

Unitywater

ANNUAL REPORT

2012-13



Unitywater

Serving you today,
investing in tomorrow.

About this report

The 2012-13 Annual Report for Unitywater has been prepared in accordance with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and the Annual report requirements for Queensland Government agencies, March 2013 edition.

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

Consistent with our Environmental Management Policy, all printed copies were produced using environmentally responsible stock (see back cover for details).

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

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

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

Manager Communications and Marketing

Phone: 1300 0 UNITY (1300 086 489)

Email: community@unitywater.com



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

Unitywater

Ground floor, 33 King Street, Caboolture, Qld

PO Box 953, Caboolture Qld 4510

Phone: 1300 0 UNITY (1300 086 489)

General and account queries:

8.30am – 5pm weekdays

Faults and emergencies: 24 hours, 7 days a week

Fax: 07 5431 8288

www.unitywater.com

Unitywater Annual Report 2012-13

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Ground Floor
33 King Street
Caboolture QLD 4510
PO Box 953
Caboolture QLD 4510
1300 0 UNITY (1300 086 489)
www.unitywater.com

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

Dear Minister

I am pleased to present the Annual Report 2012-13 and financial statements for Unitywater.

I certify that this Annual Report complies with:

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

A checklist outlining the annual reporting requirements can be found on page 94 of this annual report or accessed at www.unitywater.com

Yours sincerely

Jim Soorley
Chairman

9 September 2013

Our profile

The year in review

In 2012-13 Unitywater continued to achieve operational efficiencies that allowed us to deliver high quality, reliable and sustainable services and to keep costs as low as possible for our customers.

These efficiencies were achieved across the business, with contributing factors including prudent and efficient planning, more competitive and innovative procurement capability, increased productivity, rationalisation of property and plant, and bundling of major projects to achieve cost savings.

Key facts for 2012-13

- **\$168.4** million invested in critical water and sewerage infrastructure
- A population of approximately **750,000** across **5223** square kilometres supplied with water and sewerage services
- **51,729** megalitres (ML) of drinking water delivered to homes and businesses
- **99.9** percent compliance with Australian Drinking Water Guidelines
- **1713** ML of recycled water supplied to businesses and community groups
- **57,206** ML of sewage collected and treated, from **257,216** sewerage connections
- **\$10.1** million in operational and capital savings achieved through improved procurement processes
- **162,392** phone enquiries answered by our Customer Service Centre

Other major achievements during the reporting period included:

- Freezing Unitywater's prices in 2012-13 for 100 percent of residential customers (excluding the State Government bulk water charge increase which Unitywater was required to pass on to our customers)
- Reducing lost time injury frequency rate from 23.7 in the previous year to 6.78, helping create a safer workforce
- ISO certification for the whole business, to achieve international certification in Quality Management and Environmental Management, across all areas
- Signing a Memorandum of Understanding with the University of the Sunshine Coast to foster links with students, graduates and research programs
- Constructing an innovative plant to manufacture our own magnesium hydroxide liquid (MHL), a compound used in sewerage maintenance to reduce odour and extend infrastructure life
- Reducing sewage overflows in the community by implementing a comprehensive sewer investigation program to find and address the causes of wet weather sewage overflows
- Completing upgrades to Brendale, Cooroy and Woodford Sewage Treatment Plants (STPs), totalling \$45 million, to cater for future growth and improve environmental outcomes
- Planning a new price structure to deliver fairer pricing and give customers more control over their bills
- Introducing a smart water network monitoring service trial to find hidden leaks and identify service abnormalities
- Launching a consolidated Operations Centre for coordinated network control and response across the region
- Introducing a single asset management system to more effectively record, monitor and manage \$2.9 billion of assets
- Achieving more timely response to water and sewerage incidents by introducing an afternoon shift for civil crews.

Our profile

Chairman's and CEO's Report

Since our formation on 1 July 2010 we have moved quickly to establish a consolidated water supply and sewerage services business that delivers value to our customers, our community and the environment.

In 2012-13 we identified and implemented further efficiencies across the business that enabled us to freeze our prices for all residential customers, and we continue to look for opportunities to reduce costs in order to keep our prices as low as possible.

Through good planning and an integrated approach, over a short period of time we have provided significant benefits to the region, including improved water quality outcomes, reduced water and sewerage outages and fewer sewage overflows.

As well as maintaining around-the-clock service at the lowest possible cost, we delivered significant essential water and sewerage infrastructure to meet the needs of a growing population.

This year's achievements would not have been possible without solid financial performance. We reduced operating costs by \$10.1 million (6.7 percent), to \$140.5 million, and our net profit after tax was \$67.9 million, a 6.7 percent increase on the previous financial year.

One of our most satisfying achievements to date has been the reduction of our lost time injury rate and we commend each and every person in the organisation for their commitment to working safely, which is our number one priority.

Operating efficiently

Operational efficiencies were gained in a number of areas during the reporting year. For example, we streamlined the way we procure goods and services and partnered with a local business to produce our own treatment plant chemicals used in sewerage network maintenance. This innovation will yield significant cost savings and place Unitywater ahead of other national and international water utilities for innovation in this area.

This financial year also saw detailed planning for price reform, to be implemented from 1 July 2013. Our new pricing structure will give customers greater control over their bills, with lower fixed access charges and higher usage charges for water and sewerage.

Providing essential infrastructure

In 2012-13 we invested \$168.4 million in critical water and sewerage infrastructure projects. We will invest a further \$680 million over the next five years, ensuring service standards and compliance requirements are met and building capacity for forecast growth in the region.

In addition to upgrading sewerage infrastructure to better protect the environment, we worked closely with property owners as part of a comprehensive program to find and address the causes of wet weather sewage overflows.

Quality business management

During the year we implemented internationally-recognised management standards to help deliver consistent, good quality service and drive down costs through improved efficiency.

Our streamlined meter reading and billing schedule means 99 percent of bills are produced on time, within four days of the meter read. These improved systems have resulted in 96 percent of customers paying their accounts on time.

Day in and day out we aim to meet the needs of our customers and we endeavour to resolve any complaints in a timely and professional way. Of the 108 matters referred to the Energy and Water Ombudsman Queensland for review in 2012-13, all were upheld as being managed in accordance with Unitywater's documented policies and procedures.

Future proofing

Unitywater is involved in shaping the way our services are delivered in the long term and we contributed to the State Government's discussion paper "Queensland's water sector: a 30-year strategy".

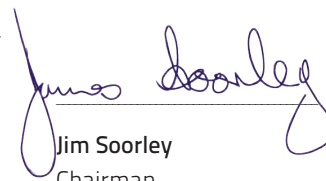
We understand that in order to be more cost effective, our operations need to be delivered more efficiently in coming years. Our new Treatment Services Plan charts the way for providing more efficient sewage treatment services up until 2051.

Having a skilled workforce is also key to our success and sustainability. During the year we formed alliances with industry and the education sector to identify and develop potential employees of the future.

Working together

We would like to take this opportunity to thank all staff members for their tremendous effort and dedicated contribution to achieving many business highlights over the past 12 months.

As we move into our fourth financial year of operation, the Board, Executive Leadership Team and staff will continue to work together to achieve our shared goal of being an operationally excellent organisation that provides sustainable and value for money services to our customers.



Jim Soorley
Chairman

9 September 2013



George Theo
Chief Executive Officer

9 September 2013

Our profile

Who we are and what we do

Unitywater is a statutory authority that provides water and sewerage services to the Moreton Bay and Sunshine Coast local authority areas on behalf of its citizens. We are governed by an independent Board and have a Participation Agreement with the Moreton Bay and Sunshine Coast Regional Councils.

We are responsible for \$2.9 billion of essential service infrastructure and our residential and business customers are spread across 5223 square kilometres, from Cooroy in the north to Samford in the south, Bribie Island in the east and Kenilworth in the west.

Our priority is providing a population of approximately 750,000 people with a high quality, safe and reliable water supply and sewerage service that is economically and environmentally sustainable.

On behalf of the Moreton Bay and Sunshine Coast communities we:

- Maintain and supply drinking quality water to homes, businesses and public areas
- Collect, treat and dispose of sewage
- Produce and provide recycled water to commercial customers and community groups
- Manage trade waste from our business and industrial customers

- Build, manage, operate and maintain our water supply and sewerage infrastructure, including recycled water assets
- Provide around the clock response to water, recycled water and sewerage emergencies
- Manage customer and stakeholder enquiries
- Issue and manage water supply, recycled water and sewerage accounts
- Provide returns to our participating councils.

We provide essential water supply, recycled water and sewerage services to 16.3 percent of Queensland's population. During 2012-13 our number of customer water connections increased by 1.92 percent to 282,759, and with population in our service area expected to grow to more than 1.04 million by 2031, our forward planning needs to be detailed and visionary to ensure we can maintain service standards and cater for growth, at the lowest possible cost.

Unitywater is responsible for operating and maintaining:

WATER

282,759	Water connections
5665	km of water mains pipes
80	km of recycled water mains pipes
120	Water reservoirs
82	Water pump stations
55,092	Hydrants

SEWERAGE

257,216	Sewerage connections
5399	km of sewer mains pipes
778	Sewage pump stations
18	Sewage treatment plants
2	Recycled water plants

*Based on information available as at 30 June 2013

Our profile

How we do business

Since commencing operations on 1 July 2010 Unitywater has moved quickly to establish a consolidated water supply and sewerage services business. We remain committed to improving customer service, achieving operational efficiency and providing high quality, affordable and sustainable water supply and sewerage services that benefit our customers, our communities and the environment.

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

Our vision

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

Our purpose

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

Our values

RELIABILITY

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

SAFETY

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

HONESTY AND INTEGRITY

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

EFFICIENCY

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

ONE TEAM

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

INNOVATION

We seek new ways of doing things better.

In planning infrastructure to cater for growth, our corporate plans have broad synergies with the State Government's Economic Blueprint for Queensland which includes the delivery of better infrastructure and better planning, and lowering the cost of living for families.

Unitywater's corporate plans also recognise our obligation to respond accordingly to the Council of Australian Governments' National Water Initiative which strives to achieve a more cohesive national approach to the way Australia manages, measures, plans for, prices and trades water.

Our profile

Our strategy

Unitywater's 2012-17 Corporate Strategic Plan outlines the key objectives to drive best outcomes for our customers, communities, stakeholders and the environment.

These strategic objectives are:

Customer satisfaction

We will strive for excellence in customer service. We will proactively engage with our customers to understand their expectations and meet their needs.

OUR FOCUS:

- Meet our customers' expectations
- Positively influence our stakeholders and engage our community.

Integrated whole of region business

We will establish a solid foundation and realise operational efficiencies, improve customer service and maximise infrastructure return.

OUR FOCUS:

- Deliver water supply and sewerage services
- Consolidate operations
- Integrate Information and Communications Technology systems.

Proud productive people

We will build an organisation that people want to belong to. This will ensure that we attract and retain the right people.

OUR FOCUS:

- Zero harm
- Develop a flexible and skilled workforce
- Foster a commercial culture.

Sustainable value and growth

We will deliver strong financial performance through cost-effective delivery of services. Through proactive engagement and environmental respect we will seek out value adding opportunities.

OUR FOCUS:

- Ensure long term financial sustainability
- Innovatively sustain our environment
- Seek new business opportunities.

Our operational performance

Customer satisfaction

We strive to consistently meet the needs and expectations of the customers and communities we serve and to positively influence our stakeholders and engage our community.

Key outcomes 2012-13

- Improved customer satisfaction results
- Froze prices for all residential customers (excluding the State Government bulk water charge increase which Unitywater was required to pass on to our customers)
- Answered calls to our Customer Service Centre in a timely and efficient manner, using locally employed staff
- Introduced a Unitywater Facebook page to provide up-to-date information on major water and sewerage outages and other important news
- Actively engaged with our communities through events, partnerships and sponsorships
- Achieved 99.9 percent compliance with Australian Drinking Water Guidelines
- Complied with sewage treatment licence conditions
- Reduced sewage overflows in high risk areas through our Sewage Overflow Abatement Program
- Achieved more timely response to water and sewerage incidents. We also gained operational cost savings by introducing an afternoon shift for civil crews and installing global positioning systems (GPS) in field vehicles and mobile plant
- Redesigned our water and sewerage account to make it easier for customers to understand their water usage
- Developed a consolidated trade waste data system to efficiently manage and bill trade waste customers.

Understanding the needs and expectations of our residential and business customers is an important step in providing valued service. In 2013 we streamlined our community advisory process by integrating the Business Advisory Group and the Customer and Community Reference Group into a 16 member Community Advisory Group. This group and its working sub-groups provide valuable input on some of the key issues faced by Unitywater and give community perspective during the early phases of major project planning.

Our Customer Contact Centre engages daily with those we serve and answered 162,392 phone enquiries during the reporting period.

We also responded to 2722 written enquiries from our customers, and visited homes and businesses to personally address customer concerns and provide information during construction of major projects.

During the year we used a range of initiatives to educate customers and the broader community about the essential services we provide.

Our presence at the World Environment Day Festival at the University of the Sunshine Coast included a "Love Your Loo" campaign. The campaign increased awareness about the importance of adequate sanitation as well as raising funds for international non-government organisation WaterAid to improve sanitation in some of the world's poorest communities.

Unitywater also launched its Hydration Station, a mobile water trailer that supplies free drinking water to local events. The Hydration Station also educates the community about the health, environmental and cost benefits of tap water over bottled water.

We engaged with local school students through the State Government's Gateway to Industry Schools Program and sponsored the Sunshine Coast Council's Kids in Action program. As part of the Gateway program Unitywater partnered with Morayfield High School, giving Year 11 students practical water sampling experience as part of their Certificate II in Sampling and Measurement.

The Kids in Action Program gave Year 5 students from Maleny River School a chance to plant trees and learn more about the Maleny Wetlands and how it contributes to the sewage treatment cycle.

The launch of our Creekside Greening Program enabled us to connect and partner with community bush care groups and stakeholders to make a positive contribution to the health of our waterways and beautify the natural environment at the same time. Under the program, Unitywater staff and volunteers planted close to 6000 native seedlings along creek banks at Nambour, Yandina, Maleny and South Caboolture.

Case study

PREVENTING SEWAGE OVERFLOWS

In 2012-13 Unitywater invested \$100 million to boost network capacity and upgrade ageing sewerage infrastructure to better protect the environment, cater for growth and meet regulatory standards. This is part of an overall investment of \$535 million from 2013 to 2018 that will fortify our entire sewerage network and help prevent sewage overflows.

Unitywater's Sewage Overflow Abatement Program (SOAP) plays a critical role in reducing the frequency and effect of sewage overflows in the community. A total of \$2.8 million was spent on the program in 2012-13.

One of the outstanding features of the SOAP has been the ongoing investigation program to find the causes of inflow and infiltration on private property and in our network. Inflow is the rainwater that enters the sewerage network via defective or inappropriate plumbing of stormwater to the sewer. Infiltration refers to groundwater entering sewer pipes through cracks and faulty joints.

The program has already improved the quality of life for Unitywater customers by reducing the number, frequency and impact of sewage surcharges into homes during severe wet weather events.

In 2012, 72 sewage surcharges in private homes were reported during severe wet weather events that occurred between January and March. During comparable wet weather events in the January to March period in 2013, the number of internal surcharges was reduced to 11, with only one of these being a recurrence from the previous year.

Since 1 July 2010, Unitywater has completed smoke testing on 37,452 private properties, including testing of 19,593 properties this financial year. Smoke testing involves injecting harmless, odourless smoke into the sewer to check for defects in private plumbing fixtures. Following these investigations, we issued 1868 notices for rectification to property owners. By 30 June 2013 the majority of these defects had been rectified and 78 matters were referred to participating local governments for compliance action.

We commend our customers for their willingness to have private plumbing defects repaired promptly by a licensed plumber.

Our operational performance

Integrated whole-of-region business

Unitywater's whole-of-region approach to investment, management and operation of water and sewerage infrastructure and business systems is driving down our cost to serve.

Key outcomes 2012-13

- Invested \$168.4 million in critical water, sewerage and support infrastructure projects across the Moreton Bay and Sunshine Coast regions
- Completed the Consolidated Asset Management System (CAMS) project to more effectively record, monitor and manage \$2.9 billion of assets
- Launched a project to combine Unitywater's two scientific services laboratories into one facility at Morayfield. This rationalisation will eliminate duplication, better utilise staff and allow us to offer more of these services externally
- Introduced an integrated reporting system which allows "real time" reporting of safety incidents for quicker monitoring, investigation and response
- Developed a Treatment Services Plan to identify how to best provide sewage treatment services through to 2051
- Participated in an international asset management benchmark study and developed an Asset Management Plan to be implemented in 2013-14
- Commenced construction of a Northern Service Centre at Maroochydore Sewage Treatment Plant to consolidate seven work facilities from Noosa to Caloundra for increased efficiency and faster response times to water and sewerage incidents.

Our operational performance

Delivering critical infrastructure

In 2012-13 we completed a number of vital infrastructure projects to ensure compliance with environmental licence conditions, meet service standards and create capacity to support population growth in our region.

Major projects completed in 2012-13:

- Upgrades to STPs at Brendale (\$12 million), Cooroy (\$19.3 million) and Woodford (\$13.4 million)
- Stage 1 of the Maleny Wetlands Project which comprises a wetland scheme to minimise discharge of effluent to Obi Obi Creek. The project is part of the \$18 million Maleny STP upgrade
- Construction of a new 14.2 ML water supply reservoir at Harbour Hill, Kuluin, to provide for development growth in the zone, which includes the Maroochydore business centre. Project cost: \$3.25 million
- A \$3.1 million extension of the trunk gravity sewerage network into the Sippy Downs Town Centre to cater for population growth and economic development in the region.

Major projects commenced in 2012-13 include:

- A \$46.5 million upgrade of Nambour STP to increase capacity to treat approximately 10 million litres of sewage per day to meet anticipated growth in the region
- An \$18 million upgrade of Maleny STP, due for completion in early 2014, to cater for growth, meet licence conditions and positively impact the health and water quality of Obi Obi Creek
- Stage 4 of the \$10 million Kawana STP upgrade to increase capacity and prevent the incidence of flooding within the plant during extreme wet weather events
- Duplication of a sewage pressure main from the planned Sunshine Coast University Hospital through to Kawana STP to provide capacity for growth in the Kawana catchment. Project cost: \$8.7 million
- Replacement of a clarifier at Bribie Island STP to boost plant capacity during peak wet weather events. Project cost: \$2.3 million.
- A new 8.7 ML water supply reservoir at Nambour to give security of supply and service projected growth in the Nambour West area. Project cost: \$2.5 million
- Construction of a \$1.9 million, 4.5 ML water reservoir at Craig's Hill, Highworth, to improve reliability of water supply to 9000 nearby residents.
- Duplication of a sewage pressure main at Talara Street and Messines Road Currumundi, to reduce sewage overflows and provide for growth in Pelican Waters, Golden Beach, Caloundra and Little Mountain. Project cost: \$5.2 million

Network maintenance and renewal

In addition to the above projects we invested \$73.6 million in maintaining and renewing existing water and sewerage infrastructure to meet our service standards.

In 2012-13 our \$5.7 million fire hydrant, valve and water meter replacement program installed 1400 new fire hydrants and replaced 600 valves and 750 large water meters.

We also invested \$2.5 million in replacing 16,349 small water meters, and spent approximately \$1 million replacing electrical control system switchboards, which are a vital part of our network control.

Our \$3.1 million investment in relining sewer pipes, wet wells and manholes is helping to increase the longevity of our sewers and prevent sewage overflows during extreme wet weather events. During the reporting period we inspected 83 km of underground infrastructure using CCTV and relined 112 km of sewer pipes to improve performance and extend operating life.

Meeting service standards 2012-13

WATER

Parameter	Target	Achieved
Australian Drinking Water Guidelines compliance	>98%	99.9%
Drinking water quality complaints per 1000 connected properties/year	<10	0.05
Unplanned water supply interruptions per 100 km/year	<10	3
Water main breaks and leaks per 100 km/year	<25	6.5

SEWERAGE

Parameter	Target	Achieved
Odour complaints per 1000 connected sewerage properties	<65	20
Sewage treatment plant compliance	98%*	97.4%
Dry weather sewage overflows per 100 km of mains/year	<2.2	1.7
Sewer main breaks and chokes per 100 km/year	<40	18.8

*Note: Internal Unitywater target

Our operational performance

Proud productive people

Unitywater undertakes detailed planning and implements innovative programs to ensure we can attract, develop and retain staff with the right skills, knowledge, attitudes and behaviours to support the needs of our customers and our business.

Staff safety is of primary importance and we strive to create a Zero Harm environment. We were very proud to reduce our lost time injury rate from 23.7 in 2011-12 to 6.78 in 2012-13. This result was achieved through a range of new safety actions such as an improved safety incident recording system, increased safety awareness training for frontline staff, more active management of the Return to Work program, and coaching and mentoring managers on proactive safety management.

Key Outcomes 2012-13

- Launched our five year Zero Harm initiatives, aimed at achieving an injury free workforce
- Launched the inaugural Unitywater Graduate Program, employing six engineering graduates and providing them with experience across a number of departments over the three year program
- Signed a Memorandum of Understanding with the University of the Sunshine Coast (see Case Study page 21)
- Hired four new apprentices in the mechanical and electrical trades areas, providing vocational training on the path to formal trade qualifications under our Apprenticeship Program
- Provided work experience to engineering students under our Vacation Work Program
- Worked with high school students as part of the State Government Gateway to Industry Schools Program (see Case Study page 21)
- Partnered with a domestic violence prevention charity and awareness program, via Australia's CEO Challenge, and worked with them to deliver educational sessions to staff and plan the development of a support partnership with a local domestic violence refuge
- Worked with our staff to revise and formulate new corporate values for the organisation.

During the reporting period several Unitywater staff members were recognised by their peers and industry for excellence in their field.

Unitywater engineer Barak Truasheim was awarded the 2012 Queensland Undergraduate Water Prize by the Australian Water Association for his excellence in water studies and research.

At the 24th Annual East Coast Apprenticeships Awards in November 2012, Mark Formosa was named Adult Apprentice of the Year and Jonathan Searle claimed the top honour of Apprentice of the Year as well as being named the Electrical Trades Apprentice of the Year.

Treatment Plants Unit Leader Chris Hughes was presented with the prestigious 2013 Queensland Operator of the Year award by the Water Industry Operators' Association of Australia.

Case study

RESOURCING OUR FUTURE

Unitywater recognises that achieving operational excellence depends on attracting and retaining excellent staff and actively partnering with them in career development.

We have a range of programs in place that provide an interface with local high school and university students and graduates, who are our potential employees of the future.

Unitywater and Morayfield High School partnered under the State Government's Gateway to Industry Schools Program to provide 22 Year 11 students with access to industry-focussed curriculum, work experience opportunities, career information and workplace learning opportunities.

We employed four additional apprentices in the second year of our Apprentice Program. The new apprentices work in the mechanical and electrical trades area and receive vocational and on the job training as they work towards formal trade qualifications.

Our Vacation Work Program provides engineering students with practical workplace experience. More than 40 applicants competed for three vacation program roles offered by Unitywater over the summer semester.

Unitywater's inaugural Graduate Program appointed six engineering graduates in 2013, drawn from the electrical, civil, mechanical and environmental streams. The junior engineers will gain experience in various departments over the three year program and receive assistance to complete further studies through Engineering Education Australia.

The signing of a Memorandum of Understanding (MOU) with the University of the Sunshine Coast in 2013 is another addition to the employment and training opportunities provided by Unitywater. The MOU includes a Unitywater Scholarship in Engineering as well as creating career pathways into our Vacation Work and Graduate Programs.

Our operational performance

Sustainable value and growth

Providing sustainable value to our customers, stakeholders, our community and the environment is the guiding force behind the development of Unitywater's strategies, plans, policies and processes.

Through proper planning, review, analysis and research we seek to continually drive efficiencies, innovatively sustain our environment and find new business opportunities.

Key outcomes 2012-13

- Returned \$47.5 million in participation returns to participating councils under our Participation Agreement
- Gained international management system certifications across the whole business
- As part of our System Leakage Management Plan we introduced a smart water network monitoring service trial to find hidden leaks and identify service abnormalities, along with other measures to improve network efficiency, reduce water losses and save costs
- Developed a sewage Treatment Services Plan to best deliver these services in the short and long term and minimise the social, environmental and financial impacts on our customers
- Introduced a streamlined water quality reporting system to efficiently retrieve, analyse and compare water quality data on demand. This system improves day to day water quality management and reporting and allows faster response to water quality incidents
- Finished Stage 1 of the Maleny Wetlands, part of a bio-diversity irrigated forest and wetlands to improve the quality of effluent released from the Maleny STP
- Completed the first of two trial wetlands at Coolum STP. The wetlands will be monitored for two to three years with results used to decide the optimal upgrade process for the plant
- Altered plant processes at Murrumba Downs STP to enable reuse of bio-solids, instead of sending this organic by-product to landfill. This initiative will save approximately \$450,000 per year
- Sponsored a Creekside Greening Award at the Living Smart "Glossies" Awards to recognise the important contribution of not-for-profit community bush care groups in keeping our waterways healthy
- Sponsored the Sustainable Development Award at the 2013 Healthy Waterways Awards to reward sustainable water management and environmental practices.

Case study

SUCCESSFUL TRANSLOCATION OF RARE FROG HABITAT

The Sippy Downs wetlands site earmarked for construction of a 1.7 km trunk sewage main was found to be the breeding and foraging habitat for three types of "vulnerable" acid frogs: the wallum froglet, wallum rocket frog and wallum sedge frog.

The frog habitat, predominantly *Ghania* species of sedges and reeds, included the Rough Bog Rush (*Schoenus scabripes*) which is listed as "rare" under the *Queensland Nature Conservation Act 1992*.

Unitywater provided regular project advice and assessment of the Construction Management Plan, Species Management Plan and Cultural Heritage Management Plan. Regular meetings with the project manager and principal contractor and fortnightly liaison with the Department of Environment and Heritage Protection ensured compliance conditions had been met.

The Sippy Downs Sewer Main Project implemented a number of specific controls to minimise the impact on frogs. These included:

- The use of trenchless construction where possible
- Translocation of 1000 square metres of sedge/wetland to allow open trench construction
- Frog fencing
- Regular water quality monitoring
- Detailed erosion and sediment control plans
- An amphibian hygiene protocol
- Demarcating "no go" zones for contractors.

Because there was no precedent for translocation of the rare Rough Bog Rush, a local contractor was engaged to design a specialised implement for relocating the rush.

Weekly vegetation monitoring and fortnightly frog monitoring has shown successful vegetation regeneration and increased frog numbers. The displaced flora and fauna will be relocated back to the disturbed area and frog surveys will be carried out for two years following construction, which was completed in May 2013.

The success of this project means that others in the water industry are likely to adopt this vegetation/fauna management approach for construction works within these types of environmentally sensitive areas.

Our future

Unitywater's 2013-18 Corporate Strategic Plan charts a well planned direction toward operational excellence and will deliver additional value to our customers, stakeholders and the environment.

This involves balancing the cost to serve our customers with maintaining regulatory and industry standards, providing returns to our participating councils and investing in water and sewerage infrastructure so that we can continue to operate in a socially responsible and environmentally sustainable way.

Our revised Purpose under the 2013-18 Corporate Strategic Plan is "to provide sustainable value for money water and sewerage services to our customers". This purpose is underpinned by our strategic goals and priorities and the robust strategies that support them.

By reducing the cost to serve our customers and generating new and diverse revenue sources we aim to enhance customer value, improve sustainability and develop an operationally excellent organisation.

Delivering innovative capital solutions

Unitywater continues to develop and implement innovative solutions to the way we operate that will create future savings and benefits to our customers.

In 2013 we built a magnesium hydroxide liquid (MHL) chemical batching plant to cost-effectively manufacture MHL, using recycled water, at Maroochydore STP.

Unitywater adds more than 1 million litres of MHL, also known as Milk of Magnesia, to raw sewage each year to manage odour and protect underground pipes against corrosion.

Thanks to a beneficial new partnership with a local business, we will save close to half a million dollars in 2013-14 by manufacturing MHL on site. More MHL dosing sites are planned across the network so further savings can be realised in coming years, along with better odour control and extended life of sewerage infrastructure.

Protecting the environment and community health

We will invest \$535 million in critical sewerage infrastructure across the region over the next five years. Major projects include:

- An upgrade of the Redcliffe STP to ensure ongoing safe and reliable plant operation.
- A \$46.5 million upgrade of Nambour STP, due for completion in July 2014. The existing plant has been operating beyond its design capacity and needs upgrading to cater for population growth in the Nambour, Woombye, Palmwoods, Yandina and Eumundi catchments.
- Stage 4 of the \$10 million Kawana STP upgrade to increase capacity and prevent the incidence of flooding within the plant during extreme weather events.

Achieving savings through rationalisation, efficiency and investment in new systems

In January 2013 we commenced construction of a Northern Service Centre at Maroochydore STP. This centre will consolidate seven work facilities from Noosa to Caloundra to improve efficiency and response times to water and sewerage incidents. The new centre will house frontline staff carrying out essential maintenance and around the clock emergency repairs to water and sewerage infrastructure.

Greater collaboration and efficiencies will also be gained through the completion of a Northern Corporate Centre in February 2014. Unitywater will lease the centre, which is an extension to existing offices at 8-10 Maud Street, Maroochydore, to accommodate a large proportion of its Sunshine Coast workforce under one roof. The building extension option provided the least disruptive and most cost effective solution to maintaining the delivery of quality services to our customers.

Planning for change and growth

Our sewage Treatment Services Plan was approved by the Board in February 2013. It recognises that traditional approaches to upgrading STPs to meet increasingly stringent environmental standards may not be the most cost efficient option.

The plan has a 2051 outlook and recommends a more centralised approach to sewage treatment, with a proposed reduction in the number of Unitywater's STPs from 18 to 12 by 2041, and to nine by 2051.

Improving customer satisfaction

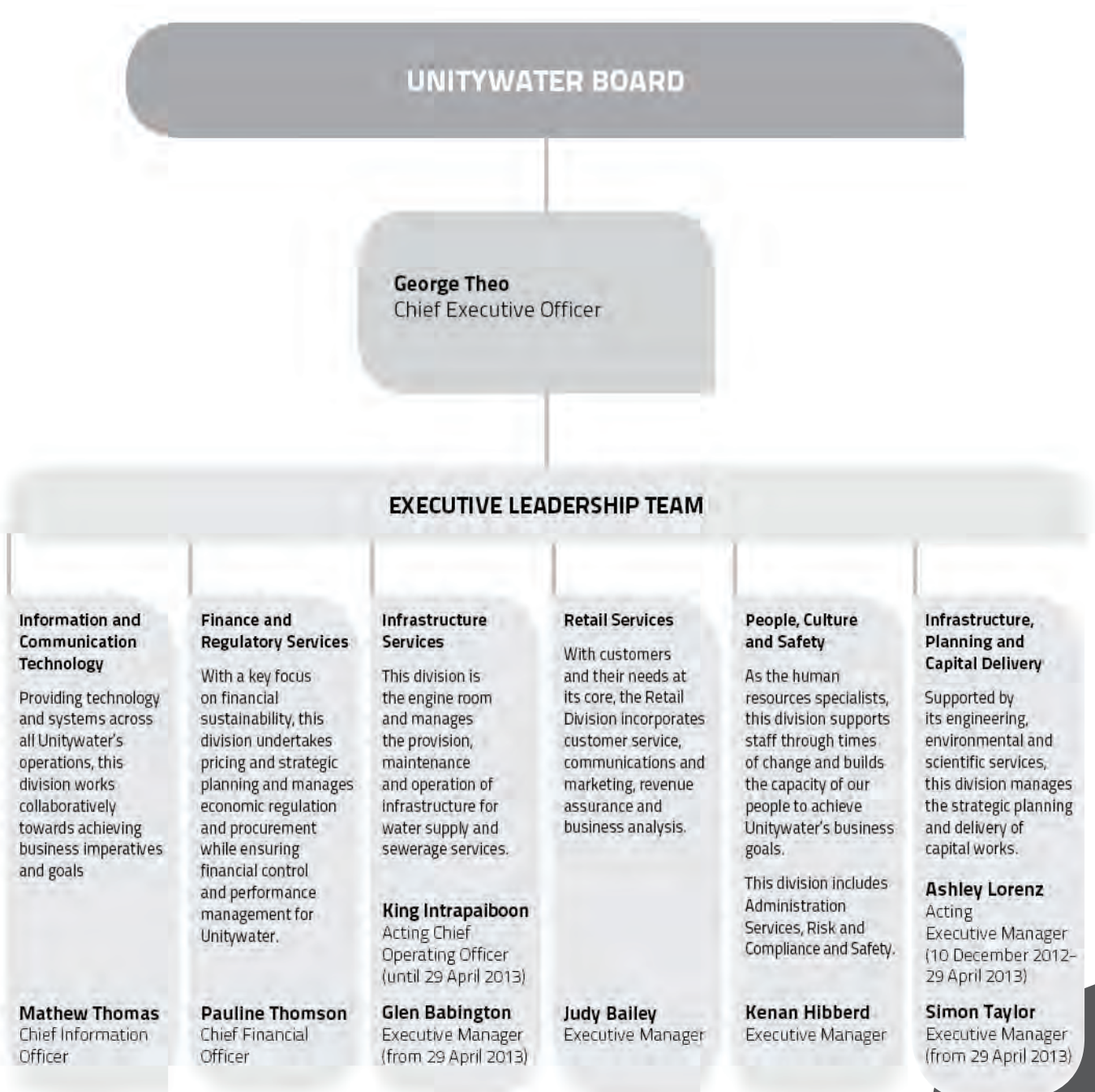
From 1 July 2013 Unitywater is phasing in a new pricing structure that allows customers more control over their accounts. The user pays approach to billing consists of lower fixed access charges and higher water consumption prices, giving customers incentive to use less water and to reduce their bill as a result.

The new pricing structure will be phased in for all Unitywater customers over the next two financial years.

Other changes include a standard two tier price for water across the Sunshine Coast and Moreton Bay regions, an increase in the usage threshold for tier one and a new volumetric sewerage usage charge.

In 2013-14 we will introduce more customer self-service options, offering greater flexibility for accessing information and paying accounts.

Our structure



Our Board

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

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

Board Members are appointed for a term of three years (five years in the case of first terms for initial Board Members) and are eligible for reappointment.

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

One of the Board's major achievements during the reporting period was the delivery of a price freeze to 100 percent of residential customers in 2012-13 (excluding the State Government bulk water charge increase which Unitywater was required to pass on to our customers), while still maintaining significant investment in critical water and sewerage infrastructure.

Board changes during the reporting period were the resignation of Michael Arnett and Noel Faulkner, effective 31 December 2012. These Board Members resigned from Unitywater to take up new roles as Board Members for the SEQ Bulk Water Supply Authority.

Unitywater welcomed two new Board Members, Barry Casson on 14 January 2013 and Mike Williamson on 19 March 2013.

Jim Soorley

Chairman

Jim was Lord Mayor of Brisbane from 1991 to 2003, presiding over an annual budget of \$1.6 billion and a workforce of 7000. Jim lists changing Brisbane from a city with a "country town" mentality into a vibrant urban metropolis, without compromising its liveability, as one of his greatest achievements.

Sharon Doyle

Sharon brings extensive experience across a broad range of industries. Sharon is the Managing Director of the corporate advisory firm, InterFinancial, and has previously held leadership roles in Mincom Limited, a global software company, and as a commercial and corporate lawyer at Allens Arthur Robinson.

Megan Houghton

Megan has more than 18 years' experience as a senior executive in the Australian energy and water industries in areas including strategy development and financial and economic performance, and has held senior executive roles in national energy and top tier consultancy companies.

Michael Arnett

(1 Jul 2010 to 31 Dec 2012)

Michael has been a practicing lawyer in the areas of corporate, mining and commercial law for more than two decades. He was a former Partner and Chief Operating Officer of international law firm Deacons (now Norton Rose Fulbright) and CEO of New Guinea Energy Limited from 2009-11. He has extensive board and management experience both nationally and internationally.

Noel Faulkner

(11 Sept 2011 to 31 Dec 2012)

Noel has 30 years' experience in utilities, combined with 10 years in government, and has been involved in South East Queensland's regional water reforms since 2007.

Noel has held positions as Chief Executive Officer (CEO) of Queensland Urban Utilities, CEO of Powercor Australia Ltd, CEO of United Energy Ltd, CEO of Capricornia Electricity, as well as senior executive roles with Brisbane City Council.

Barry Casson

(Appointed 14 Jan 2013)

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

Mike Williamson

(Appointed 19 Mar 2013)

Mike brings to Unitywater more than 30 years' experience in the fields of water and sewage management, waste minimisation, resource recovery, engineering and project management.

He has held positions as Managing Director of CH2M HILL Australia and Managing Partner of global consulting firm Environmental Resources Management. Since 2001 he has been Chairman of the Oil Stewardship Advisory Council and has held board positions with Keep Australia Beautiful and Special Olympics NSW. Mike is a qualified marine and mechanical engineer and is a Fellow of the Australian Institute of Company Directors.

Antoinette Carley

(Unitywater Secretary - appointed 1 Jul 2010)

The Board is supported by the Unitywater Secretary, appointed by the members in accordance with the Participation Agreement.

The Unitywater Secretary has responsibility for facilitating Unitywater's corporate governance processes and ensuring the Board's processes and procedures run effectively and efficiently.

The Unitywater Secretary also acts as an interface between the Board and the Executive to provide information on Unitywater's risk management and compliance programs, as well as legal developments and regulatory changes.

Board responsibilities

Unitywater is a statutory authority that provides water and sewerage services to the Moreton Bay and Sunshine Coast local authority areas. We are governed by an independent Board and have a Participation Agreement with the Moreton Bay and Sunshine Coast Regional Councils.

We were established under the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* and commenced operations on 1 July 2010. We operate in accordance with the Act and the Northern SEQ Distributor-Retailer Authority Participation Agreement.

An independent, skills-based Board guides the organisation at the highest level and has the ultimate responsibility for how Unitywater performs its functions and exercises its powers.

The Board was appointed by the Moreton Bay and Sunshine Coast Regional Councils in accordance with the Participation Agreement for Unitywater.

The Board has the following responsibilities:

- Sets the strategic direction of Unitywater
- Ensures Unitywater adheres to the Act and achieves the objectives set out in the Participation Agreement
- Reviews and approves the Strategic Plan
- Ensures Unitywater implements, monitors and reports at suitable intervals on the Strategic Plan
- Approves the annual budget and mid to long-term financial forecasts, including operational and capital expenditure budgets
- Monitors the performance of Unitywater against appropriate performance indicators
- Approves delegations to the CEO and identifies those matters and policies reserved for approval by the Board
- Reviews the performance of the CEO
- Establishes and determines the powers and functions of Board committees
- Approves the Annual Financial Statements
- Acts as an interface with the Moreton Bay and Sunshine Coast Regional Councils in relation to the requirements of the Participation Agreement
- Sets prices.

Four committees aid the Board in the execution of its duties:

Audit and Risk Committee

The Audit and Risk Committee helps the Board to fulfil its corporate governance responsibilities by reviewing Unitywater's safety reports, risk management reports and annual financial reports. In addition, it provides oversight and direction with respect to internal control systems, insurance, and audit and regulatory compliance processes.

The Committee met four times during 2012-13 and consisted of Michael Arnett (Chairman), Megan Houghton and Sharon Doyle. Following the resignation of Michael Arnett from the Board, Barry Casson was appointed Chairman on 29 January 2013.

Capital Works Committee

The Capital Works Committee reviews, oversees and reports to the Board on the appropriateness of Unitywater's capital works practices, including detailed review of the annual program of capital works and associated budget.

The Committee met seven times and consisted of Noel Faulkner (Chairman), Michael Arnett and Jim Soorley. Following the resignation of Noel Faulkner and Michael Arnett from the Board, on 27 March 2013 Mike Williamson was appointed Committee Chairman and Sharon Doyle became a Committee member.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee supports the Board by conducting detailed examination of the remuneration framework for all staff. It also assists the Board to meet its decision making obligations under the incentive framework for senior staff.

The Committee met two times and consisted of Sharon Doyle (Chairman), Michael Arnett and Noel Faulkner. Barry Casson joined the Committee on 29 January 2013, replacing Michael Arnett.

Retail and Marketing Committee

The Retail and Marketing Committee was formed to help the Board by overseeing the management of retail and marketing risks and setting the policy and strategic direction for the retail and marketing functions of Unitywater.

As a result of the achievement of relevant strategic and operational objectives, the Board approved the dissolution of this Committee on 29 May 2013. The Committee comprised Megan Houghton (Chairman) and Jim Soorley. (These members will take up appointments to the new Environment Committee in 2013-14).

Corporate governance

Executive Leadership Team

Unitywater's Executive Leadership Team leads the daily operations of Unitywater and is headed by the Chief Executive Officer.

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

George Theo

CHIEF EXECUTIVE OFFICER

George brings more than 25 years' experience to Unitywater and a wealth of knowledge of the water industry through previous roles with global consulting company GHD and Brisbane Water. As General Manager of Network Planning and Services at Brisbane Water, George was responsible for the strategic planning and delivery of water and sewerage assets for one million residents. George was Unitywater's Chief Operating Officer prior to taking up the position of CEO.

Glen Babington

EXECUTIVE MANAGER BUSINESS SUPPORT SERVICES (1 Jul 2010 - 28 Apr 2013)

EXECUTIVE MANAGER INFRASTRUCTURE SERVICES (from 29 Apr 2013)

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

After an organisational structure review, the Business Support Services Division was dissolved and its functions were distributed to other divisions.

King Intrapai boon

ACTING CHIEF OPERATING OFFICER

(11 May 2012 - 28 Apr 2013)

King has spent 15 years in the water industry, starting his career as a consultant engineer with Hyder and GHD. A keen interest in providing essential community services prompted him to specialise in sewage treatment plant operations. Following his role as Acting Chief Operating Officer King has returned to his previous position as Manager Treatment Plants, overseeing the safe and efficient operation of 18 sewage treatment plants.

Judy Bailey

EXECUTIVE MANAGER RETAIL SERVICES

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

Kenan Hibberd

EXECUTIVE MANAGER
PEOPLE, CULTURE AND SAFETY

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

Mathew Thomas

CHIEF INFORMATION OFFICER

Mathew has more than 15 years' experience in Information and Communications Technology (ICT) management, and 10 of those years were spent in energy and water utilities.

Before joining Unitywater Mathew was Hunter Water ICT Manager, where he delivered more than \$20 million in ICT capital projects over three years and implemented service management, program management and ICT governance frameworks.

Pauline Thomson

CHIEF FINANCIAL OFFICER

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

Ashley Lorenz

ACTING EXECUTIVE MANAGER
INFRASTRUCTURE PLANNING AND CAPITAL
DELIVERY (10 Dec 2012 - 28 Apr 2013)

Ashley is a Civil Engineer who has worked in the water industry for two decades. Over the past 10 years he has been principally involved in planning and asset management roles in water utilities.

Since 2003 Ashley has been investigating and applying the principles of total water cycle planning to identify sustainable solutions for the provision of sewerage and water services. Ashley has now returned to his former role of Manager Strategic Planning and Asset Management, managing Unitywater's strategic planning, infrastructure planning, development services and assessment management functions.

Simon Taylor

EXECUTIVE MANAGER INFRASTRUCTURE PLANNING
AND CAPITAL DELIVERY (from 29 Apr 2013)

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

Risk management

Unitywater is committed to integrity, transparency and accountability in managing risk and complying with mandatory legislative requirements.

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

Since 1 July 2010 the Audit and Risk Committee has been responsible for assisting the Board to discharge its corporate governance responsibilities to exercise due care, diligence and skills in regard to:

- Reporting financial information
- Applying accounting policies
- Maintaining the independence of Unitywater’s auditors
- Financial management
- Internal control systems including internal audit and assurance
- Risk management
- Industrial relations
- Workplace health and safety
- Compliance with applicable laws and regulatory requirements.

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

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

Our workforce

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

Workplace planning

During 2012-13 Unitywater employed approximately 855 full time equivalent staff, with a broad range of professional, para-professional, technical and trades skills and competencies.

The number of full time equivalent staff reduced by 2.4 percent compared to 2011-12 (876).

Our workforce planning is based heavily on providing opportunities for staff members to cross-skill across different disciplines and transfer knowledge throughout the organisation. These opportunities include input into major business improvement projects, taking on higher duties, accessing learning and development opportunities, and industry collaboration.

For example, two staff members participated in the International Water Centre's Water Leadership Program which helps emerging leaders to develop the abilities to oversee challenging integrated water management projects.

In an employee engagement survey conducted in May 2013, staff members who indicated they intended to stay with Unitywater for the next five years cited work location, work/life balance, stability/security, relationships with team and co-workers, and base pay as their top reasons for staying.

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

- Vacation and work experience programs for high school and university students
- Unitywater Graduate Program
- Unitywater Apprenticeship Program
- An Undergraduate Engineering Scholarship offered at the University of the Sunshine Coast
- Involvement in the State Government's Gateway to Industry Schools Program.

Workforce statistics	2012-13	2011-12
Full time equivalent employees	855	876
Permanent retention rate	84.9%	90.8%
Permanent separation rate	15.1%	9.2%

Cultural change

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

The framework starts at the recruitment phase and managers use appropriate tools and techniques to ensure that the most suitable candidates are identified up front. All shortlisted candidates must complete safety behavioural testing as part of the interview process to ensure they understand Unitywater's commitment to safety.

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

New staff members undertake a full-day corporate induction on their first day, including induction into critical corporate systems and safety processes. Site-specific induction takes place on the second day of employment.

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

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

Recognition and Reward

Our Reward and Recognition Program recognises individual and/or team success through team functions, Executive Manager award presentations, monthly award presentations by the Chairman of the Board, and annual excellence awards including Employee of the Year. This program formally acknowledged the achievements of 75 staff members in 2012-13, including the Employee of the Year Peter Gusa, who is a Technical Systems Specialist in the Information and Communications Technology Division.

Award categories under the Reward and Recognition Program include excellence in customer service, efficiency, project delivery, leadership, workplace health and safety, innovation and environmental protection.

In late 2012 we also introduced Years of Service Awards. These awards acknowledge contribution through long periods of service and take into account staff members' periods of employment with participating councils prior to joining Unitywater. To date, three team members have been recognised for 40 years of service, 36 employees received 30 Years of Service Awards, 27 employees were presented with 20 Years of Service Awards and 15 awards were given out for 10 years of service.

We also take advantage of external opportunities for our staff members' high achievements to be saluted by peers and industry. In 2012-13 four Unitywater staff members received State awards for excellence, offered by the Water Industry Operators' Association of Australia, the Australian Water Association and East Coast Apprenticeships.

Flexible working arrangements

Flexible working arrangements are available to staff under Unitywater's Certified Agreement. Work options include full time, part time, casual, job sharing and work from home.

Unitywater also offers leave provisions that accommodate the planned and unplanned events that occur in our employees' lives.

In a 2013 employee engagement survey, 57 percent of staff strongly agreed/agreed with the statement: "The balance between my work and personal commitments is right for me".

Leadership and management development framework

During the reporting period we reviewed and revised our organisational values, more clearly articulating the behavioural standards that are required to be modelled within the organisation.

We aim to build a performance-based culture where all leaders and managers play a critical role in achieving corporate objectives. A new leadership development program for branch managers began in early June 2013. The program is initially assessing the leadership styles of this management group and will be further developed in the next financial year.

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

Industrial and employee relations framework

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

Our Certified Agreement consultative process is driven by a Joint Consultative Committee that consists of Unitywater managers, staff members and union representatives. The committee meets once every two months to discuss workplace matters that may impact staff.

Voluntary separation 2012-13

	No. of employees	Cost of packages* \$000
Voluntary redundancies	45	3,913
Early retirement scheme payments	0	0
Retrenchments	4	420

* This includes a base payment, which is the payment that the employee would receive upon exiting the business, regardless of the reason, and a separation payment which the employee receives in lieu of notice and as part of a separation incentive.

Accountability

We manage our business in a responsible and transparent way, keeping accurate records, using best practice complaints management processes and providing open access to relevant information.

Information systems and record-keeping

As required under the *Public Records Act 2002*, Unitywater makes and keeps full and accurate records of its activities in accordance with the record-keeping standards and policies issued by the Queensland State Archives.

Our record-keeping program is documented through our policies and procedures. We have developed record-keeping systems and tools such as an electronic Document and Records Management System, a Business Classification Scheme, and will work with relevant stakeholders on a sector specific retention and disposal schedule. We have also undertaken an IS 40 survey which is designed to help authorities meet their record-keeping obligations under the *Public Records Act 2002* and promote record-keeping best practice across the public sector.

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

Complaints Management

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

If complaints are not resolved to a customer's satisfaction, they can be referred to the Energy and Water Ombudsman Queensland (EWOQ) for review. During the reporting period 108 matters were referred to EWOQ by customers. None of these customer complaints were upheld, with EWOQ ruling that all complaints had been managed in accordance with Unitywater's documented policies and procedures.

Consultancies

Unitywater engaged consultants for a range of projects and specialised activities during 2012-13:

Category	\$000
Infrastructure and maintenance planning	1496
Organisational efficiency reviews	693
Pricing reviews	210
Other	112
Employee engagement and safety	66
Economic regulation	63
Total	2642

Overseas travel

Information on Overseas Travel can be accessed through the Queensland Government Open Data website: www.qld.gov.au/data

Access to information

Unitywater is committed to providing the community with greater access to information and is proactive in its approach to comply with relevant legislation.

Details of information that we make available to the public are published on our website at www.unitywater.com/publications-scheme

The Right to Information (RTI) Act 2009 gives the public a right of access to information held by government agencies unless, on balance, it is contrary to the public interest to provide that information. The Act aims to make information available, provide equal access to information across all sectors of the community, and provide appropriate protection for individuals' privacy.

The Information Privacy Act (IPA) 2009 aims to provide for the fair collection and handling of personal information in the public sector and give individuals the right to access and amend their personal information held by public sector entities. Those interested in accessing information held or generated by Unitywater can visit www.unitywater.com/right-to-information

RTI/IPA applications 2012-13

RTI/IPA applications	4
Applications finalised	4
Applications subject to internal review	0

Financial performance

Unitywater's 2012-13 net profit after tax was \$67.9 million, which was an increase of 6.7 percent compared to \$63.7 million in 2011-12. The result reflected a 0.3 percent reduction in net utility revenue to \$302 million and a significant reduction in operating costs, to \$140.5 million, which was a drop of 6.7 percent or \$10.1 million.

We froze our prices for our residential customers in 2012-13 (this excludes the State Government bulk water charge increase which Unitywater was required to pass on to our customers).

Our total net revenue for this financial year was \$404.9 million, compared to \$397.1 million in 2011-12, and this included \$31.7 million of developer cash contributions and \$49.9 million of water and sewerage infrastructure assets contributed by developers. Developer contributions of \$81.6 million were \$9.9 million or 13.8 percent higher than in 2011-12, reflecting the continuing growth within the Moreton Bay and Sunshine Coast regions.

Significant growth in our region was also reflected in the \$168.4 million that was invested in critical water and sewerage infrastructure projects to maintain our service standards, with Unitywater now operating \$2.9 billion in infrastructure assets.

Key operating costs incurred to maintain our asset base and support a population of approximately 750,000 included:

- More than \$90 million to plan for, manage, maintain and operate Unitywater's water and sewerage infrastructure. This included nearly \$5 million to dispose of bio-solids from sewage treatment plants; \$4.6 million for chemicals to manage corrosion and reduce odour in our sewerage network; and \$9 million for electricity to pump water and sewerage through the network and operate sewage treatment plants.
- A further \$4.3 million was spent to ensure our water quality met Australian Drinking Water Guidelines and to minimise our impact on the environment. Environmental initiatives included the protection of endangered species, the development of a Carbon and Cost Abatement Management Plan, and undertaking research and development into new technologies to improve environmental outcomes and reduce the cost of providing services to customers.
- More than \$15 million was invested in customer services including a locally staffed and operated call centre; reading water meters and collating and distributing quarterly accounts in a more timely manner; and improving billing information to enable customers to better understand their water and sewerage usage.

During 2012-13 a range of savings were achieved, which contributed to the \$10.1 million reduction in operating costs. These included:

- Labour cost reductions through employment of apprentices to replace contract staff
- Reduction in overtime through the introduction of an afternoon shift and staggered start implementation
- Fleet and fuel cost reductions
- Procurement savings through a rationalisation of suppliers and more competitive tendering processes
- Reduced facilities lease costs through property rationalisation
- Savings through the exit from council platforms and a new ICT service provider
- Consolidation and rationalisation of telecommunications plans
- Savings in payment channel and mail out costs.

Savings through joint working arrangements with other SEQ water distributor-retailers in 2012-13, Unitywater delivered total returns to our participating councils of \$138.1 million, compared to \$143.2 million in 2011-12. This comprised:

- \$81.8 million in interest on participating council loans provided to Unitywater (excluding interest on working capital loans)
- \$8.8 million in tax, in accordance with the Local Government Tax Equivalent Manual
- \$47.5 million in participation returns.

Unitywater retained \$20.4 million in profits in 2012-13 in order to reduce borrowing requirements in 2013-14 for necessary investment in infrastructure to continue to maintain service standards and cater for growth in the region.

2012-13 Financial overview

Category	\$ million
Total income	517
Total expenses	425
Total non-current assets	3008
Total non-current liabilities	1543
Net assets	1482
Net operating cash flow	136

Key financial ratios

Ratio	Formula	Value
Current ratio (times)	Current Assets/Current Liabilities	1.12
RoTA (%)	Return on total assets = EBIT/average total assets	6.1%
ROE (%)	Return on equity = Net profit/equity	4.6%
Net debt to equity ratio (%)	Net debt = (Loans and borrowings less cash)/equity	98.6%
Net debt/debt + equity (%)	Net debt = (Loans and borrowings less cash)/(loans and borrowings + equity)	49.0%
EBITDA interest cover (times)	Earnings before interest, tax and depreciation, amortisation and impairment/borrowing costs	2.84

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BOARD MEMBERS REPORT

The Board of The Northern SEQ Distributor-Retailer Authority trading as Unitywater ("Unitywater") is pleased to submit this Annual Financial Report of Unitywater for the financial year ended 30 June 2013. 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:

- Jim Soorley – Chairman
- Barry Casson (appointed 14 January 2013)
- Sharon Doyle
- Megan Houghton
- Mike Williamson (appointed 19 March 2013)
- Michael Arnett (resigned 31 December 2012)
- Noel Faulkner (resigned 31 December 2012)

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 2012-13 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 and Sunshine Coast communities.

Operating results

The profit of Unitywater after providing for income tax equivalent expense, amounted to \$67,945,736 (2012: \$63,654,762).

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 2012-13.

Events after the reporting period

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

Future developments

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

From 1 July 2013 Unitywater will be aligning its tariff structure to the National Water Initiative (NWI) pricing principles i.e. a 'user pays' basis. This will simplify the pricing structure that Unitywater inherited at inception and encourage the economic consumption of services.

On 9 March 2013 the residents of Noosa voted for the de-amalgamation of the Noosa region from the Sunshine Coast Regional Council. A transfer manager has been appointed by the Minister for Local Government to undertake the work necessary to establish a new Noosa Shire Council, which will take effect from 1 January 2014. The financial model for the new Noosa Shire Council relies upon Participation Returns (dividends) from an assumed allocation of participation rights (shareholding) in Unitywater. Noosa Shire Council is expected to become a participant in Unitywater from 1 January 2014.

Environmental regulations

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

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

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

Participation returns

Participation Returns paid or declared by Unitywater during the 2012-13 financial year were:

	Total amount 2013 \$000	Total amount 2012 \$000
Final participation return – operating profits	47,546	47,483

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

Board Members' benefits and interests in contracts

Between 1 July 2012 and 30 June 2013, no Board Member has received or become entitled to receive a benefit, other than those benefits disclosed in Note 33 of the financial statements.

Indemnification of Board Members and Officers

Indemnification of Board Members of Unitywater

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

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

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

- 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' 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 2013 were:

UNITYWATER	BOARD MEETINGS				COMMITTEE MEETINGS					
	A	B	Audit and risk		Retail and marketing		Nominations and remuneration		Capital works	
Board Members	A	B	A	B	A	B	A	B	A	B
Jim Soorley – Chairman	11	11	-	-	3	3	-	-	7	7
Barry Casson (appointed 14 Jan 2013)	5	5	2	2	-	-	1	1	-	-
Sharon Doyle	11	11	2	4	-	-	2	2	2	2
Megan Houghton	10	11	3	4	3	3	-	-	-	-
Mike Williamson (appointed 19 Mar 2013)	3	4	-	-	-	-	-	-	1	2
Michael Arnett (resigned 31 Dec 2012)	6	6	2	2	-	-	1	1	3	4
Noel Faulkner (resigned 31 Dec 2012)	6	6	-	-	-	-	-	-	4	4

A - Number of meetings attended

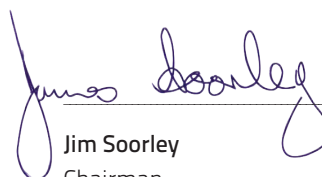
B - Number of meetings held during the time the Board Member held office during the year

Remuneration of Board Members and executives

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

Rounding of amounts

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



Jim Soorley

Chairman
Unitywater

26 August 2013
Caboolture, Queensland

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 \$'000	2012 \$'000
Income			
Utility charges	4	414,014	394,043
Fees and charges	5	5,690	5,493
Developer contributions	6	81,573	71,683
Grants and subsidies	7	5,994	5,806
Interest revenue		1,816	3,015
Other income	8	7,859	8,130
Total income		516,946	488,170
Expenses			
Bulk water purchases		(112,006)	(91,030)
Employee expenses	9	(68,232)	(72,489)
Supplies and services	10	(68,007)	(72,943)
Depreciation and amortisation	18,19	(79,604)	(76,629)
Finance and borrowing costs	11	(93,272)	(89,744)
Other expenses	12	(4,262)	(5,215)
Total expenses		(425,383)	(408,050)
Profit before income tax equivalent		91,563	80,120
Income tax equivalent expense	13	(23,617)	(16,465)
Profit for the year		67,946	63,655
Total comprehensive income for the year		67,946	63,655

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents	14	38,469	32,992
Trade and other receivables	15	108,057	122,286
Inventories	16	2,219	2,418
Other assets	17	2,105	1,273
Total current assets		150,850	158,969
Non-current assets			
Property, plant and equipment	18	2,978,823	2,847,273
Intangible assets	19	29,400	23,794
Total non-current assets		3,008,223	2,871,067
Total assets		3,159,073	3,030,036
Current liabilities			
Trade and other payables	20	113,270	109,157
Loans and borrowings	21	8,795	8,223
Employee benefits	22	8,465	12,122
Other liabilities	23	4,017	3,646
Total current liabilities		134,547	133,148
Non-current liabilities			
Loans and borrowings	21	1,491,512	1,400,307
Employee benefits	22	12,789	13,151
Deferred tax liabilities	24	38,269	21,874
Total non-current liabilities		1,542,570	1,435,332
Total liabilities		1,677,117	1,568,480
Net assets		1,481,956	1,461,556
Equity			
Contributed equity	25	1,434,782	1,434,782
Retained earnings	26	47,174	26,774
Total equity		1,481,956	1,461,556

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 2013

	Notes	Retained earnings \$'000	Contributed equity \$'000	Total \$'000
Balance at 1 July 2011		10,602	1,434,782	1,445,384
Participation return to owners of the Authority	27	(47,483)	-	(47,483)
Total distributions to owners of the Authority		(47,483)	-	(47,483)
<hr/>				
Profit for the year		63,655	-	63,655
Total comprehensive income for the year		63,655	-	63,655
<hr/>				
Balance at 30 June 2012		26,774	1,434,782	1,461,556
Participation return to owners of the Authority	27	(47,546)	-	(47,546)
Total distributions to owners of the Authority		(47,546)	-	(47,546)
<hr/>				
Profit for the year		67,946	-	67,946
Total comprehensive income for the year		67,946	-	67,946
<hr/>				
Balance at 30 June 2013		47,174	1,434,782	1,481,956

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 2013

	Notes	2013 \$'000 Inflow (Outflow)	2012 \$'000 Inflow (Outflow)
Cash flows from operating activities			
Receipts from customers		440,150	343,840
Developer contributions		33,813	40,771
Government grants and subsidies		5,994	5,806
Interest received		1,816	2,964
GST		20,029	20,063
Payments to suppliers		(192,366)	(168,424)
Employee expenses		(72,064)	(64,061)
Finance and borrowing costs		(92,557)	(89,021)
Income tax equivalent		(9,089)	(6,899)
Net cash provided by operating activities	14(b)	135,726	85,039
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,570	937
Payments for property, plant and equipment		(168,800)	(137,443)
Payments for intangibles		(8,606)	(23,832)
Net cash used in investing activities		(175,836)	(160,338)
Cash flows from financing activities			
Borrowings from Queensland Treasury Corporation		161,961	144,795
Borrowing redemptions		(70,183)	(58,482)
Participation return payments		(46,191)	(47,729)
Net cash provided by financing activities		45,587	38,584
Net increase (decrease) in cash and cash equivalents		5,477	(36,715)
Cash and cash equivalents at beginning of financial year		32,992	69,707
Cash and cash equivalents at end of financial year	14(a)	38,469	32,992

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 2013

1. Reporting Authority

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

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

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

The Participant's total initial contribution to Unitywater has been calculated using a regulatory asset base (RAB) valuation approved by the Queensland Government to represent the market value of the business. The assets, liabilities, and employees of the Participant Councils water distribution and sewerage operations were transferred to Unitywater as a result of the Act on 1 July 2010.

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

2. Basis of preparation

(a) Statement of compliance

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

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

The financial statements were authorised for issue by the Board on 26 August 2013.

(b) Basis of measurement

The financial statements have been prepared on an accrual basis and are based on historical costs except for the following:

- financial instruments are measured at fair value; and
- water and sewerage infrastructure assets including associated land and buildings are carried at fair value. Fair value is estimated using an income approach based on discounted future cash flows. In assessing fair value on this basis, a number of key assumptions are made and are discussed in Note 18.

The methods used to measure fair values are discussed further in Note 3.

(c) Functional and presentation currency

The financial statements are presented in Australian dollars, which is Unitywater's functional currency.

Amounts included in the financial statements have been rounded to the nearest thousand dollars, unless disclosure of the full amount is specifically required.

(d) Going concern

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

(e) Use of estimates and judgements

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

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

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

Note 3(a) (i) Utility charges

Note 3(c) Finance and borrowing costs

Note 3(g) (iii) Asset valuation

Note 3(g) (v) Depreciation

Note 3(i) Impairment

Note 3(l) Employee benefits

Note 3(o) Income tax equivalents

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies

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

(a) Revenue

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

(i) Utility charges

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

(ii) Fees and charges

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

(iii) Developer contributions

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

Non-cash contributions (assets)

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

Cash contributions

Non-refundable cash contributions from developers towards the cost of water supply and sewerage infrastructure is collected by Participating Council's on behalf of Unitywater and transferred to Unitywater when received. Cash developer contributions for specific assets are recognised as a liability where that specific asset has not been constructed at 30 June 2013. Cash contributions for assets already constructed or for which there are no performance obligations are recognised as revenue when received or receivable.

(iv) Grants and subsidies

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

(v) Interest revenue

Interest revenue is recognised as it is earned.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(a) Revenue (continued)

(vi) Other income

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

(b) Bulk water purchases

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

(c) Finance and borrowing costs

Finance and borrowing costs comprise:

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

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

(d) Cash and cash equivalents

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

(e) Receivables

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

Collectability of trade receivables is reviewed on an ongoing basis with provision being made for impairment as a proportion of the age of the debt. Individual debts that are uncollectable are written off when identified. Movements in the provision for impairment are recognised as an expense in that period. All known bad debts were written-off at 30 June 2013.

(f) Inventories

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(g) Property, plant and equipment

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

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

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

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

(i) Acquisition of property, plant and equipment

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

(ii) Capital and operating costs

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

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

(iii) Asset valuation

Each class of property, plant and equipment is carried at fair value or cost, less where applicable, any accumulated depreciation and impairment losses. Fair value is measured in accordance with *AASB 116 Property, Plant and Equipment* and Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector* and is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Water and sewerage infrastructure assets are measured at fair value using an income approach based on discounted future cash flows. Valuations are undertaken annually to ensure that the carrying value of the assets does not differ materially from that which would be determined using fair value at the end of the reporting period. As the fair value using an income approach did not differ materially from carrying value for these assets the Board determined to leave the infrastructure assets at their carrying value. The key assumptions for fair value assessment are disclosed in Note 18(c).

Land and building assets include properties utilised for warehousing and logistics purposes and field response activities. These properties are equipped with specialised facilities to meet the specific needs of the infrastructure services operations.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(g) Property, plant and equipment (continued)

As these land and building assets are integral in supporting the operation of the water and sewerage infrastructure assets and form part of the regulated asset portfolio subject to price monitoring regulation, they are included as water and sewerage infrastructure assets at 30 June 2013.

Other property, plant and equipment and work in progress are carried at cost.

(iv) Capital work in progress

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

(v) Depreciation

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

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

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

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

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

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

<u>Class of fixed asset</u>	<u>Useful life</u>
Buildings and land improvements	20 – 60 years
<u>Infrastructure assets</u>	
Water infrastructure assets	10 – 80 years
Sewerage infrastructure assets	15 – 150 years
<u>Plant and equipment</u>	
Motor vehicles	2 – 4 years
Heavy equipment	4 – 15 years
Office and IT equipment	5 years

(vi) Gains and losses on disposals

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(h) Intangible assets

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

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

(i) Computer software

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

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

(ii) Utility easements

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

(iii) Amortisation

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

The estimated useful lives are:

Class of intangible asset	Useful life
Computer software	5 - 10 years
Utility easements	Indefinite

(i) Impairment

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(j) Payables

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

(k) Financial instruments

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

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

Financial instruments are classified and measured as follows:

- Cash and cash equivalents - held at fair value through profit or loss;
- Receivables - held at amortised cost;
- Payables – held at amortised cost; and
- Borrowings - held at amortised cost.

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. Any borrowing costs are added to the carrying amount of the borrowing to the extent that they are not settled in the period in which they arise.

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

Unitywater does not enter into transactions for speculative purposes, or for hedging. Apart from cash and cash equivalents, Unitywater holds no financial assets classified at fair value through profit or loss.

(l) Employee benefits

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

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

A non-current liability is recognised for employee benefits where there is an unconditional right to defer settlement for more than twelve months. The benefits are measured at the present value of the estimated future cash flows to be made by Unitywater for services provided by employees up to the end of the reporting period. These cash flows are discounted using rates attaching to Australian Government bonds at the end of the reporting period which most closely match the terms of maturity of the related liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(l) Employee benefits (continued)

(i) Salaries and wages

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

(ii) Annual leave

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

(iii) Leave in lieu

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

(iv) Sick leave

Unitywater has both vesting and non-vesting sick leave.

Vesting sick leave entitlements accumulated to some employees that transferred from Moreton Bay Regional Council with seven or more years of service. These employees are entitled to a one-off payment for a percentage of their unused sick leave. The liability is classified as current as all eligible employees have reached the required length of service and can elect to have their entitlement paid out. The liability is measured at current salary and wage rates and related on-costs.

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

(v) Long service leave

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

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

(vi) Superannuation schemes

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

(vii) Key executive management personnel and remuneration

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(m) Leases

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

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

(n) Goods and services tax

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

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

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

(o) Income tax equivalents

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse. A deferred tax asset is recognised for unused tax losses, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(p) Participation returns

The Participating Councils (Moreton Bay and Sunshine Coast Regional Councils) are required by the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009* (The Restructuring Act) to enter into an agreement (a Participation Agreement) to determine each entity's Participation Rights in Unitywater. The Participation Agreement specifies the Participants' Rights to participate in a distribution of profits of Unitywater in proportion to the percentage set out next to the Participants name in the Register of Participation Rights.

During the period from 15 March to 15 April in each financial year Unitywater must give to the Participants-

- (i) An estimate of Unitywater's net profit for the financial year; and
- (ii) The amount of the Participation Return to be paid for the financial year, including the amount payable for different Participation Rights.

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

The final Participation Return for the year ended 30 June 2013 was declared on 26 June 2013. Refer to Note 27 for details on Participation Return payments.

(q) Comparatives

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

(r) New and revised accounting standards

Unitywater did not voluntarily change any of its accounting policies during 2012-13. Australian Accounting Standard changes applicable for the first time for 2012-13 has had minimal effect on Unitywater's financial statements, as explained below.

As a result of *AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*, effective from reporting periods beginning on or after 1 July 2012, Unitywater will need to itemise "Other Comprehensive Income" according to whether or not it is subsequently re-classifiable to the operating result when applicable. Unitywater doesn't currently have any items to disclose in 'Other Comprehensive Income'.

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

At the date of authorisation of the financial report, certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending on 30 June 2013. Our assessment of the impact of these new standards and interpretations is set out below.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. Significant accounting policies (continued)

(r) New and revised accounting standards (continued)

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

AASB 13 sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of Unitywater's assets and liabilities that are measured and/or disclosed at fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and the type of information disclosed in the notes to the financial statement. Unitywater is yet to determine which, if any, of its current measurement techniques will have to change as a result of the new standard. It is therefore not possible to state the impact, if any of the new requirements on any of the amounts recognised in the financial statements.

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

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2015-16 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments, the ongoing disclosure impacts are expected to be minimal.

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013 and applied retrospectively). Given Unitywater's circumstances, implications for Unitywater are that the revised standard clarifies the concept of "termination benefits", and adjusts the recognition criteria for liabilities for termination benefits. These changes could affect the timing of recognition of termination benefits for Unitywater. Impacts of these changes for Unitywater are expected to be minimal.

The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. Currently, Unitywater is unable to account for its Defined Benefits Fund as a defined benefits plan in accordance with AASB 119 as the Local Government Superannuation Scheme (Qld) is unable to account to Unitywater for its proportionate share of the defined benefit obligation, plan assets and costs (refer Note 28). If these circumstances do not change, these standard changes will have no impact on Unitywater's current disclosures.

AASB 1053 Application of Tiers of Australian Accounting Standards (effective 1 July 2013). AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2"). Pursuant to AASB 1053, Unitywater has the option to adopt tier 2 requirements for general purpose financial statements. Unitywater does not intend to adopt tier 2 reporting requirements, therefore, the release of AASB 1053 and associated amending standards will have no impact on Unitywater.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

4. Utility charges

	2013 \$'000	2012 \$'000
Water charges	210,309	194,497
Sewerage charges	203,705	199,546
	414,014	394,043

5. Fees and charges

	2013 \$'000	2012 \$'000
Permits and licenses	1,672	1,766
Connection fees	1,662	1,727
Other fees and charges	2,356	2,000
	5,690	5,493

6. Developer contributions

	2013 \$'000	2012 \$'000
Developer contributions – assets	49,874	39,691
Developer contributions – cash	31,699	31,992
	81,573	71,683

7. Grants and subsidies

	2013 \$'000	2012 \$'000
State government grant (Queensland)	247	40
Subsidies	5,747	5,766
	5,994	5,806

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

8. Other income

	2013 \$'000	2012 \$'000
Private works	3,453	4,110
Rent revenue	1,410	1,053
Other revenue	2,954	2,908
Profit on disposal of property, plant and equipment	42	59
	7,859	8,130

9. Employee expenses

	2013 \$'000	2012 \$'000
Salaries and wages	55,138	60,358
Employer superannuation contribution	6,228	6,125
Payroll tax	3,517	3,179
Board Members fees	321	325
Other employee expenses	3,028	2,502
	68,232	72,489

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:

	2013	2012
Number of employees	855	876

10. Supplies and services

	2013 \$'000	2012 \$'000
Materials and services	64,053	68,399
Consultants and legal fees	3,438	4,162
Other supplies and consumables	516	382
	68,007	72,943

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

11. Finance and borrowing costs

	2013 \$'000	2012 \$'000
Interest costs	97,891	93,492
Interest costs - capitalised	(5,898)	(4,346)
Other financial costs	1,279	598
	93,272	89,744

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

12. Other expenses

	2013	2012
	\$'000	\$'000
Insurance	1,766	1,721
Audit fees	361	521
Regulatory fees	777	651
Impairment of trade receivables	496	2,051
Other	862	271
	4,262	5,215

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

13. Income tax equivalents

	2013	2012
	\$'000	\$'000
Income tax equivalents recognised in profit or loss		
Current tax expense		
Current income tax charge	7,222	10,230
Adjustments for current income tax of prior year	-	9
Current tax expense	7,222	10,239
Deferred tax expense		
Current income tax charge	16,395	6,234
Adjustments for current income tax of prior year	-	(8)
Deferred tax expense	16,395	6,226
Total income tax equivalent expense	23,617	16,465
Reconciliation of effective tax rate		
Profit (loss) before income tax equivalent	91,563	80,120
Income tax equivalent expense at 30%	27,469	24,036
Non deductible expenses	7	6
Change in unrecognised temporary differences subject to initial recognition exemption	(3,859)	(7,577)
Income tax equivalent expense	23,617	16,465

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

14. Cash and cash equivalents

(a) Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash on hand	14	4
Bank balances	38,455	32,988
Cash and cash equivalents in the Statement of Cash Flows	38,469	32,992

(b) Reconciliation of cash flows from operating activities

	2013 \$'000	2012 \$'000
Cash flows from operating activities		
Profit for the year	67,946	63,655
Adjustments for:		
Depreciation	76,604	74,160
Amortisation of intangible assets	3,000	2,469
Donated assets	(49,874)	(39,691)
Profit on disposal of property, plant and equipment	(42)	(59)
Impairment losses on trade receivables	496	2,051
Change in assets and liabilities		
Change in trade and other receivables	25,775	(35,992)
Change in inventories	200	(40)
Change in other assets	(832)	(765)
Change in trade and other payables	(295)	6,124
Change in employee benefits	(4,019)	8,554
Change in other liabilities	372	(1,653)
Change in deferred tax liabilities	16,395	6,226
Net cash provided by operating activities	135,726	85,039

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

15. Trade and other receivables

	2013	2012
	\$'000	\$'000
Current		
Trade debtors	107,796	118,952
Less: Provision for impairment	(3,500)	(3,500)
	<u>104,296</u>	<u>115,452</u>
GST receivable	2,246	3,149
Receivables from Participating Councils	1,513	3,627
Other receivables	2	58
Total	<u>108,057</u>	<u>122,286</u>

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

	2013	2012
	\$'000	\$'000
Movements in the provision for impairment loss		
Balance at 1 July	3,500	1,635
Increase in allowance	-	1,865
Balance at 30 June	<u>3,500</u>	<u>3,500</u>

16. Inventories

	2013	2012
	\$'000	\$'000
Stores	2,219	2,418
Total	<u>2,219</u>	<u>2,418</u>

17. Other assets

	2013	2012
	\$'000	\$'000
Current		
Prepayments	2,105	1,273
Total	<u>2,105</u>	<u>1,273</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. Property, plant and equipment

(a) Carrying amount

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
2013						
Gross carrying amount	48,370	12,475	2,936,825	41,933	171,290	3,210,893
Accumulated depreciation	-	(529)	(222,013)	(9,528)	-	(232,070)
Carrying amount	48,370	11,946	2,714,812	32,405	171,290	2,978,823
2012						
Gross carrying amount	48,370	11,575	2,745,979	34,748	163,130	3,003,802
Accumulated depreciation	-	(339)	(149,846)	(6,192)	-	(156,377)
Accumulated impairment losses	-	-	(152)	-	-	(152)
Carrying amount	48,370	11,236	2,595,981	28,556	163,130	2,847,273

(b) Movements

	Land \$'000	Buildings \$'000	Infrastructure \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
2013						
Carrying amount (opening)	48,370	11,236	2,595,981	28,556	163,130	2,847,273
Additions	-	-	-	85	159,909	159,994
Transfers from work in progress	-	900	141,608	9,046	(151,554)	-
Contributed assets	-	-	49,874	-	-	49,874
Revaluation increments	-	-	-	-	-	-
Revaluation decrements	-	-	-	-	-	-
Disposals	-	-	(276)	(1,395)	(195)	(1,866)
Depreciation	-	(190)	(72,527)	(3,887)	-	(76,604)
Reversal of impairment loss	-	-	152	-	-	152
Carrying amount (closing)	48,370	11,946	2,714,812	32,405	171,290	2,978,823
2012						
Carrying amount (opening)	48,202	10,563	2,414,543	24,463	238,455	2,736,226
Additions	-	-	-	58	148,959	149,017
Transfers from work in progress	168	845	212,608	8,029	(221,650)	-
Contributed assets	-	-	39,691	-	-	39,691
Disposals	-	-	(154)	(713)	(2,634)	(3,501)
Depreciation	-	(172)	(70,707)	(3,281)	-	(74,160)
Carrying amount (closing)	48,370	11,236	2,595,981	28,556	163,130	2,847,273

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

18. Property, plant and equipment (continued)

(c) Key assumptions used for fair value assessment

Unitywater's water and sewerage infrastructure assets including associated land and buildings are carried at fair value. The fair value of infrastructure assets at 30 June 2013 has been independently reviewed by the Queensland Treasury Corporation using the 'income approach' based on discounted cash flows. The following significant assumptions were used in determining fair value:

- Revenue is based on Office of Economic and Statistical Research (medium growth series) growth, demand assumptions and current prices increasing annually by 3%;
- Cash flows have been projected based on forecasts of prudent and efficient operating and capital expenditure based on Board approved forecasts;
- Capital expenditure includes expenditure required for asset renewals, sewage treatment plant and network augmentation, expenditure to meet compliance requirements and to protect the community and environment and meet customer demand within Unitywater's service region;
- The terminal value has been estimated using normalised cash flows post 2022-23, assuming capital expenditure continues based on the long term average expenditure and on a long term growth rate of 1.7% (2012: 3.0%); and
- Pre and post-tax cash flows have been projected over a ten year term. Post-tax cash flows are on a basis consistent with the Queensland Competition Authority's approach, whereby the tax deductibility of debt and imputation credits are reflected in the projected cash flows, rather than the discount rate. A post-tax discount rate of 7.00% (2012: 7.73%) has been used to discount the cash flows.

The Board has determined that as the fair value of property, plant and equipment, excluding capital work in progress, is not materially different from the carrying amount of \$2.8 billion, the net carrying amount of the water and sewerage infrastructure assets is reflective of fair value at 30 June 2013.

(d) Key assumptions used for impairment assessment

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

Internal sources of information:

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

External sources of information that would indicate impairment:

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

18. Property, plant and equipment (continued)

(e) Impact of possible changes in key assumptions

The values assigned to the key assumptions for fair value and recoverable amount assessment represent Unitywater's assessment of future trends in the water industry, including the continued application of the building block methodology currently applied by the Queensland Competition Authority under Price Monitoring of the South East Queensland Distributor-Retailers, and are based on both external and internal sources. As outlined in Note 18(c) a conservative price path has been assumed for 10 years consistent with information currently available to Unitywater.

(f) Change in estimates

Following a review on the useful lives of sewerage gravity mains and manholes during the year, the depreciation period for the earthworks component was extended from 50 to 80 years to 80 to 130 years. This new estimate resulted in a \$4.1 million decrease in the annual depreciation charge for this component of sewerage infrastructure.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

19. Intangible assets

(a) Carrying amount

	Software \$'000	Utility easements \$'000	Work in progress \$'000	Total \$'000
2013				
Cost	33,823	117	1,364	35,304
Accumulated amortisation	(5,904)	-	-	(5,904)
Carrying amount	27,919	117	1,364	29,400
2012				
Cost	23,405	-	3,293	26,698
Accumulated amortisation	(2,904)	-	-	(2,904)
Carrying amount	20,501	-	3,293	23,794

(b) Movements

	Software \$'000	Utility easements \$'000	Work in progress \$'000	Total \$'000
2013				
Carrying amount (opening)	20,501	-	3,293	23,794
Additions	-	-	8,606	8,606
Transfers from work in progress	10,418	117	(10,535)	-
Amortisation	(3,000)	-	-	(3,000)
Carrying amount (closing)	27,919	117	1,364	29,400
2012				
Carrying amount (opening)	2,443	-	1,288	3,731
Additions	-	-	22,544	22,544
Transfers from work in progress	20,539	-	(20,539)	-
Disposals	(12)	-	-	(12)
Amortisation	(2,469)	-	-	(2,469)
Carrying amount (closing)	20,501	-	3,293	23,794

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

20. Trade and other payables

	2013	2012
	\$'000	\$'000
Current		
Trade creditors	18,975	26,845
Participation return payable	25,096	23,741
Interest payable	24,321	23,606
Accrued expenses	42,262	30,144
Council charges	-	610
Income tax equivalent payable	604	2,471
Other	2,012	1,740
Total	113,270	109,157

21. Loans and borrowings

(a) Compositions of loans

	2013	2012
	\$'000	\$'000
Current		
Participating Councils		
Working capital	8,795	8,223
Total	8,795	8,223
Non-current		
Participating Councils		
Working capital	11,860	20,655
Senior debt	644,807	644,807
Subordinated debt	515,845	515,845
Queensland Treasury Corporation Loans		
Client Specific Pool	319,000	219,000
Total	1,491,512	1,400,307

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

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

The weighted average rate of borrowings for the year is 6.64% (2012: 6.82%). Interest payments are made quarterly in arrears at rates ranging from 5.17% to 7.51% (2012: 5.64% to 7.51%).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

21. Loans and borrowings (continued)

(b) Financing arrangements at balance date

	2013	2012
	\$'000	\$'000
The Authority has access available at balance date to the following facilities:		
Bank overdraft	50	50
Credit card	750	750
Working capital	70,655	78,877
Loans	1,479,652	1,385,652
	1,551,107	1,465,329
Facilities utilised at balance date:		
Bank overdraft	-	-
Credit card	26	26
Working capital	20,655	28,877
Loans	1,479,652	1,379,652
	1,500,333	1,408,555
Facilities not utilised at balance date:		
Bank overdraft	50	50
Credit card	724	724
Working capital	50,000	50,000
Loans	-	6,000
	50,774	56,774

22. Employee benefits

	2013	2012
	\$'000	\$'000
Current		
Accrued salaries and wages	2,565	5,497
Annual leave	4,572	4,446
Long service leave	768	1,422
Rostered days off	511	599
Other employee entitlements	49	158
Total	8,465	12,122
Non-current		
Annual leave	2,419	2,647
Long service leave	10,370	10,504
Total	12,789	13,151

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

23. Other liabilities

	2013 \$'000	2012 \$'000
Current		
Unearned revenue	3,427	3,052
Security deposits and retentions	525	566
Other payables	65	28
Total	4,017	3,646

24. Tax assets and liabilities

(a) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Property, plant and equipment	-	-	(41,875)	(27,357)	(41,875)	(27,357)
Employee benefits	4,044	4,133	-	-	4,044	4,133
Other provisions and accruals	1,120	1,116	-	-	1,120	1,116
Formation costs	708	1,413	-	-	708	1,413
Other items	20	64	(2,286)	(1,243)	(2,266)	(1,179)
Tax asset (liability)	5,892	6,726	(44,161)	(28,600)	(38,269)	(21,874)
Set off	(5,892)	(6,726)	5,892	6,726	-	-
Net tax asset (liability)	-	-	(38,269)	(21,874)	(38,269)	(21,874)

(b) Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balance at 1 July	6,726	4,358	(28,600)	(20,006)	(21,874)	(15,648)
Current years' income tax equivalent expense	(834)	2,368	(15,561)	(8,594)	(16,395)	(6,226)
Balance at 30 June	5,892	6,726	(44,161)	(28,600)	(38,269)	(21,874)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

24. Tax assets and liabilities (continued)

(c) Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Depreciating assets transferred from Councils on 1 July 2010	-	-	(12,495)	(8,958)	(12,495)	(8,958)
Employee provisions transferred from Councils on 1 July 2010	1,812	2,133	-	-	1,812	2,133
Tax asset (liability)	1,812	2,133	(12,495)	(8,958)	(10,683)	(6,825)
Set off	(1,812)	(2,133)	1,812	2,133	-	-
Net tax asset (liability)	-	-	(10,683)	(6,825)	(10,683)	(6,825)

25. Contributed equity

	2013 \$'000	2012 \$'000
Contributed equity	1,434,782	1,434,782
	1,434,782	1,434,782

On 1 July 2010, the two Participating Councils transferred their water businesses to Unitywater. The transfer comprised assets, liabilities and employees of the Participant Councils water distribution and sewerage operations.

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

Total Participation RAB made up of:	Moreton Bay Regional Council \$'000	Sunshine Coast Regional Council \$'000	Total \$'000
Debt (45%)	683,665	490,247	1,173,912
Equity (55%)	835,591	599,191	1,434,782
Total Participation RAB 1 July 2010	1,519,256	1,089,438	2,608,694
Contributed equity %	58.24%	41.76%	100%
Net liabilities transferred from Participants	(6,640)	(6,621)	(13,261)
Net assets transferred from Participants	1,512,616	1,082,817	2,595,433

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

26. Retained earnings

	2013 \$'000	2012 \$'000
Retained earnings at 1 July	26,774	10,602
Profit for the year	67,946	63,655
Participation returns paid or provided for	(47,546)	(47,483)
Retained earnings at 30 June	47,174	26,774

27. Participation returns

The following Participation Returns have been paid or are payable at 30 June 2013:

	2013 \$'000	2012 \$'000
Moreton Bay Regional Council	27,691	27,654
Sunshine Coast Regional Council	19,855	19,829
Total	47,546	47,483

28. Superannuation

Local Government Superannuation Scheme – LG Super

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

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

28. Superannuation (continued)

The audited general purpose financial report of the scheme at 30 June 2012 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

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

Unitywater has been advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial

report the actuary has recommended no change to the employer contribution levels at this time.

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

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

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

	2013	2012
	\$'000	\$'000
Superannuation plan		
Regional defined benefit fund - LG Super	1,109	1,271
Accumulation benefit fund - LG Super	5,575	5,182
Other Defined Contribution funds	452	453
Total	7,136	6,906

A portion of the above superannuation contributions related to work performed on capital projects which has been capitalised. The amount recognised as an expense during the financial year is \$6,228,159 (2012: \$6,125,248).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

29. Financial instruments

Financial risk management

Overview

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

Risk management framework

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

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

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

Credit risk

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

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

Liquidity risk

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

Market risk

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

Interest rate risk

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

29. Financial instruments (continued)

Operational risk

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

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

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

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

(a) Categorisation of financial instruments

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

Category	Notes	2013 \$'000	2012 \$'000
Financial assets			
Cash and cash equivalents	14	38,469	32,992
Trade and other receivables	15	108,057	122,286
Total		146,526	155,278
Financial liabilities			
Trade and other payables	20	113,270	109,157
Loans and borrowings	21	1,500,307	1,408,530
Total		1,613,577	1,517,687

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

29. Financial instruments (continued)

(b) Credit risk exposure

The maximum exposure to credit risk at 30 June 2013 in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

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

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

2012	Credit Rating					Total \$'000
	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	Not rated \$'000	
Cash and cash equivalents	-	32,988	-	-	4	32,992
Trade and other receivables	3,149	14,262	287	736	103,852	122,286
	3,149	47,250	287	736	103,856	155,278

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

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

The method of calculating any impairment provision for risk is based on Unitywater's past experience and industry experience as a proportion of outstanding debt. The recognised impairment provision for receivables is \$3,500,000 (2012: \$3,500,000) for the current year.

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

Trade and other receivables	Gross \$'000	Impairment \$'000	Total \$'000
2013			
Not past due	89,795	-	89,795
Past due 0-30 days	4,770	-	4,770
Past due 31- 60 days	1,436	-	1,436
Past due 61- 90 days	8,067	-	8,067
More than 91 days	7,489	3,500	3,989
	111,557	3,500	108,057
2012			
Not past due	103,951	-	103,951
Past due 0-30 days	4,798	-	4,798
Past due 31- 60 days	3,810	-	3,810
Past due 61- 90 days	3,527	-	3,527
More than 91 days	9,700	3,500	6,200
	125,786	3,500	122,286

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

29. Financial instruments (continued)

(c) Liquidity risk

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

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

	Financial liabilities				Total cash flows \$'000
	Carrying amount \$'000	Cash flows payable in			
		<1 year \$'000	1-5 years \$'000	>5 years \$'000	
2013					
Trade and other payables	113,270	113,270	-	-	113,270
Loans	1,160,652	62,443	249,772	2,097,298	2,409,513
QTC borrowings	319,000	13,725	54,937	315,765	384,427
Working capital facilities	20,655	9,976	12,470	-	22,446
Total	1,613,577	199,414	317,179	2,413,063	2,929,656
2012					
Trade and other payables	109,157	109,157	-	-	109,157
Loans	1,160,652	81,776	1,181,096	-	1,262,872
QTC borrowings	219,000	12,479	49,952	216,374	278,805
Working capital facilities	28,878	9,976	22,446	-	32,422
Total	1,517,687	213,388	1,253,494	216,374	1,683,256

(d) Market risk

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

Profile

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

	2013 \$'000	2012 \$'000
Fixed rate instruments		
Financial liabilities	1,181,307	1,189,530
	1,181,307	1,189,530
Variable rate instruments		
Financial assets	38,455	32,988
Financial liabilities	319,000	219,000
	357,455	251,988

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

29. Financial instruments (continued)

(d) Market risk (continued)

Sensitivity analysis for variable rate instruments

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

	Interest rate risk			
	-1%		+1%	
	Profit	Equity	Profit	Equity
Net carrying amounts	\$'000	\$'000	\$'000	\$'000
2013				
Financial assets	38,455	(385)	(385)	385
Financial liabilities ¹	(1,479,652)	709	709	(693)
Sensitivity (net)	(1,441,197)	324	324	(308)
2012				
Financial assets	32,988	(330)	(330)	330
Financial liabilities	(219,000)	2,190	2,190	(2,190)
Sensitivity (net)	(186,012)	1,860	1,860	(1,860)

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

29. Financial instruments (continued)

(d) Market risk (continued)

Fair value

The fair value of interest bearing loans and borrowings is calculated based on discounted expected future cash flows. The fair values of the loans and borrowings, together with the carrying amounts, are as follows:

	Carrying amount \$'000	Fair value \$'000
2013		
Participating Councils		
Working capital	20,655	21,055
Senior loans	644,807	644,807
Subordinated loans	515,845	515,845
QTC borrowings		
Client Specific Pool	319,000	318,990
Total	1,500,307	1,500,697
2012		
Participating Councils		
Working capital	28,878	29,490
Senior loans	644,807	653,641
Subordinated loans	515,845	522,913
QTC borrowings		
Client Specific Pool	219,000	222,115
Total	1,408,530	1,428,159

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

30. Operating leases

(a) Leases as lessee

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

	2013	2012
	\$'000	\$'000
Less than one year	2,744	3,019
Between one and five years	3,065	4,473
More than five years	7,193	7,736
	13,002	15,228

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

In December 2012, Unitywater agreed to enter into a 10 year lease on completion of construction of a new office facility in Maroochydoore. The construction is expected to be completed in late 2013.

During the year an amount of \$3,399,470 (2012: \$3,402,778) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

(b) Leases as lessor

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

	2013	2012
	\$'000	\$'000
Less than one year	1,491	1,401
Between one and five years	4,511	4,427
More than five years	7,771	5,852
	13,773	11,680

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 2013

31. Commitments

(a) Capital expenditure commitments

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

	2013 \$'000	2012 \$'000
Property, plant and equipment		
Within one year	56,345	35,811
One year and no later than five years	7,888	2,146
	64,233	37,957
Intangibles		
Within one year	-	2,072
	-	2,072

(b) Operating expenditure commitments

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

	2013 \$'000	2012 \$'000
Within one year	9,859	6,501
One year and no later than five years	12,141	12,442
More than five years	8,619	7,546
	30,619	26,489

32. Contingencies

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

33. Key management personnel

(a) Board Members

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

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

	2013	2012
	Remuneration	Remuneration
	\$	\$
Jim Soorley	105,000	105,000
Barry Casson (appointed 14 January 2013)	28,000	-
Sharon Doyle	57,250	56,000
Megan Houghton	56,000	56,000
Mike Williamson (appointed 19 March 2013)	16,583	-
Michael Arnett (resigned 31 December 2012)	30,500	61,000
Noel Faulkner (resigned 31 December 2012)	28,000	46,667
	321,333	324,667

(b) Loans to key management personnel

None of the key management personnel have personal loans with Unitywater outstanding at 30 June 2013 (2012: Nil).

(c) Other key executive management personnel transactions

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

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

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

(d) Board Members' transactions

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

Jim Soorley is a Director of RP Data Pty Ltd. Unitywater paid \$7,036 for property information services during the financial year. This entity was engaged on an arm's length basis under commercial terms and conditions. Megan Houghton was a Director of Wide Bay Water Corporation up to November 2011. Unitywater made no payments during the financial year (2012: \$33,028) for services to Wide Bay Water Corporation. This entity was engaged on an arm's length basis under commercial terms and conditions.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

33. Key management personnel (continued)

(e) Key executive management personnel

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

33. Key management personnel (continued)

(f) Remuneration

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

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

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

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

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

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

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

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

A termination payment made will comprise all entitlements accrued under the contract and where the executive has completed seven years of service the payment will include long service leave of 0.8667 or 1.3 weeks for each completed year of service. The Chief Information Officer has to complete ten years of service before any long service leave payment is made.

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

33. Key management personnel (continued)

(f) Remuneration (continued)

1 July 2012 – 30 June 2013

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

33. Key management personnel (continued)

(f) Remuneration (continued)

1 July 2011 – 30 June 2012

Position	Short term employee benefits		Post employment benefits	Long term employee benefits ¹	Termination benefits	Total remuneration
	Base \$	Non-monetary benefits \$	\$	\$	\$	\$
Chief Executive Officer (3 Nov 2009 - 11 May 2012)	295,770	17,007	24,634	(8,927)	61,706	390,190
Chief Executive Officer (acting) (11 May 2012 - 30 June 2012)	36,342	-	3,271	763	-	40,376
Chief Operating Officer (1 Jul 2011 - 11 May 2012)	213,544	-	19,219	4,715	-	237,478
Chief Operating Officer (acting) (11 May 2012 - 30 June 2012)	19,056	989	2,287	1,119	-	23,451
Executive Manager Retail	204,592	15,023	24,551	7,978	-	252,144
Chief Financial Officer	251,749	-	22,976	4,006	-	278,731
Executive Manager Workforce Capability & Change (1 Jul 2010 - 24 Dec 2011)	111,423	468	10,028	(3,013)	11,150	130,056
Executive Manager Workforce Capability & Change (acting) (24 Dec 2011 - 1 Apr 2012)	39,520	-	6,097	-	-	45,617
Executive Manager Business Support Services	198,760	13,536	17,888	1,811	-	231,995
Chief Information Officer	189,870	20,633	15,738	3,756	-	229,997
Total remuneration	1,560,626	67,656	146,689	12,208	72,856	1,860,035

1. Long term employee benefits include long service leave accrued up to the end of the reporting period. This represents amounts payable if the required period of service is completed, not amounts that have been paid. When an employee leaves prior to the requisite period of service being completed an adjustment of the long service leave accrual is made.

(g) Performance payments

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

Position	Date paid	Basis for payment
Chief Executive Officer	14 Nov 2012	Individual performance payments are based upon an individual's achievement of divisional and corporate targets
Chief Operating Officer	14 Nov 2012	
Executive Manager Retail	14 Nov 2012	
Chief Financial Officer	14 Nov 2012	
Executive Manager Business Support Services	14 Nov 2012	
Chief Information Officer	14 Nov 2012	

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

	2013	2012
	Remuneration	Remuneration
	\$	\$
Performance payments	<u>220,663</u>	<u>253,790</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

34. Related parties

Transactions with Participating Councils

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

	Moreton Bay Regional Council		Sunshine Coast Regional Council	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue				
Utility charges	3,234	2,936	3,894	2,432
Utility rebates	22,513	22,369	-	-
Other revenue	872	578	359	1,631
	<u>26,619</u>	<u>25,883</u>	<u>4,253</u>	<u>4,063</u>
Expenses				
Supplies and services	2,264	3,055	610	3,170
Interest on loans	48,508	48,296	34,882	35,679
Taxation equivalents	5,126	6,845	3,676	4,908
Participation returns	27,691	27,654	19,855	19,829
	<u>83,589</u>	<u>85,850</u>	<u>59,023</u>	<u>63,586</u>
Amounts receivable				
Utility charges	772	684	826	1,298
Other receivables	169	109	27	823
Developer contributions - cash	74	1,527	1,439	2,099
	<u>1,015</u>	<u>2,320</u>	<u>2,292</u>	<u>4,220</u>
Amounts payable				
Interest payable	12,101	11,916	8,694	9,018
Supplies and services	31	203	42	640
Taxation equivalents	1,254	2,237	899	1,604
Water consumption pre July 2010	-	-	-	610
Participation returns	14,616	13,827	10,480	9,914
	<u>28,002</u>	<u>28,183</u>	<u>20,115</u>	<u>21,786</u>
Loans and borrowings				
Loans	677,025	677,025	483,627	483,627
Working capital	10,327	14,439	10,327	14,439
	<u>687,352</u>	<u>691,464</u>	<u>493,954</u>	<u>498,066</u>

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

35. Auditor's remuneration

	2013 \$'000	2012 \$'000
Audit services		
Auditors of the Authority: <i>Queensland Audit Office</i>		
- Audit and review of financial reports	<u>220</u>	<u>256</u>

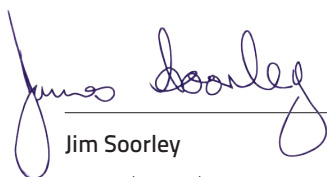
There are no non-audit services included in this amount.

MANAGEMENT CERTIFICATE
FOR THE YEAR ENDED 30 JUNE 2013

Certificate of Unitywater for the year ended 30 June 2013

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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; 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 2013 and of the financial position at the end of that year.



Jim Soorley

*BArts (Psych),
MArts (Org Psych), AM*

Chairman

26/08/2013



George Theo

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

Chief Executive Officer

26/08/2013



Pauline Thomson

*BBus(Acc), CPA,
GAICD*

Chief Financial Officer

26/08/2013

INDEPENDENT AUDITOR'S REPORT

To the Board of Northern SEQ Distributor-Retailer Authority

Report on the Financial Report

I have audited the accompanying financial report of Northern SEQ Distributor-Retailer Authority, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chairman, Chief Executive Officer, and Chief Financial Officer.

The Board's Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

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

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

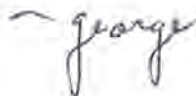
Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Northern SEQ Distributor-Retailer Authority for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

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



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



Queensland Audit Office
Brisbane

General

Summary of compliance

Summary of requirement		Basis for requirement	Annual report reference
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister(s)	ARRs – section 8	Page 5
Accessibility	Table of contents	ARRs – section 10.1	Page 3
	Glossary	ARRs – section 10.1	Page 96
	Public availability	ARRs – section 10.2	Page 2
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 10.3	Page 2
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 10.4	Page 2
	Information Licensing	<i>Queensland Government Enterprise Architecture – Information licensing</i> ARRs – section 10.5	N/A
General information	Introductory information	ARRs – section 11.1	Page 6
	Agency role and main functions	ARRs – section 11.2	Page 10
	Operating environment	ARRs – section 11.3	Page 30
	Machinery of government changes	ARRs – section 11.4	N/A
Non-financial performance	Government objectives for the community	ARRs – section 12.1	Page 12
	Other whole-of-government plans/specific initiatives	ARRs – section 12.2	N/A
	Agency objectives and performance indicators	ARRs – section 12.3	Page 13
	Agency service areas, service standards and other measures	ARRs – section 12.4	Page 19
Financial performance	Summary of financial performance	ARRs – section 13.1	Page 40
	Chief Financial Officer (CFO) statement	ARRs – section 13.2	N/A
Governance – management and structure	Organisational structure	ARRs – section 14.1	Page 27
	Executive management	ARRs – section 14.2	Page 32
	Related entities	ARRs – section 14.3	N/A
	Boards and committees	ARRs – section 14.4	Page 28
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> (section 23 and Schedule) ARRs – section 14.5	Page 34

General

Summary of compliance

Summary of requirement		Basis for requirement	Annual report reference
Governance – risk management and accountability	Risk management	ARRs – section 15.1	Page 34
	External scrutiny	ARRs – section 15.2	Page 38
	Audit committee	ARRs – section 15.3	Page 34
	Internal Audit	ARRs – section 15.4	Page 34
	Public Sector Renewal Program	ARRs – section 15.5	N/A
	Information systems and record keeping	ARRs – section 15.7	Page 38
Governance – human resources	Workforce planning, attraction and retention	ARRs – section 16.1	Page 35
	Early retirement, redundancy and retrenchment	<i>Directive No. 11/12 Early Retirement, Redundancy and Retrenchment</i> ARRs – section 16.2	Page 37
	Voluntary separation program	ARRs – section 16.3	N/A
Open Data	Open Data	ARRs – section 17	Page 39
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 18.1	Page 91
	Independent Auditor's report	FAA – section 62 FPMS – section 50 ARRs – section 18.2	Page 92
	Remuneration disclosures	<i>Financial Reporting Requirements for Queensland Government Agencies</i> ARRs – section 18.3	Page 89
Definitions	FAA	<i>Financial Accountability Act 2009</i>	
	FPMS	<i>Financial and Performance Management Standard 2009</i>	
	ARRs	<i>Annual report requirements for Queensland Government agencies</i>	
	N/A	Not applicable	

General

Glossary

TERM	MEANING
Certified Agreement	The Unitywater Enterprise Bargaining Agreement that was certified by the Queensland Industrial Relations Commission
CEO	Chief Executive Officer
eDRMS	Electronic Document and Record-keeping Management System
EWOQ	Energy and Water Ombudsman Queensland
GL	Gigalitre, which is 1 billion litres
GPS	Global Positioning System
ICT	Information and Communications Technology
Infiltration	Groundwater entering underground infrastructure via cracks and faulty joints
Inflow	Rainwater entering the sewerage network via defective or inappropriate plumbing of stormwater to the sewer
IPA	Information Privacy Act
ISO	International standards developed by the International Organization for Standardization to ensure that products and services are safe, reliable and of good quality

TERM	MEANING
MHL	Magnesium hydroxide liquid, a compound used to reduce corrosion and odour in the sewerage network
ML	Megalitre, which is 1 million litres
Participation Agreement	Sets out the rights of our participating councils and Unitywater's obligations to these councils
Participating councils	The Moreton Bay and Sunshine Coast Regional Councils, with whom Unitywater has a Participation Agreement
QCA	Queensland Competition Authority
R&D	Research and development
RTI	Right to Information Act
Sewage	Waste discharged from sinks, drains, toilets and appliances such as dishwashers and washing machines
Sewerage	The infrastructure network used to receive, store, transport and treat sewage
SEQ	South East Queensland
STP	Sewage Treatment Plant



This report is publicly available and can be viewed and downloaded from www.unitywater.com/annualreport
To meet State Government requirements, a limited number of this report were printed. Consistent with our Environmental Management Policy, all printed copies were produced using environmentally-responsible stock.

This paper is 100% recycled, made entirely from post-consumer waste (making it a 'true' recycled grade) and all by-products of the production cycle are reused and recycled.



Unitywater's new certifications includes the Infrastructure Services and Business Support Services divisions.