executive Manager Customer Delivery (12 September 2016 - current)	236,426	-	20,672	-	257,098
Executive Manager Customer and Community[7]	329,893	-	21,432	(3,358)	347,967
Executive Manager People Culture & Safety	275,365	-	22,238	4,254	301,857
General Counsel & Company Secretary (1 July 2016 - 28 April 2017)	187,810	-	14,994	(4,285)	198,519
General Counsel & Company Secretary (acting) (1 May 2017 - 30 June 2017)	33,850	-	3,003	268	37,121
Total remuneration	**2,233,239**	**7,028**	**161,012**	**18,523**	**2,419,802**

6 The Infrastructure Planning & Capital Delivery business unit was renamed to Sustainable Infrastructure Solutions.

7 The Retail Services business unit was renamed to Customer and Community.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER NOTES

6.1 KEY MANAGEMENT PERSONNEL

6.1.4 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 2 November 2017.

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:

	2018 Remuneration $	2017 Remuneration $
Performance payments paid	263,251	291,536

6.2 RELATED PARTIES

6.2.1 Transactions with Participating Councils

The amount of revenue and expenditure and the amount receivable or payable to Participating Councils are as follows:

	Moreton Bay Regional Council		Sunshine Coast Council*		Noosa Council		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue								
Utility charges	5,453	5,951	4,647	4,480	949	966	11,049	11,397
Other revenue	2,303	1,689	1,601	4,065	253	200	4,157	5,954
	7,756	7,640	6,248	8,545	1,202	1,166	15,206	17,351
Expenses								
Supplies and services	1,238	1,296	2,476	400	20	7	3,734	1,703
Interest on loans	35,070	36,085	22,502	23,154	2,549	2,623	60,121	61,862
Taxation equivalents	42,029	19,947	27,069	12,847	3,067	1,456	72,165	34,250
Participation returns	415	21,483	268	13,837	30	1,568	713	36,888
	78,752	78,811	52,315	50,238	5,666	5,654	136,733	134,703
Amounts receivable								
Utility charges	551	914	575	576	107	112	1,233	1,602
Other receivables	61	196	32	70	21	19	114	285
Developer contributions - cash	-	-	-	25	-	-	-	25
	612	1,110	607	671	128	131	1,347	1,912
Amounts payable								
Interest payable	8,767	9,021	5,626	5,789	637	656	15,030	15,466
Supplies and services	2	2	-	-	-	-	2	2
Taxation equivalents	16,169	6,532	10,414	4,207	1,180	477	27,763	11,216
Participation returns	-	12,681	-	8,168	-	925	-	21,774
	24,938	28,236	16,040	18,164	1,817	2,058	42,795	48,458
Loans and borrowings								
Loans	677,025	677,025	434,409	434,409	49,218	49,218	1,160,652	1,160,652
	677,025	677,025	434,409	434,409	49,218	49,218	1,160,652	1,160,652

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

Refer to Note 6.4 for details relating to transactions with controlled entities.

*Suncentral Maroochydore Pty Ltd is a wholly owned subsidiary of Sunshine Coast Council and is also a related party of Unitywater. Transactions between Unitywater and Suncentral Maroochydore Pty Ltd are included in Sunshine Coast Council in the table above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER NOTES

6.2 RELATED PARTIES

6.2.2 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.

A Board member is the Managing Director and major shareholder of InterFinancial Corporate Finance Limited. Unitywater recognised $32,475 as an expense during 2017-18 for consultancy services provided by that entity (2017: $84,600). This entity was engaged on an arm's length basis under normal commercial terms and conditions.

6.2.3 Key executive management personnel transactions

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

A professional services company controlled by a close family member of a key executive management personnel was engaged by Unitywater to provide assistance with the development of Unitywater's Corporate Strategy during the financial year. Unitywater recognised $44,800 as an expense during 2017-18 for the preparation and facilitation of strategy workshops (2017: $10,000). The procurement of the services acquired was based on normal commercial terms and conditions. At 30 June 2018, $5,600 remained outstanding as a trade and other payable.

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

6.3 NEW AND REVISED ACCOUNTING STANDARDS

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below.

Estimated impact of the adoption of AASB 9 and AASB 15

Unitywater is required to adopt AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. Unitywater has assessed the estimated impact that the initial application of AASB 9 and AASB 15 will have on its financial statements. The estimated impact of the adoption of these standards on Unitywater's equity at 1 July 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standards may change because the new accounting policies are subject to change until Unitywater presents its first financial statements that include the date of initial application.

	As reported at 30 June 2018 $'000	Estimated adjustments due to adoption of AASB 9 $'000	Estimated adjustments due to adoption of AASB 15 $'000	Estimated adjusted opening balance at 1 July 2018 $'000
Retained earnings - 1 July 2018	484,262	495	2,949	487,706

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER NOTES

6.3 NEW AND REVISED ACCOUNTING STANDARDS

The total estimated adjustment (net of tax) to the opening balance of Unitywater's equity at 1 July 2018 is $3,444,332. The principal components of the estimated adjustment are as follows:

i. An increase of $2,949,480 in retained earnings due to a new point of revenue recognition for developer contributions (see AASB 15 ii. below).

ii. An increase of $494,852 in retained earnings due to adoption of a new expected credit loss impairment model on financial assets, including additional trade receivables and contract assets recognised on initial application of AASB 15 (see AASB 9 ii. below).

AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised from contracts with customers. The new standard replaces existing revenue recognition guidance. Revenue is recognised when (or as) a performance obligation is satisfied by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. This standard will first apply to the financial statements of Unitywater for 2018-19.

Only contracts that pertain to customers are assessable under AASB 15, which requires careful analysis of the circumstances to confirm whether a customer relationship exists. This standard includes detailed requirements for the accounting of certain types of revenue from customers under a five-step process which is used to identify the contract, identify performance obligations, determine the transaction price, allocate the transaction price and recognise revenue.

Unitywater has reviewed all of its revenue streams against the five-step process set out in the standard. There is limited change from current recognition processes which will not result in a substantial change to the timing of revenue recognition. Unitywater is expecting the following impact from the adoption of the new standard on 1 July 2018:

i. Utility charges - No material change to amount and timing of revenue recognition with revenue continuing to be recognised over time.

ii. Developer Contributions - A new point of revenue recognition whereby revenue is earned when the developer obtains control of the benefit of the connection service i.e. the point at which the developer meets all conditions of connection approval and obtains the right to connect to Unitywater's network. The net impact on adoption is expected to be an increase of $2,949,480.

iii. Other income - No material changes. Limited change to timing of revenue recognition for application, connection and search fees which will be adjusted (subject to materiality) to reflect the average time taken to deliver the services.

iv. The approach of recognising unearned income as a liability in the Statement of Financial Position will continue, however the classification will change from "unearned revenue" to "contract liability".

Transition

The standard permits either a full retrospective or a modified retrospective (simplified transition method) approach for the adoption. Unitywater plans to adopt the new standard on the required effective date using the simplified transition approach where the financial statements are retrospectively adjusted but the cumulative impact is recognised in retained earnings at the date of initial application without restating any comparative periods presented.

Disclosures

Adoption of the new standard using the modified retrospective approach requires disclosure of the amount by which each financial statement line item is affected in 2018-19 by the application of AASB 15 as compared to AASB 18 *Revenue* and related interpretations that were in effect before the change. Additional qualitative information will be required in the financial statements regarding the nature of the goods and services transferred and satisfaction of

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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6 OTHER NOTES

6.3 NEW AND REVISED ACCOUNTING STANDARDS

performance obligations. The notes must also outline the movements in receivables, contract assets (accrued revenue currently reported under trade receivables) and contract liabilities (currently unearned revenue) from contracts with customers with relevant explanations to highlight the change. Currently the movements in these items are not disclosed in the notes to the financial statements.

AASB 9 *Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*

These standards will first apply to the financial statements of Unitywater for 2018-19. The main impacts of these standards are changes to the requirements for the classification, measurement, impairment and disclosures associated with Unitywater's financial assets. AASB 9 will introduce new criteria for whether financial assets can be measured at amortised cost or fair value dependent upon the business model in which assets are managed and their cash flow characteristics. AASB 9 also introduces a new forward looking expected credit loss (ECL) impairment model for financial assets.

Unitywater has reviewed its financial assets and financial liabilities and is expecting the following impact from the adoption of the new standard on 1 July 2018:

i. Cash and cash equivalents are to be classified as subsequently measured at amortised cost (previously held at fair value).

ii. Trade receivables will be classified and measured at amortised cost similar to the current classification of loans and receivables. Unitywater must estimate ECL's for all trade receivables and contract assets including those that have no indicators of being uncollectable. Unitywater will be adopting the simplified ECL model for its trade receivables and contract assets (arising from AASB 15) and measure life time expected credit losses on all trade receivables and contract assets using a provision matrix. Applying this approach Unitywater has estimated the opening provision for impairment for trade receivables on 1 July 2018 to be $680,949, a decrease of $706,931 compared to the amount reported at 30 June 2018 $1,387,880, resulting in net receivables of $113,650,845 on transition.

iii. Unitywater has a loan to a controlled entity (Unitywater Properties Pty Ltd). This intercompany loan does not attract interest and does not have any fixed repayment terms. This loan does not meet the Solely Payment of Principal and Interest (SPPI) test and will no longer be categorised as amortised cost and will be measured at fair value through profit or loss. Given the fully controlled nature of the relationship and the planned usage for the property, it is not expected that the fair value will be lower than current carrying value.

iv. All financial liabilities listed in Note 5.1.1 will continue to be measured at amortised cost. Unitywater expects no impact on 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.

Transition

Changes in accounting policies resulting from the adoption of AASB 9 will generally be applied retrospectively however, Unitywater will take advantage of the exemption in AASB 9 allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment changes). Any adjustments to carrying amounts of financial assets or liabilities will be recognised at 1 July 2018 with the differences recognised in opening retained earnings.

Disclosures

Aside from a number of one-off disclosures in the 2018-19 financial statements to explain the impact of adopting AASB 9, a number of new or changed disclosure requirements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER NOTES

6.3 NEW AND REVISED ACCOUNTING STANDARDS

will apply from that time. Assuming no change in the types of financial instruments that Unitywater enters into, ongoing disclosure impacts are expected to be minimal.

AASB 16 *Leases*

This standard which specifies how to recognise, measure and disclose leases will first apply to the financial statements of Unitywater for 2019-20. Under AASB 16 the present value of Unitywater's operating lease commitments as defined under the new standard, excluding short-term and low value leases, will be shown as lease liabilities and corresponding right-of-use (ROU) assets on the Statement of Financial Position. Disclosure of the undiscounted amount of Unitywater's operating lease commitments under AASB 117 Leases is presented in note 5.2.1.

Unitywater has completed an initial assessment of the potential impact on its financial statements. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on composition of Unitywater's lease portfolio at that date, Unitywater's latest assessment of whether it will exercise any lease renewal options, the prevailing interest rates and the extent to which Unitywater elects to use practical expedients and recognition exemptions.

AASB 16 will affect primarily the accounting for Unitywater's operating leases in particular, long-term non-cancellable property leases for office buildings, which are expected to have a material impact when recognised in the Statement of Financial Position. Unitywater estimates that less than 1% of current undiscounted operating lease commitments relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

Based on initial high-level modelling, the amount of ROU assets and lease liabilities that will have to be recognised on adoption of the new standard (inclusive of exercise of lease term extension options) is estimated to be upward of $23,000,000. The total assets and liabilities on the Statement of Financial Position will increase with a decrease in net total assets due to the reduction of the ROU asset being on a straight-line basis whilst the liability reduces by the principal amount of payments. Net current assets will show a decrease due to a portion of the liability being classified as a current liability.

Operating lease payments will no longer be classified as operating expenses rather payments will be apportioned between a reduction in lease liability and finance charge. Additionally, operating expense will be replaced with interest and depreciation. Cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

Unitywater does not expect the adoption of AASB 16 to impact its ability to comply with the minimum credit metrics per long term debt arrangements.

AASB 16 substantially carries forward the lessor accounting requirements of AASB 117.

Determining whether an arrangement contains a lease

Unitywater intends to apply the grandfathering option under AASB 16 permitting the classification of existing contracts as leases under AASB 117 to be carried over to AASB 16. There are recognition exemptions for short-term leases and leases of low value items which Unitywater also intends to apply. Work to date has focused on identifying current contracts that will be in the scope of AASB 16 and identifying, reviewing and analysing the terms of these agreements to calculate the likely lease liabilities and related ROU assets to be recognised on transition (including modelling the impact of various transition options under the modified retrospective approach).

Transition

As a lessee, Unitywater can either apply the standard using a full retrospective or modified retrospective (simplified) approach. In accordance with policy expected to be mandated by Queensland Treasury, Unitywater plans to adopt the simplified approach. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 with no restatement of comparatives.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

6 OTHER NOTES

6.3 NEW AND REVISED ACCOUNTING STANDARDS

Disclosures

On transition an explanation of the relationship between the prior year operating lease commitments disclosed under AASB 117 and the opening lease liability on adoption of AASB 16 is required as well as additional disclosures on transition approach.

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.

First year application of new accounting standards or change in accounting policy

i. **Changes in accounting policy**
   Unitywater did not voluntarily change any of its accounting policies during 2017-18.

ii. **Accounting standards early adopted**
   No Australian Accounting Standards have been early adopted for 2017-18. Unitywater applies standards and interpretations in accordance with their respective commencement dates.

iii. **Accounting standards applied for the first time**
   There were no Australian Accounting Standards that became effective for the first time in 2017-18 which materially impacted on this financial report.

6.4 CONTROLLED ENTITIES

Unitywater Properties Pty Ltd

In January 2017, Unitywater participated in the formation of Unitywater Properties Pty Ltd and controls 100% of the share capital and voting rights of the company. Unitywater Properties Pty Ltd registered office is in Caboolture, Queensland, with its activities being conducted in the same regions as Unitywater's licence to provide water and sewerage services. The company is for-profit in nature, being formed solely to undertake property development with the intention of holding land that is:

i. not required for water and sewerage services and would therefore be classified as non-regulated; and

ii. has facilities that could alternatively be used for commercial purposes.

Share capital of Unitywater Properties consists of two shares of $1 each.

Unitywater is the sole contributor of resources to Unitywater Properties Pty Ltd via an intercompany loan. During 2017-18, funds provided to Unitywater Properties Pty Ltd totalled $Nil (2017: $1,686,379). The intercompany loan does not attract interest and does not have any fixed repayment terms.

Financial Information of Unitywater Properties:

	2018 $'000	2017 $'000
Total assets	1,686	1,686
Total liabilities	1,686	1,686
Total revenue	-	-
Total Operating result	-	-

MANAGEMENT CERTIFICATE
FOR THE YEAR ENDED 30 JUNE 2018

CERTIFICATE OF UNITYWATER FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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
27 August 2018

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

Chief Executive Officer

Signature
27 August 2018

Pauline Thomson
BBus (Acc), FCPA, GAICD

Chief Financial Officer

Signature
27 August 2018

Queensland Audit Office
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INDEPENDENT AUDITOR'S REPORT

To the Board of Northern SEQ Distributor-Retailer Authority

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Northern SEQ Distributor-Retailer Authority.

In my opinion, the financial report:

a) gives a true and fair view of the entity's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon.

Those charged with governance are responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of the entity for the financial report

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

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report.

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However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

28 August 2018

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane