

Annual Financial Report

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KEY

Judgements and Estimates



Risks



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 2019. 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 2018-19 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 \$151,800,132 (2018: \$119,405,401).

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 2018-19.

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 objective 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 2018-19 financial year were:

	Total amount 2019 \$'000	Total amount 2018 \$'000
Final participation return	34,981	713

Refer to Note 6.2 of the financial statements for details of Participation returns paid or payable.

REMUNERATION AND OTHER INTERESTS OF BOARD MEMBERS AND EXECUTIVES

Note 4.3 of the financial statements provides details of Board members' and executives' remuneration. Between 1 July 2018 and 30 June 2019, no Board member has received or become entitled to receive a benefit, other than as disclosed in that note. Any other interests Board members or executives have in Unitywater transactions are outlined in Note 9.3 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:

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

Insurance premiums

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

Board Members' Report

BOARD MEMBERS' MEETINGS

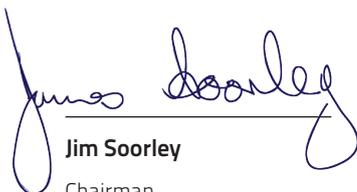
The numbers of meetings of Unitywater's Board members and each Board committee held and attended by each Board member during the year ended 30 June 2019 were:

Board Member	Board meetings	Committee meetings			
		Audit and Risk	Sustainability and Innovation	People and Culture ¹	Capital Works
Meetings held	10	4	5	3	5
Jim Soorley – Chairman	10	-	3	1	5
Barry Casson	9	4	-	3	-
Sharon Doyle	10	4	4	3	-
Mike Williamson	10	-	4	-	5
Fiona Waterhouse	10	4	5	-	-

¹The Nominations and Remuneration Committee became the People and Culture Committee in March 2019 to extend the committee's focus on Unitywater's culture. At that point the chairman joined the committee, therefore was only eligible to attend one meeting this financial year.

ROUNDING OF AMOUNTS

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



Jim Soorley

Chairman
Unitywater
28 August 2019
Caboolture, Queensland

Statement of Profit or Loss

for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Revenue			
Utility charges	3.1	549,483	526,191
Developer contributions	3.2	151,998	142,603
Other revenue	3.5	29,098	27,454
Total revenue		730,579	696,248
Expenses			
Bulk water purchases	3.3	(189,299)	(176,400)
Supplies and services	3.4	(88,293)	(89,946)
Employee expenses	4.1	(68,036)	(61,124)
Depreciation and amortisation	5.1, 5.2	(82,972)	(80,465)
Impairment losses	5.1	(34)	(114)
Borrowing costs	6.6	(73,940)	(76,186)
Other expenses	3.6	(11,344)	(5,976)
Total expenses		(513,918)	(490,211)
Profit before income tax expense		216,661	206,037
Income tax expense	8.1	(64,861)	(86,632)
Profit for the year		151,800	119,405

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

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.3	139,464	122,358
Trade and other receivables	6.4	126,669	116,792
Other current assets	9.1	7,481	6,370
Total current assets		273,614	245,520
Non-current assets			
Trade and other receivables	6.4	1,750	-
Property, plant and equipment	5.1	3,603,019	3,508,610
Intangible assets	5.2	23,807	23,812
Total non-current assets		3,628,576	3,532,422
Total assets		3,902,190	3,777,942
Current liabilities			
Trade and other payables	6.5	94,275	107,961
Contract liabilities	3.2	21,971	-
Employee benefits	4.4	18,369	16,798
Other liabilities	9.2	1,243	14,374
Total current liabilities		135,858	139,133
Non-current liabilities			
Contract liabilities	3.2	2,256	-
Borrowings	6.6	1,557,652	1,557,652
Employee benefits	4.4	1,829	1,722
Deferred tax liabilities	8.1	167,668	140,072
Other liabilities	9.2	-	20,319
Total non-current liabilities		1,729,405	1,719,765
Total liabilities		1,865,263	1,858,898
Net assets		2,036,927	1,919,044
Equity			
Contributed equity	6.2	1,434,782	1,434,782
Retained earnings		602,145	484,262
Total equity		2,036,927	1,919,044

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 2019

	Notes	Retained earnings \$'000	Contributed equity \$'000	Total \$'000
Balance at 1 July 2017		365,570	1,434,782	1,800,352
Participation return to Participants	6.2	(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
Adjustment on initial application of new accounting standards, net of tax	2	1,064	-	1,064
Restated balance at 1 July 2018		485,326	1,434,782	1,920,108
Participation return to Participants	6.2	(34,981)	-	(34,981)
Total distributions to Participants		(34,981)	-	(34,981)
Profit for the year		151,800	-	151,800
Balance at 30 June 2019		602,145	1,434,782	2,036,927

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 2019

	Notes	2019 Inflow (Outflow) \$'000	2018 Inflow (Outflow) \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		558,324	546,848
Developer contributions		68,285	76,213
Government grants and subsidies		3,998	4,053
Interest received		4,430	3,942
GST input tax credits from ATO		18,939	19,240
Payments to suppliers (inclusive of GST)		(284,521)	(285,917)
Payments to employees		(74,743)	(68,521)
Borrowing costs		(74,536)	(78,137)
Income tax payments		(64,066)	(54,228)
Net cash inflow from operating activities	6.3	156,110	163,493
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		4,670	1,120
Payments for property, plant and equipment		(119,277)	(114,512)
Payments for intangibles		(8,584)	(8,238)
Loan to controlled entity		(63)	-
Net cash (outflow) from investing activities		(123,254)	(121,630)
Cash flows from financing activities			
Proceeds from borrowings (Queensland Treasury Corporation)		47,000	37,002
Borrowing redemptions		(47,000)	(37,000)
Participation return payments		(15,750)	(22,487)
Net cash (outflow) from financing activities		(15,750)	(22,485)
Net increase in cash and cash equivalents		17,106	19,378
Cash and cash equivalents at beginning of financial year		122,358	102,980
Cash and cash equivalents at end of financial year	6.3	139,464	122,358

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 2019

1 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* (the Participation Agreement) and the Restructuring Act on behalf of its three Participating Councils, Moreton Bay Regional Council, Sunshine Coast Council and Noosa Council (the Participants).

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 6.2 for Participation Rights allocation.

Unitywater's primary function is the provision of water and sewerage services for its geographic area as 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 28 August 2019.

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 9.4).

1.2.3 Measurement basis

These financial statements have been prepared on an historical cost basis using the going concern assumption.

Additionally, fair value is used for other measurement purposes. 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 Notes 3.2, 5.1 and 7.1.

1 About this financial report

1.2 BASIS OF PREPARATION

1.2.4 Classification as Current or Non-current

An asset or liability is current if Unitywater expects to realise or settle it within twelve months of the reporting period.

In addition, cash or cash equivalents, and liabilities which Unitywater does not have the unconditional right to defer for at least twelve months after the reporting period, are considered current.

All other assets and liabilities are classified as non-current.

1.2.5 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.

1.2.6 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 Flows 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.

1.2.7 Comparatives

As a result of the modified retrospective application of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* (where the cumulative impact is recognised in retained earnings), comparative information has not been restated.



Use of estimates and judgements

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

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

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

Note 3.1	Utility charges
Note 3.2	Developer contributions - donated assets
Note 3.3	Bulk water purchases
Note 4.4	Employee benefits
Note 5.1	Property, plant and equipment
Note 5.2	Intangible assets
Note 6.4	Trade and other receivables
Note 7.3	Contingencies
Note 8.1	Income tax

2 Significant matters in the financial year

This section covers matters which have particularly affected the financial position and performance of Unitywater during the year ended 30 June 2019. Unitywater adopted new accounting standards *AASB 15 Revenue from Contracts with Customers* and *AASB 9 Financial Instruments* from 1 July 2018. The details of these standards as they relate to Unitywater, as well as the impact on our results and policies, are outlined below.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining the timing and value of revenue recognised from contracts with customers which supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related interpretations. Only contractual counterparties that are customers are assessed under AASB 15, which requires careful analysis of the circumstances to confirm whether a customer relationship exists (under a five-step process involving identifying the contract and performance obligations, determining the transaction price, allocating it and recognising revenue). The new standard replaces and enhances existing revenue recognition guidance as the new standard is based on the principle that revenue is recognised when an entity completes its performance obligations under a contract e.g. transfers goods to or performs services for the customer.

Unitywater applied judgement in reviewing the relevant facts and circumstances of all its revenue streams against the five-step process set out in the standard. There was limited change to recognition processes thus no substantial change to the timing of revenue recognition. Unitywater experienced the following impacts 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 on an output basis.
- ii. Developer Contributions - A new point of revenue recognition. Revenue from cash contributions and donated assets is now recognised when network capacity is made available to the developer i.e. the point at which Unitywater grants the developer the right to connect to its network. In prior periods, cash contribution revenue was recognised when funds were received or receivable and donated asset contribution revenue was recognised at the point Unitywater obtained control of the assets, with the latter occurring simultaneously with the right to connect under AASB 15. The net impact on adoption was an increase of \$467,710 (after tax) to retained earnings at 1 July 2018.
- iii. Other revenue - No material changes.
- iv. The approach of recognising unearned income from contracts with customers as a liability in the Statement of Financial Position continues, however the classification has changed from "other liabilities" to "contract liabilities".

Transition

The standard permits either a full retrospective or a modified retrospective (simplified transition method) approach for the adoption. Unitywater adopted the new standard on 1 July 2018 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. Unitywater has applied the simplified approach to all contracts at the date of initial application.

2 Significant matters in the financial year

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

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 introduced:

- i. 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; and
- ii. A new forward-looking expected credit loss (ECL) impairment model for financial assets, including trade receivables and leases.

AASB 9 replaced AASB 139 *Financial Instruments: Recognition and Measurement*.

For the new impairment model, key differences to the previous standard are that the receivable does not have to be overdue before a provision is raised and the value of the bad debt is based on an assessment of estimates of current and forecast losses. This concept is similar to general provisioning which anticipates that a loss may occur in the future. Under AASB 9 impairment losses will be recognised earlier compared to AASB 139 due to the forward-looking nature of the impairment model.

2 Significant matters in the financial year

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

Previously provisioning for these items was reviewed quarterly and based on historical data on expected losses. Under the new standard, a provision matrix based on historical default rates over the expected life of the trade receivables adjusted for forward-looking estimates is used, including both billed (trade receivables) and unbilled debtors (accrued utility revenue). The latter was not assessed under the previous standard's incurred loss model, however does require consideration under AASB 9's expected credit loss model.

Unitywater reviewed its financial assets and financial liabilities and the adoption of the new standard on 1 July 2018 had the following impacts:

- i. Following initial classification, cash and cash equivalents are now subsequently measured at amortised cost (previously held at fair value). Amortised cost is the value at maturity taking into account collectability and interest charges.
- ii. Trade receivables are classified and measured at amortised cost similar to the classification of loans and receivables. Unitywater estimates ECL's for all trade receivables (invoiced and accrued), including those that have no indicators of being uncollectable. Unitywater has adopted the simplified ECL model for its trade receivables (invoiced and accrued) - arising from AASB 15 - and measures life time expected credit losses on all trade receivables (invoiced and accrued) using a provision matrix. Applying this approach, Unitywater updated the opening provision for impairment of trade receivables (now referred to as expected credit losses) on 1 July 2018 to be \$536,386, a decrease of \$851,494 (pre-tax) compared to the amount reported at 30 June 2018 \$1,387,880, resulting in net trade receivables of \$113,795,408 on transition.
- iii. Unitywater's loan to controlled entity Unitywater Properties Pty Ltd continues to be measured at amortised cost. This long term intercompany loan attracts a market rate of interest and Unitywater's intention is to hold it to collect cash flows of principal and interest. Refer to Notes 6.4 and 9.4 for further details of this loan.
- iv. All financial liabilities listed in Note 7.1 continue to be measured at amortised cost. There is 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

Unitywater has taken 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). The adjustments to carrying amounts of financial assets or liabilities were recognised at 1 July 2018 with the differences recognised in opening retained earnings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2 Significant matters in the financial year

Impact of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards on Unitywater's financial statements at 1 July 2018 is summarised below:

	As reported at 30 June 2018 \$'000	Adjustments due to adoption of AASB 9 \$'000	Adjustments due to adoption of AASB 15 \$'000	Restated opening balance at 1 July 2018 \$'000
Retained earnings	(484,262)	(596)	(468)	(485,326)
Deferred tax liabilities	(140,072)	(255)	(201)	(140,528)
Trade and other receivables	116,792	851	-	117,643
Other liabilities - non-current	(20,319)	-	669	(19,650)

The total adjustment (net of tax) to the opening balance of Unitywater's equity at 1 July 2018 is \$1,063,756. The principal components of the adjustment are as follows:

- i. An increase of \$467,710 in retained earnings due to a new point of revenue recognition for developer contributions (see AASB 15 above).
- ii. An increase of \$596,046 in retained earnings due to adoption of a new expected credit loss impairment model on financial assets, including additional trade receivables recognised on initial application of AASB 15 (see AASB 9 above).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2 Significant matters in the financial year

Impact of the adoption of AASB 15 *Revenue from Contracts with Customers*

If AASB 15 had not been adopted, the 2018-19 financial statements would have been affected as follows:

	As reported	Adjustments	Amounts without adoption of AASB 15
	\$'000	\$'000	\$'000
Statement of profit or loss			
Revenue			
Utility charges	549,483	-	549,483
Developer contributions	151,998	(14,561)	137,437
Other revenue	29,098	-	29,098
Total revenue	730,579	(14,561)	716,018
Total expenses	(513,918)	-	(513,918)
Profit before income tax expense	216,661	(14,561)	202,100
Income tax expense	(64,861)	4,368	(60,493)
Profit for the year	151,800	(10,193)	141,607
Statement of financial position			
Total assets	3,902,190	-	3,902,190
Current liabilities			
Trade and other payables	94,275	(1,045)	93,230
Contract liabilities	21,971	(21,971)	-
Employee benefits	18,369	-	18,369
Other liabilities	1,243	10,129	11,372
Total current liabilities	135,858	(12,887)	122,971
Non-current liabilities			
Contract liabilities	2,256	(2,256)	-
Borrowings	1,557,652	-	1,557,652
Employee benefits	1,829	-	1,829
Deferred tax liabilities	167,668	(3,523)	164,145
Other liabilities	-	29,327	29,327
Total non-current liabilities	1,729,405	23,548	1,752,953
Total liabilities	1,865,263	10,661	1,875,924
Net assets	2,036,927	(10,661)	2,026,266
Equity			
Contributed equity	1,434,782	-	1,434,782
Retained earnings	602,145	(10,661)	591,484
Total equity	2,036,927	(10,661)	2,026,266

Changes in accounting policy

As a result of the implementation of AASB 15 *Revenue from Contracts with Customers* in 2018-19, Unitywater updated its accounting policies in relation to revenue. Refer to the AASB 15 *Revenue from Contracts with Customers* section, item ii) above, for further details. The change of policy results in short term deferral of cash contributions revenue until the fulfilment of performance obligations for each contribution - namely the granting of approval to connect to the infrastructure network. More generally, revenue recognition has changed from "when it can be reliably measured, and it is probable that future economic benefits will flow" to when Unitywater satisfies its contractual performance obligations with customers.

As a result of the implementation of AASB 9 *Financial Instruments* in 2018-19, Unitywater updated its accounting policy in relation to Trade and other receivables - specifically the calculation of the provision for doubtful debts (now referred to as expected credit losses). Previously, the provision was made on the basis of nature, age and history of the debts. Under the new standard, the provision is made on the basis of expected credit losses which consider future cash flows with regard to historical credit loss experience as well as forecast market outlook, based on a provision matrix methodology. In addition to this change, the ongoing measurement policy for cash and cash equivalents changed from fair value to amortised cost under AASB 9 but this has not had any actual impact on the carrying value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3 Our performance

This section gives further insight into the financial performance of Unitywater by providing details of individual items in the Statement of Profit or Loss as well as related liabilities.

3.1 UTILITY CHARGES

	2019 \$'000	2018 \$'000
Revenue from contracts with customers		
Water access charges	101,557	97,505
Water volumetric charges	216,680	203,020
Sewerage access charges	194,105	191,055
Sewerage volumetric charges	37,141	34,611
	549,483	526,191

Utility revenue comprises variable usage (volumetric) and fixed access charges for the provision of water and sewerage services. It is recognised at the time of supply and customer consumption, at which point Unitywater's performance obligations are met (access to the network and provision of water and sewerage services). Revenue is measured at the transaction price allocated to that performance obligation.



Estimation of consumption - Unitywater estimates customer consumption where customer water meters are unread at reporting date. Volumetric estimates are based on historical usage patterns (including consideration of bulk water impact). Access charge accruals are based upon each customers' access fees for the number of days from the last billing period to the end of the reporting period.

3.2 DEVELOPER CONTRIBUTIONS

3.2.1 Income

	2019 \$'000	2018 \$'000
Revenue from contracts with customers		
Developer contributions - donated assets	77,941	74,332
Developer contributions - cash	74,057	68,271
	151,998	142,603

Unitywater finances part of its capital works infrastructure program through cash contributions from developers. Contributions are also received in the form of donated assets.

Cash contributions and donated assets are recognised when network capacity is made available to the developer. This is evidenced by the developer receiving the right to connect to the infrastructure network. Approval to connect constitutes fulfilment of Unitywater's performance obligation in relation to revenue being recognised.

Where approval to connect is yet to be given, contributions are shown as a contract liability.



Estimation of developer contributions (donated assets) - The fair value of donated assets is estimated as: the amount that it would cost Unitywater to have the asset constructed (by applying standard market rates by unit), or the total market value of similar assets. This represents the amount recognised as developer contributions - donated assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3 Our performance

3.2 DEVELOPER CONTRIBUTIONS

3.2.2 Contract Liabilities

	2019 \$'000	2018 ¹ \$'000
Opening balance	-	-
Transfers from other liabilities	32,833	-
Previously deferred revenue recognised during the period	(22,074)	-
Additional revenue deferred during the period	17,540	-
Refunds of balances previously deferred	(4,072)	-
Closing Balance	24,227	-
Current	21,971	-
Non-current	2,256	-
	24,227	-

¹No comparative due to first year application of AASB 15.

Contract liabilities represent customer receipts for which performance obligations have yet to be met. The majority of this balance reflects developer contributions/deposits where the right to connect has yet to be given. Obligations are generally met within 12 months of receipt of the funds.

In addition, refundable infrastructure offsets are also recognised as a contract liability where construction of the asset has been lawfully completed or in accordance with the agreement with the developer.

3.3 BULK WATER PURCHASES

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



Estimation of bulk water purchases - Unitywater estimates bulk water purchases where bulk water meters are unread at reporting date. Year end estimates are provided by region, are typically for a short period of between 3 and 14 days, and are based on recent usage patterns for the region. The expense is measured at the estimated volume multiplied by the region-specific price.

3.4 SUPPLIES AND SERVICES

	2019 \$'000	2018 \$'000
Materials and services	85,257	87,011
Consultants and legal fees	2,230	2,046
Other supplies and consumables	806	889
	88,293	89,946

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3 Our performance

3.5 OTHER REVENUE

	2019 \$'000	2018 \$'000
Revenue from contracts with customers		
Fees and charges	7,523	7,882
Private works	9,859	8,964
Other	470	392
	17,852	17,238
Other revenue		
Grants and subsidies	3,998	4,053
Interest	4,743	3,942
Other	2,505	2,221
	11,246	10,216
Total other revenue	29,098	27,454

3.6 OTHER EXPENSES

	2019 \$'000	2018 \$'000
Insurance	1,252	1,320
Audit fees (internal and external) ¹	517	579
Adjustment of expected credit losses	75	185
Loss on disposal of property, plant and equipment ²	8,565	2,888
Other	935	1,004
	11,344	5,976

¹ Total external audit fees quoted by the Queensland Audit Office (QAO) relating to the 2018-19 financial statements are estimated to be \$245,000 (2018: \$245,000). There are no non-audit services included in this amount. An additional \$5,000 (2018: \$5,000) 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.

² Loss on disposal of property, plant and equipment in 2018-19 includes a write off of \$4.7M relating to an abandoned section of water main found to be defective.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3 Our performance

3.7 FINANCIAL SUSTAINABILITY

The following ratios reflect measures of financial sustainability and enable comparison with other water sector entities:

- a) Operating ratio - Operating profit before income tax expense expressed as a proportion of total revenue. Ongoing positive results indicate that sufficient revenue is being generated to fund operating and future capital expenditure.
- b) Capital replenishment ratio - Capital expenditure on replacement of non-current assets divided by depreciation expense on non-current assets. An average above one, over time, indicates that assets are being built or replaced at or above the rate the non-current asset base is being depreciated.
- c) Debt to revenue ratio - Total loans and borrowings divided by total revenue. This indicates the ability to pay principal and interest on borrowings when they fall due, from the funds generated through operations. Based on an optimal gearing ratio of 60%, the benchmark for a water utility debt to revenue ratio would be no more than 3 times.

The results have been disclosed for the current and comparative year as below:

	2019	2018
Financial sustainability metrics		
Operating ratio	30%	30%
Capital replenishment ratio	2.3	2.7
Debt to revenue ratio	2.1	2.2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Our team

This section provides details of the costs of our employees, including key management personnel, and outlines our related obligations for employee benefits.

4.1 EMPLOYEE EXPENSES

	2019 \$'000	2018 \$'000
Salaries and wages	55,081	48,350
Restructuring costs	319	704
Employer superannuation contribution	5,886	5,448
Payroll tax	3,131	2,911
Board members' fees	372	362
Other employee expenses	3,247	3,349
	68,036	61,124

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:

	2019	2018
Number of employees	643	619

4 Our team

4.2 SUPERANNUATION

Unitywater contributes to the Local Government Superannuation Scheme Qld (LGIAsuper) for employees under both a defined benefit scheme and an 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 2018. The actuary indicated that "At the valuation date of 1 July 2018, 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.

The next triennial actuarial review is not due until 1 July 2021.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Our team

4.2 SUPERANNUATION



Superannuation risks – 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.

Legislative risk – The risk that the cost of providing the benefits will increase as a result of changes to legislation.

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Unitywater made less than 3% of the total contributions to the plan in the 2018-19 financial year.

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

	2019 \$'000	2018 \$'000
Superannuation plan		
Regional Defined Benefit Fund - LGIAsuper	465	482
Accumulation Benefit Fund - LGIAsuper	4,798	4,852
Other defined contribution funds	1,408	888
Total	6,671	6,222

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 \$5,885,512 (2018: \$5,447,579).

4.3 KEY MANAGEMENT PERSONNEL

4.3.1 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:

	2019 \$	2018 \$
Remuneration		
Jim Soorley	120,506	115,510
Barry Casson	62,774	61,604
Sharon Doyle	68,379	67,105
Mike Williamson	62,774	61,604
Fiona Waterhouse	62,774	61,604
	377,207	367,427

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Our team

4.3 KEY MANAGEMENT PERSONNEL

4.3.2 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 corporate strategy, business development, corporate performance, financial reporting, tax, treasury, procurement, pricing 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 and 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.

4 Our team

4.3 KEY MANAGEMENT PERSONNEL

4.3.3 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 (e.g. long service leave accrued);
- Termination benefits; and
- Post-employment benefits (e.g. 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 People and Culture 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 reward 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 People and Culture Committee and approved by the Board in line with the governance arrangements for executive managers provided by Unitywater.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Our team

4.3 KEY MANAGEMENT PERSONNEL

4.3.3 Remuneration for key executive management personnel

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.

Remuneration for key executive management personnel comprises the following components:

1 July 2018 - 30 June 2019

Position	Short term employee benefits ¹ \$	Post employment benefits ² \$	Long term employee benefits ³ \$	Termination benefits ⁴ \$	Total remuneration \$
Chief Executive Officer	545,044	22,637	15,757	-	583,438
Chief Financial Officer	409,373	22,056	11,034	-	442,463
Executive Manager Sustainable Infrastructure Solutions (1 July 2018 - 29 March 2019)	223,654	15,534	8,366	-	247,554
Executive Manager Sustainable Infrastructure Solutions (acting 1 April 2019 - 30 June 2019)	66,500	5,980	828	-	73,308
Executive Manager Customer Delivery (1 July 2018 - 21 February 2019)	240,727	16,257	(3,428)	89,512	343,068
Executive Manager Customer Delivery (acting 22 February 2019 - 30 June 2019)	74,767	7,057	3,243	-	85,067
Executive Manager Customer and Community (1 July 2018 - 29 July 2018)	44,913	6,284	28,355	62,001	141,553
Executive Manager Customer and Community (30 July 2018 - 30 June 2019)	218,578	18,598	16,825	-	254,001
Executive Manager People, Culture and Safety	297,424	21,604	12,983	-	332,011
Total remuneration	2,120,980	136,007	93,963	151,513	2,502,463

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 Post-employment benefits consist of superannuation contributions.

³ Long term employee benefits represent long service leave entitlements paid and provided for.

⁴ Termination benefits consist of additional payments made on termination of employment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Our team

4.3 KEY MANAGEMENT PERSONNEL

4.3.3 Remuneration for key executive management personnel

1 July 2017 - 30 June 2018

Position	Short term employee benefits ¹ \$	Post employment benefits ² \$	Long term employee benefits ³ \$	Termination benefits ⁴ \$	Total remuneration \$
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 and Safety	287,838	25,000	5,688	-	318,526
General Counsel and 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

⁵ The role of General Counsel and 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 and Safety.

4.3.4 Performance payments

Individual performance payments are based upon achievement of corporate, business unit 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 8 November 2018.

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

	2019 \$	2018 \$
Performance payments paid	301,279	263,251

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4 Our team

4.4 EMPLOYEE BENEFITS

	2019 \$'000	2018 \$'000
Current		
Accrued salaries and wages	4,196	4,360
Annual leave liability	5,041	5,146
Long service leave liability	8,976	7,115
Leave in lieu liability	156	177
Total	18,369	16,798
Non-current		
Long service leave liability	1,829	1,722
Total	1,829	1,722

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' service 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 employees' 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.



Leave provision estimations – 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 2019

5 Our assets

This section outlines the key assets we use to support delivery of our water and sewerage services.

5.1 PROPERTY, PLANT AND EQUIPMENT

5.1.1 Movement in carrying amounts

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
Cost	55,928	20,226	3,649,491	68,183	105,529	3,899,357
Less accumulated depreciation ¹	-	(2,002)	(508,073)	(22,067)	-	(532,142)
Net book value at 1 July 2017	55,928	18,224	3,141,418	46,116	105,529	3,367,215
Additions	-	-	-	-	134,571	134,571
Transfers between classes ²	104	(3,085)	6,968	(710)	-	3,277
Transfers to held for sale	(334)	-	-	-	-	(334)
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)
Impairment losses/reversals	-	-	93	(207)	-	(114)
Depreciation expense	-	(331)	(66,898)	(5,065)	-	(72,294)
Net book value at 30 June 2018	55,778	14,980	3,257,957	43,338	136,557	3,508,610
Cost	55,778	16,877	3,819,962	68,795	136,557	4,097,969
Less accumulated depreciation ¹	-	(1,897)	(562,005)	(25,457)	-	(589,359)
Net book value at 30 June 2018	55,778	14,980	3,257,957	43,338	136,557	3,508,610
Additions	-	-	-	-	104,109	104,109
Transfers between classes	105	(239)	(48)	182	-	-
Transfers from work in progress	670	-	77,259	8,414	(86,343)	-
Donated assets ³	-	-	77,601	-	-	77,601
Disposals	(532)	-	(9,317)	(1,319)	-	(11,168)
Impairment losses/reversals	-	-	-	(34)	-	(34)
Depreciation expense	-	(303)	(69,149)	(6,647)	-	(76,099)
Net book value at 30 June 2019	56,021	14,438	3,334,303	43,934	154,323	3,603,019
Cost	56,021	16,480	3,962,531	69,498	154,323	4,258,853
Less accumulated depreciation ¹	-	(2,042)	(628,228)	(25,564)	-	(655,834)
Net book value at 30 June 2019	56,021	14,438	3,334,303	43,934	154,323	3,603,019

¹ Including accumulated impairment losses/reversals.

² A financial fixed asset register rebuild was completed during the 2017-18 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.

³ During the 2018-19 financial year it was identified that a portion of donated assets constructed by Unitywater on behalf of developers had not been recognised within property, plant and equipment balances nor as developer contributions revenue, of which \$6,854,122 relates to prior periods.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5 Our assets

5.1 PROPERTY, PLANT AND EQUIPMENT

5.1.1 Movement in carrying amounts

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.



Estimation of donated property, plant and equipment - The initial value of donated assets is estimated as: the amount that it would cost Unitywater to have the asset constructed (by applying standard market rates by unit), or the total market value of similar assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5 Our assets

5.1 PROPERTY, PLANT AND EQUIPMENT

5.1.1 Movement in carrying amounts

ii. Asset valuation

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

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:

Buildings	40 - 60 years
Infrastructure assets	
- Water infrastructure assets	10 - 120 years
- Sewer infrastructure assets	15 - 180 years
Plant and equipment	2 - 25 years

In the 2018-19 financial year, a review of useful lives identified that for certain pipes a longer life was more appropriate in line with industry averages. This resulted in useful lives for some water assets increasing from 100 to 120 years, and some sewerage assets increasing from 150 years to 180 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.

5 Our assets

5.1 PROPERTY, PLANT AND EQUIPMENT

5.1.2 Impairment testing

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



Estimation of fair value of non-current assets - 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 Weighted Average Cost of Capital (WACC) as the 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.



Estimation of fair value of non-current assets - 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 \$34,345 (2018: \$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 \$Nil (2018: \$93,178) was recognised in relation to infrastructure assets in the Statement of Profit or Loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

5 Our assets

5.2 INTANGIBLE ASSETS

5.2.1 Movement in carrying amounts

	Software \$'000	Utility easements \$'000	Work in progress \$'000	Total \$'000
Cost	50,801	3,277	6,132	60,210
Accumulated amortisation	(29,266)	-	-	(29,266)
Net book value at 1 July 2017	21,535	3,277	6,132	30,944
Additions	-	-	4,316	4,316
Transfers between classes ¹	-	(3,277)	-	(3,277)
Transfers from work in progress	8,221	-	(8,221)	-
Amortisation	(8,171)	-	-	(8,171)
Net book value at 30 June 2018	21,585	-	2,227	23,812
Cost	58,021	-	2,227	60,248
Accumulated amortisation	(36,436)	-	-	(36,436)
Net book value at 30 June 2018	21,585	-	2,227	23,812
Additions	-	-	7,073	7,073
Transfers from work in progress	4,485	-	(4,485)	-
Disposals	(205)	-	-	(205)
Amortisation	(6,873)	-	-	(6,873)
Net book value at 30 June 2019	18,992	-	4,815	23,807
Cost	59,585	-	4,815	64,400
Accumulated amortisation	(40,593)	-	-	(40,593)
Net book value at 30 June 2019	18,992	-	4,815	23,807

¹ Transfer due to Financial Fixed Asset Register rebuild - refer to Note 5.1

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 (if applicable) and an appropriate proportion of overheads attributable during the configuration of the software.

ii. 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** for intangible assets are:

Software

3 - 10 years

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6 Our funding

This section provides information on funding our daily operations and the related costs.

6.1 CAPITAL MANAGEMENT

Unitywater manages its finances to maintain a stable and appropriate capital structure given the financial risk profile and regulated nature of its business, whilst delivering consistent returns to its Participating Councils (Moreton Bay Regional Council, Sunshine Coast Council and Noosa Council).

Capital comprises contributed equity, retained earnings and net debt.

	Notes	2019 \$'000	2018 \$'000
Contributed equity	6.2	1,434,782	1,434,782
Retained earnings		602,145	484,262
Total equity		2,036,927	1,919,044
Borrowings	6.6	1,557,652	1,557,652
Less: cash and cash equivalents	6.3	(139,464)	(122,358)
Net debt		1,418,188	1,435,294
Net capital		3,455,115	3,354,338
Gearing ratio		41%	43%

The gearing ratio represents the degree to which an entity's activities are funded through debt versus equity. This is calculated by dividing the net debt by the net capital as shown above.

Capital usage is monitored using key credit metrics and ratios which also form part of our funding arrangements with Queensland Treasury Corporation (QTC).

	2019	2018
Key credit metrics		
EBITDA ¹ interest coverage \geq 2.5	18.7	16.9
EBIT ² interest coverage \geq 1.75	11.6	10.7
Funds from operations interest coverage \geq 2.25	13.1	14.0
Net debt to fixed assets \leq 60%	7%	8%

¹Earnings before interest, tax, depreciation and amortisation

²Earnings before interest and tax

As indicated above, Unitywater is in full compliance with the facility covenants. Its implied credit rating, as determined by QTC, is BBB+. Note that the definition of interest expense and net debt under the Participating Local Government (PLG) Loan Agreements and QTC Master Facility Agreements excludes any debt or interest payable under the PLG Loan Agreements. These metrics also exclude developer contributions.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6 Our funding

6.2 EQUITY

6.2.1 Contributed equity

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 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.

The resulting participation rights of each council are as follows:

	%	2019 \$'000	2018 \$'000
Moreton Bay Regional Council	58.24%	835,591	835,591
Sunshine Coast Council	37.51%	538,213	538,213
Noosa Council	4.25%	60,978	60,978
	100.00%	1,434,782	1,434,782

6.2.2 Participation returns

In accordance with the Restructuring Act, the Participating Councils have entered into an agreement (the 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 Participant's 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 after tax of Unitywater (excluding developer contributions in excess of a progressively decaying cap on developer contributions through to 2021-22, because developer contributions are a form of funding for Unitywater's capital expansion). If insufficient adjusted profits are available to meet agreed returns, there is provision for a special dividend to be made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6 Our funding

6.2 EQUITY

6.2.2 Participation returns

The following Participation returns have been paid or are payable at 30 June 2019:

	2019 \$'000	2018 \$'000
In accordance with the Participation Agreement, an interim Participation return was declared on 18 January 2019 and paid on 15 February 2019	15,751	17,599
The Board declared the full year Participation return on 26 June 2019 ¹	19,230	(16,886)
Total participation return paid/payable	34,981	713
Moreton Bay Regional Council	20,372	415
Sunshine Coast Council	13,122	268
Noosa Council	1,487	30
Total	34,981	713

¹In the 2018 financial year, the interim Participation return was adjusted against the income tax payable (see Note 8.1.1 for details).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6 Our funding

6.3 CASH AND CASH EQUIVALENTS

	2019 \$'000	2018 \$'000
Cash at bank and on hand	139,464	122,358
Cash and cash equivalents in the Statement of Cash Flows	139,464	122,358

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

6.3.1 Reconciliation of cash flows from operating activities

	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Profit for the year	151,800	119,405
Non-cash items included in operating result:		
Depreciation	76,099	72,294
Amortisation of intangible assets	6,873	8,171
Loss on disposal of property, plant and equipment	8,564	2,888
Donated assets	(77,601)	(80,296)
Impairment losses on property, plant and equipment	34	114
Credit losses on trade and other receivables	75	185
Change in assets and liabilities		
Increase in trade and other receivables	(10,800)	(2,965)
Increase in inventories held for use	(108)	(126)
Increase in prepayments	(1,003)	(1,524)
Increase / (Decrease) in trade and other payables	(18,085)	12,351
Increase in contract liabilities	24,227	-
Increase / (Decrease) in employee benefits	1,678	(30)
Increase / (Decrease) in other liabilities	(32,783)	17,166
Increase in deferred tax liabilities	27,140	15,860
Net cash inflow from operating activities	156,110	163,493

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6 Our funding

6.4 TRADE AND OTHER RECEIVABLES

	2019 \$'000	2018 \$'000
Current		
Trade debtors	124,573	114,332
Less: expected credit losses	(574)	(1,388)
	123,999	112,944
GST receivable	2,281	2,126
Other receivables	389	1,722
Total current	126,669	116,792
Non-current		
Other receivables	1,750	-
Total non-current	1,750	-
Total trade and other receivables	128,419	116,792

Trade and other receivables are initially measured at fair value, and are subsequently carried at amortised cost. Trade debtors (from contracts with customers) are generally due for settlement 30 days from invoice date. Overpayments are reclassified to contract liabilities (see Note 3.2). 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 \$1,749,618 (2018: \$1,686,379).



Receivables expected credit loss estimation - Collectability of trade receivables is reviewed on an ongoing basis with provision being made for impairment based on expected credit losses. This estimate considers future cash flows with regard to historical credit loss experience as well as forecast market outlook based on a provision matrix methodology. Individual debts that are uncollectible are written off when identified after obtaining the appropriate level of authorisation. Generally, trade receivables are written off where an amount is considered to be unrecoverable (i.e. bad debt, not economical to pursue, unable to locate customer or negotiated settlement). Movements in expected credit losses are recognised as an expense.

	2019 \$'000	2018 \$'000
Movement of the expected credit losses		
Balance at 1 July	1,388	1,198
Adjustment on initial application of new accounting standards	(851)	-
Restated balance at 1 July	537	1,198
Increase in provision	37	190
Balance at 30 June	574	1,388

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6 Our funding

6.4 TRADE AND OTHER RECEIVABLES

Ageing of impaired, as well as unimpaired financial assets is disclosed in the following table:

Trade and other receivables	Expected Credit Loss Rate %	Gross \$'000	Expected Credit Losses \$'000	Total \$'000
2019				
Accrued receivables	0.02%	69,928	15	69,913
Current billed	0.02%	47,264	9	47,255
Past due 0-30 days	0.12%	5,063	5	5,058
Past due 31-60 days	0.47%	1,001	5	996
Past due 61-90 days	0.86%	1,291	11	1,280
More than 91 days	11.90%	4,446	529	3,917
		128,993	574	128,419
2018				
Accrued receivables		64,537	-	64,537
Current billed		41,761	-	41,761
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
		118,180	1,388	116,792

6.5 TRADE AND OTHER PAYABLES

	2019 \$'000	2018 \$'000
Current		
Trade creditors	25,787	24,685
Participation return payable	19,230	-
Interest payable	18,283	18,876
Accrued expenses	28,482	36,185
Income tax payable	23	26,369
Other	2,470	1,846
Total	94,275	107,961

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6 Our funding

6.6 BORROWINGS

6.6.1 Borrowing costs

	2019 \$'000	2018 \$'000
Interest and related costs	73,940	76,186

Borrowing costs comprise interest expense and related fees on bank overdrafts, short-term and long-term borrowings. They are recognised as an expense using the effective interest method in the period in which they arise. Borrowing costs that are not settled in the period in which they arise are accrued as interest payable. Where material, 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 2018-19 (2018: \$Nil).

6.6.2 Composition of borrowings

	2019 \$'000	2018 \$'000
Non-current		
Participating Councils		
Subordinated debt	1,160,652	1,160,652
Queensland Treasury Corporation		
Client Specific Pool - Portfolio Linked Loan	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. 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 7.1. There have been no defaults or breaches of the loan agreements during the 2018-19 financial year (2018: 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 7.1 along with Unitywater's other financial liabilities.

The weighted average rate of borrowings for the year is 4.70% (2018: 4.85%). Interest payments are made quarterly in arrears at rates ranging from 3.75% to 5.02% (2018: 3.88% to 5.18%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

6 Our funding

6.6 BORROWINGS

6.6.2 Composition of borrowings

Sensitivity analysis for variable rate instruments

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

	Net carrying amounts \$'000	Interest rate risk			
		-1%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2019					
Financial assets	139,372	(1,394)	(1,394)	1,394	1,394
Financial liabilities	(1,557,652)	790	790	(768)	(768)
Sensitivity (net)	(1,418,280)	(604)	(604)	626	626
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

6.6.3 Financing arrangements at balance date

	2019 \$'000	2018 \$'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	719	713
Working capital	50,000	50,000
	50,769	50,763

7 Our financial risks

This section outlines the valuation methodologies for our financial instruments, the framework used to manage the financial risks to our business, as well as our commitments and potential commitments.

7.1 FINANCIAL RISK FRAMEWORK

7.1.1 Financial instruments

Financial instruments are classified and measured as follows:

Financial Instrument	Initial Measurement	Subsequent Measurement
Cash and cash equivalents	Fair value	Amortised cost
Trade receivables and lease receivables	Fair value	Amortised cost
Intercompany loan receivables	Fair value	Fair value (through profit or loss) or amortised cost*
Payables	Fair value	Amortised cost
Borrowings	Fair value plus directly attributable transaction costs	Amortised cost (using the effective interest method)

*Depending on the terms of the loan agreement.

Unitywater classifies its financial assets at amortised cost because they are held to collect contractual cash flows and those cash flows are solely principal and interest.

Financial assets are derecognised if the contractual rights to the cash flows from the financial assets expire; 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.

Borrowing costs that are not settled in the period in which they arise are accrued as interest payable.

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

7.1.2 Categorisation of financial instruments

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

Category	Notes	2019 \$'000	2018 \$'000
Financial assets			
Cash and cash equivalents	6.3	139,464	122,358
Trade and other receivables	6.4	128,419	116,792
Total		267,883	239,150
Financial liabilities			
Trade and other payables	6.5	94,275	107,961
Borrowings	6.6	1,557,652	1,557,652
Total		1,651,927	1,665,613

7 Our financial risks

7.1 FINANCIAL RISK FRAMEWORK

7.1.3 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 below.



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. It uses ageing analysis to measure this risk (see Note 6.4).

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.

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

The maximum exposure to credit risk at 30 June 2019 in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment (see Notes 6.3 and 6.4).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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7 Our financial risks

7.1 FINANCIAL RISK FRAMEWORK

7.1.3 Financial risk management



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. It uses maturity analysis to measure this risk (see below).

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.

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.

	Financial liabilities				
	Carrying amount	Cash flows payable in			Total cash flows
		<1 year	1-5 years	>5 years	
\$'000	\$'000	\$'000	\$'000	\$'000	
2019					
Trade and other payables	94,275	94,275	-	-	94,275
PLG loans	1,160,652	56,872	225,631	1,682,268	1,964,771
QTC borrowings	397,000	14,600	58,043	397,000	469,643
Total	1,651,927	165,747	283,674	2,079,268	2,528,689
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

7 Our financial risks

7.1 FINANCIAL RISK FRAMEWORK

7.1.3 Financial risk management



Market risk - Unitywater's market risk is primarily in relation to interest rate risk. This 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. It uses sensitivity analysis to measure this risk (see Note 6.6).

Unitywater does not trade in foreign currency and is not materially exposed to commodity price changes.

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.

7.1.4 Fair value

Unitywater does not carry any financial assets or financial liabilities at fair value.

Cash, trade and other receivables, and payables are carried at amortised cost which is assumed to approximate fair value - the value of the original transaction, less any allowance for impairment.

Borrowings are carried at amortised cost using the effective interest method. Fair value of interest-bearing borrowings is notified by QTC. It is calculated based on discounted expected future cash flows. The fair values of the borrowings, together with the carrying amounts, are as follows:

	Carrying amount \$'000	Fair value \$'000
2019		
Participating Councils		
Subordinated loans	1,160,652	1,530,950
QTC borrowings		
Client Specific Pool - Portfolio Linked Loan	397,000	431,809
Total	1,557,652	1,962,759
2018		
Participating Councils		
Subordinated loans	1,160,652	1,374,734
QTC borrowings		
Client Specific Pool - Portfolio Linked Loan	397,000	411,874
Total	1,557,652	1,786,608

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

7 Our financial risks

7.2 COMMITMENTS

7.2.1 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:

	2019 \$'000	2018 \$'000
Within one year	2,584	2,759
Between one and five years	10,355	11,979
More than five years	47	3,668
	12,986	18,406

Unitywater leases various land and buildings. The leases have varying terms, escalation clauses and renewal rights.

During the year an amount of \$2,508,332 (2018: \$2,593,150) 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:

	2019 \$'000	2018 \$'000
Within one year	1,667	1,533
Between one and five years	4,891	4,974
More than five years	5,936	6,336
	12,494	12,843

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 2019

7 Our financial risks

7.2 COMMITMENTS

7.2.2 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:

	2019 \$'000	2018 \$'000
Property, plant and equipment		
Within one year	45,140	33,660
One year and no later than five years	3,857	1,877
	48,997	35,537
Intangibles		
Within one year	10,782	51
One year and no later than five years	3,593	30
	14,375	81

7.3 CONTINGENCIES

Legal claims



Judgement regarding legal claims - A number of construction claims were made by Unitywater contractors against Unitywater. Unitywater does not admit liability for these claims.

7.4 SUBSEQUENT EVENTS

There have been no subsequent events to date that materially impact the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

8 Our tax

This section breaks down our costs and obligations regarding income tax.

8.1 INCOME TAX

8.1.1 Income tax expense

Unitywater is subject to the Local Government Tax Equivalent 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, less any instalments paid and any adjustment to tax payable in respect of the previous year. Taxable income differs from profit before tax reported in the profit or loss statement, as it excludes items of income and expense that are taxable or deductible in other years, and also excludes any items that will never be taxable or deductible. Unitywater's liability for current tax expense is calculated using tax rates enacted at balance date.

	2019 \$'000	2018 \$'000
Income tax expense recognised in profit or loss		
Current tax expense		
Current income tax charge	37,879	39,658
Adjustments for current income tax of prior years	(158)	31,114
Current tax expense	37,721	70,772
Deferred tax expense		
Deferred income tax charge	26,982	22,055
Adjustments for deferred income tax of prior years	158	(6,195)
Deferred tax expense	27,140	15,860
Total income tax expense	64,861	86,632
Reconciliation of effective tax rate		
Profit (loss) before income tax	216,661	206,037
Income tax expense at 30%	64,998	61,811
Recognition of previously unrecognised temporary differences	-	24,919
Non deductible expenses	11	10
Change in unrecognised temporary differences subject to initial recognition exemption	(148)	(108)
Income tax expense	64,861	86,632

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

During the 2017-18 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

8 Our tax

8.1 INCOME TAX

8.1.2 Deferred tax assets and liabilities



Deferred tax estimate - 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.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Property, plant and equipment	-	-	(165,752)	(144,442)	(165,752)	(144,442)
Employee benefits	4,546	3,953	-	-	4,546	3,953
Other provisions and accruals	312	549	-	-	312	549
Prepayments	-	-	(82)	(85)	(82)	(85)
Other items	1	2	(6,693)	(49)	(6,692)	(47)
Tax asset (liability)	4,859	4,504	(172,527)	(144,576)	(167,668)	(140,072)
Set off	(4,859)	(4,504)	4,859	4,504	-	-
Net tax asset (liability)	-	-	(167,668)	(140,072)	(167,668)	(140,072)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

8 Our tax

8.1 INCOME TAX

8.1.3 Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at 1 July	4,504	4,352	(144,576)	(128,564)	(140,072)	(124,212)
Adjustment on initial application of new accounting standards	3,060	-	(3,516)	-	(456)	-
Restated balance at 1 July	7,564	4,352	(148,092)	(128,564)	(140,528)	(124,212)
Current year's income tax equivalent expense	(2,705)	152	(24,435)	(16,012)	(27,140)	(15,860)
Balance at 30 June	4,859	4,504	(172,527)	(144,576)	(167,668)	(140,072)

8.1.4 Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Depreciating assets transferred from Councils on 1 July 2010	-	-	(145)	(136)	(145)	(136)
Employee provisions transferred from Councils on 1 July 2010	605	742	-	-	605	742
Tax asset (liability)	605	742	(145)	(136)	460	606
Set off	(145)	(136)	145	136	-	-
Net tax asset	460	606	-	-	460	606

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

9 Other

This section covers remaining assets and liabilities of our business as well as disclosures to assist in understanding our financial statements.

9.1 OTHER CURRENT ASSETS

	2019 \$'000	2018 \$'000
Prepayments	5,716	4,713
Inventories held for use (cost)	1,431	1,323
Non-current assets held for sale	334	334
Total	7,481	6,370

An amount of \$2,936,257 (2018: \$3,118,067) of inventory was recognised as an expense during the year.

9.2 OTHER LIABILITIES

	2019 \$'000	2018 \$'000
Current		
Unearned revenue	1,082	9,540
Security deposits and retentions	106	3,284
Other payables	55	1,550
Total	1,243	14,374
Non-current		
Unearned revenue	-	20,319
Total	-	20,319

Revenue received in advance of work being performed or goods and services being provided was deferred in unearned revenue prior to the implementation of AASB 15 *Revenue from Contracts with Customers* and used to be recognised in the Statement of Profit or Loss upon delivery of the goods or services. As the majority of the unearned revenue relates to contracts with customers, it is now shown (along with customer bonds/deposits) as a Contract Liability (see Note 3.2) under AASB 15 with revenue recognised upon completion of performance obligations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

9 Other

9.3 RELATED PARTIES

9.3.1 Transactions with Participating Councils

The details of transactions and balances with Participating Councils are as follows:

	Moreton Bay Regional Council		Sunshine Coast Council*		Noosa Council		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue								
Utility charges	6,416	5,453	4,944	4,647	1,074	949	12,434	11,049
Other revenue	1,016	2,303	627	1,601	307	253	1,950	4,157
	7,432	7,756	5,571	6,248	1,381	1,202	14,384	15,206
Expenses								
Supplies and services	143	1,238	2,103	2,476	30	20	2,276	3,734
Interest on loans	33,987	35,070	21,807	22,502	2,471	2,549	58,265	60,121
Taxation equivalents	23,153	42,029	14,912	27,069	1,690	3,067	39,755	72,165
Participation returns	20,373	415	13,121	268	1,487	30	34,981	713
	77,656	78,752	51,943	52,315	5,678	5,666	135,277	136,733
Amounts receivable								
Utility charges	777	551	699	575	129	107	1,605	1,233
Other receivables	148	61	228	32	28	21	404	114
	925	612	927	607	157	128	2,009	1,347
Amounts payable								
Interest payable	8,497	8,767	5,452	5,626	618	637	14,567	15,030
Supplies and services	-	2	-	-	-	-	-	2
Taxation equivalents	1,174	16,169	756	10,414	86	1,180	2,016	27,763
Participation returns	11,200	-	7,213	-	817	-	19,230	-
	20,871	24,938	13,421	16,040	1,521	1,817	35,813	42,795
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 9.4 for details relating to transactions and balances with controlled entities.

*Suncentral Maroochyore Pty Ltd is a wholly owned subsidiary of Sunshine Coast Council and is also a related party of Unitywater. Transactions between Unitywater and Suncentral Maroochyore 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 2019

9 Other

9.3 RELATED PARTIES

9.3.2 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. Resulting related party transactions with Unitywater are conducted at arm's length on normal commercial terms.

9.3.3 Key executive management personnel transactions

Key executive management personnel of Unitywater or their related parties conduct transactions with Unitywater at arm's length on normal commercial terms.

9.4 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. The 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 Pty Ltd consists of two shares of \$1 each.

Unitywater is the sole contributor of resources to Unitywater Properties Pty Ltd via an intercompany loan which attracts a market rate of interest. The loan receivable from Unitywater Properties Pty Ltd is \$1,749,618 (2018: \$1,686,379) - see Note 6.4. During 2018-19, funds provided to Unitywater Properties Pty Ltd totalled \$Nil (2018: \$Nil) however interest of \$63,239 was capitalised to the loan (2018: \$Nil). As a result, Unitywater Properties Pty Ltd has accumulated losses of \$63,239 (2018: \$Nil).

9.5 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.

AASB 16 Leases

Unitywater is required to adopt AASB 16 *Leases* from 1 July 2019. Unitywater has assessed the estimated impact that initial application of AASB 16 will have on its financial statements, as described below. The actual impacts on adoption may change because new accounting policies are subject to amendment / approval prior to Unitywater presenting its first financial statements post initial date of application and new processes, controls and systems are likely to be subject to amendment / refinement upon initial implementation.

AASB 16 removes the concept of operating and finance leases for lessees which exists under AASB 117 *Leases*, introducing a single lease accounting model such that leases are effectively treated as a purchase of an asset on a financed basis with some low value and short-term lease exemptions. AASB 16 will primarily affect the accounting for Unitywater's operating leases - in particular, long term non-cancellable property leases for office buildings (such as the Northern and Southern Corporate Centres) will be recognised as a lease liability (obligation to pay rentals) with a corresponding right-of-use (ROU) asset (the right to use the leased item).

Unitywater as a lessee will recognise new assets and liabilities for its operating leases of corporate office buildings and the Maleny Wetlands. Previously Unitywater only recognised assets and liabilities where there was a timing difference between the actual lease payments and expense recognition (prepayments). In the Profit or Loss Statement, rental payments previously reported as operating expenses will instead be shown as repayments of the outstanding lease liability, with interest on that liability and depreciation of the right of use asset being the expense component that passes through the Profit or Loss. Rental payments for short-term and low value leases will continue to be recognised as an operating expense on a straight-line basis over the term of the lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

9 Other

9.5 NEW AND REVISED ACCOUNTING STANDARDS

AASB 16 Leases

AASB 16 requires lessees and lessors to make more extensive disclosures than under the standard it replaces AASB 117 *Leases*. As a lessor, Unitywater does not expect to make any material changes to its accounting for leases.

As a lessee, based on the information currently available, Unitywater expects:

- to recognise ROU assets of approximately \$21,654,930 (gross), \$10,253,918 (written down value), lease liabilities of \$11,652,151 and deferred tax asset of \$594,010. Net assets will decrease by approximately \$1,386,024 and net current assets will decrease by \$2,187,691 due to the presentation of a portion of the liability as a current liability;
- net profit for the year will increase by approximately \$32,645 in 2019-20 as a result of adopting the new standard;
- operating cash flows will increase, and financing cash flows decrease by approximately \$2,187,691 because repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities; and
- retained earnings to decrease by approximately \$1,386,024.

On transition Unitywater intends to:

- apply AASB 16 from 1 July 2019 using the simplified transition approach. Therefore, comparative information will not be restated and the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019;
- apply the practical expedient to grandfather the definition of a lease meaning classifications of existing contracts determined under AASB 117 (as to whether they are a lease or not) will continue to be classified as such under AASB 16;
- use the exemptions for short-term leases and leases of low value items proposed by the standard; and
- measure right-of-use assets for leases as if the new rules had always been applied.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2018-19. Unitywater applies standards and interpretations in accordance with their respective commencement dates.

MANAGEMENT CERTIFICATE
FOR THE YEAR ENDED 30 JUNE 2019

Certificate of Unitywater for the year ended 30 June 2019

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 42 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; and
- 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 2019 and of the financial position at the end of that year.

We acknowledge responsibility under section 8 and section 15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

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

Chairman



28 August 2019

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



28 August 2019

Pauline Thomson
BBus (Acc), FCPA, GAICD

Chief Financial Officer



28 August 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Northern SEQ Distributor-Retailer Authority trading as Unitywater

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2019, 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 2019, 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 2019, 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.

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. 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 2019:

- 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.

A handwritten signature in black ink, appearing to read 'Vaughan Stemmett', is written over a horizontal line.

29 August 2019

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane