Annual Financial Report

CONTENTS

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 2015. 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

Sharon Doyle

Megan Houghton

Mike Williamson

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

Please refer to the Board profiles' section of the Unitywater Annual Report 2014-15 for details of Board Members' qualifications, experience and special responsibilities.

Principal activities

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

Operating results

The profit of Unitywater after providing for income tax equivalent expense, amounted to $120,302,277 (2014: $84,466,024).

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 2014-15.

Events after the reporting period

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

Future developments

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

Environmental regulations

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

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

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

Participation returns

Participation returns paid or declared by Unitywater during the 2014-15 financial year were:

	Total amount 2015 $000	Total amount 2014 $000
Final participation return	45,126	48,274

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

Board Members' benefits and interests in contracts

Between 1 July 2014 and 30 June 2015, no Board Member has received or become entitled to receive a benefit, other than those benefits disclosed in Note 29 of the financial statements.

Indemnification of Board Members and Officers

Indemnification of Board Members of Unitywater

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

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

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

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

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

Insurance premiums

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

Board Members' meetings

The numbers of meetings of Unitywater's Board Members and each Board Committee held and attended by each Board Member during the year ended 30 June 2015 were:

UNITYWATER	BOARD MEETINGS		COMMITTEE MEETINGS							
			Audit and risk		Environment		Nominations and remuneration		Capital works	
Board Members	A	B	A	B	A	B	A	B	A	B
Jim Soorley – Chairman	9	10	-	-	1	3	-	-	6	6
Barry Casson	9	10	3	4	-	-	2	2	-	-
Sharon Doyle	9	10	4	4	-	-	2	2	6	6
Megan Houghton	10	10	4	4	3	3	-	-	-	-
Mike Williamson	10	10	-	-	3	3	-	-	6	6

A - Number of meetings attended
B - Number of meetings held during the year

Remuneration of Board Members and executives

Refer to Note 29 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

24 August 2015
Caboolture, Queensland

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 $'000	2014 Restated* $'000
Income			
Utility charges	4	474,201	448,190
Fees and charges	5	7,709	7,748
Developer contributions	6	128,914	80,064
Grants and subsidies		4,268	4,443
Interest revenue		2,278	1,731
Other income	7	7,303	8,317
Total income		**624,673**	**550,493**
Expenses			
Bulk water purchases		(143,697)	(131,330)
Employee expenses	8	(70,158)	(69,591)
Supplies and services	9	(69,535)	(70,056)
Depreciation and amortisation	15,16	(85,695)	(81,054)
Impairment losses	15	(6,703)	-
Finance and borrowing costs	10	(82,157)	(75,680)
Other expenses	11	(2,490)	(4,055)
Total expenses		**(460,435)**	**(431,766)**
Profit before income tax equivalent		**164,238**	**118,727**
Income tax equivalent expense	21	(43,936)	(34,261)
Profit for the year		**120,302**	**84,466**
Total comprehensive income for the year		**120,302**	**84,466**

* Refer note 31 for details regarding the restatement as a result of an error.

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

Statement of Financial Position

AS AT 30 JUNE 2015

	Notes	2015 $'000	2014 Restated* $'000	1 July 2013 Restated* $'000
Current assets				
Cash and cash equivalents	12	32,615	21,694	38,469
Trade and other receivables	13	109,915	113,951	108,057
Inventories	14	1,306	1,881	2,219
Prepayments		2,623	1,762	2,105
Total current assets		**146,459**	**139,288**	**150,850**
Non-current assets				
Trade and other receivables	13	3,798	-	-
Property, plant and equipment	15	3,160,689	3,093,508	2,978,823
Intangible assets	16	31,960	35,334	29,400
Total non-current assets		**3,196,447**	**3,128,842**	**3,008,223**
Total assets		**3,342,906**	**3,268,130**	**3,159,073**
Current liabilities				
Trade and other payables	17	91,482	100,912	113,270
Loans and borrowings	18	2,452	9,407	8,795
Employee benefits	19	9,232	9,173	8,465
Other liabilities	20	6,528	6,961	4,017
Total current liabilities		**109,694**	**126,453**	**134,547**
Non-current liabilities				
Loans and borrowings	18	1,557,652	1,560,104	1,491,512
Employee benefits	19	9,543	11,770	12,789
Deferred tax liabilities	21	78,632	57,594	44,208
Total non-current liabilities		**1,645,827**	**1,629,468**	**1,548,509**
Total liabilities		**1,755,521**	**1,755,921**	**1,683,056**
Net assets		**1,587,385**	**1,512,209**	**1,476,017**
Equity				
Contributed equity	22	1,434,782	1,434,782	1,434,782
Retained earnings		152,603	77,427	41,235
Total equity		**1,587,385**	**1,512,209**	**1,476,017**

*Refer note 31 for details regarding the restatement as a result of an error.

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 2015

	Notes	Retained earnings $'000	Contributed equity $'000	Total $'000
Balance at 1 July 2013		**47,174**	**1,434,782**	**1,481,956**
Correction of error (net of tax)	31	(5,939)	-	(5,939)
Restated total equity at the beginning of the financial year		**41,235**	**1,434,782**	**1,476,017**
Participation return to owners of the Authority	23	(48,274)	-	(48,274)
Total distributions to owners of the Authority		**(48,274)**	**-**	**(48,274)**
Profit for the year		84,466	-	84,466
Total comprehensive income for the year		**84,466**	**-**	**84,466**
Balance at 30 June 2014		**77,427**	**1,434,782**	**1,512,209**
Participation return to owners of the Authority	23	(45,126)	-	(45,126)
Total distributions to owners of the Authority		**(45,126)**	**-**	**(45,126)**
Profit for the year		120,302	-	120,302
Total comprehensive income for the year		**120,302**	**-**	**120,302**
Balance at 30 June 2015		**152,603**	**1,434,782**	**1,587,385**

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 2015

	Notes	2015 Inflow (Outflow) $'000	2014 Inflow (Outflow) $'000
Cash flows from operating activities			
Receipts from customers		488,299	462,465
Developer contributions		67,270	40,245
Government grants and subsidies		4,268	4,443
Interest received		2,278	1,731
GST input tax credits from ATO		14,937	20,620
GST collected from customers		538	659
Payments to suppliers		(219,898)	(216,210)
Employee expenses		(74,334)	(67,930)
Finance and borrowing costs		(81,603)	(80,304)
Income tax equivalent		(29,438)	(6,198)
GST paid to suppliers		(15,475)	(21,279)
Net cash provided by operating activities	12(b)	**156,842**	**138,242**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		1,660	664
Payments for property, plant and equipment		(87,017)	(163,173)
Payments for intangibles		(8,231)	(9,614)
Net cash used in investing activities		**(93,588)**	**(172,123)**
Cash flows from financing activities			
Borrowings from Queensland Treasury Corporation		91,104	168,001
Borrowing redemptions		(100,512)	(98,796)
Participation return payments		(42,925)	(52,099)
Net cash (used in)/provided by financing activities		**(52,333)**	**17,106**
Net increase (decrease) in cash and cash equivalents		10,921	(16,775)
Cash and cash equivalents at beginning of financial year		21,694	38,469
Cash and cash equivalents at end of financial year	12(a)	**32,615**	**21,694**

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 2015

1 Reporting Authority

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

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

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

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

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

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

a purchase of water

b distribution of water

c provision of water and sewerage services to customers

d charge customers for these relevant services

e manage customer enquiries, service requests and complaints.

2 Basis of preparation

a Statement of compliance

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

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

The financial statements were authorised for issue by the Board on 24 August 2015.

2 Basis of preparation

b Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair value is included in Note 15(c) Property plant and equipment and Note 25(d) Financial instruments.

c Functional and presentation currency

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

d Going concern

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

e Use of estimates and judgements

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

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

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

Note 3(a) (i)	Utility charges
Note 3(a) (iii)	Developer contribution (non-cash)
Note 3(g) (iii)	Asset Valuation
Note 3(g) (v)	Depreciation
Note 3(i)	Impairment
Note 3(l)	Employee benefits
Note 3(p)	Income tax equivalents
Note 27	Commitments
Note 28	Contingencies

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

3 Significant accounting policies

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

a Revenue

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

i Utility charges

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

ii Fees and charges

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

iii Developer contributions

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

Non-cash contributions (assets)

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

Cash contributions

Non-refundable cash contributions from developers towards the cost of water supply and sewerage infrastructure for assets already constructed or for which there are no performance obligations are recognised as revenue when received or receivable. Cash developer contributions for specific assets are recognised as a liability where that specific asset has not been constructed at 30 June 2015. Cash developer contributions for applications initiated prior to 1 July 2014 may be collected by the Participating Councils on behalf of Unitywater and transferred to Unitywater when received.

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

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.

3 Significant accounting policies

a Revenue

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:

i interest expense on bank overdrafts, short-term and long-term borrowings

ii bank fees and charges.

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

d Cash and cash equivalents

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

e Receivables

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

Collectability of trade receivables is reviewed on an ongoing basis with provision being made for impairment as a proportion of the age of the debt. Individual debts that are uncollectable are written off when identified. Movements in the provision for impairment are recognised as an expense in that period. All known bad debts were written-off at 30 June 2015.

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 2015

3 Significant accounting policies

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:-

Asset Type	Threshold
Land	$1
Buildings	$5,000
Plant and equipment – fleet	$5,000
Plant and equipment – other	$1,000
Infrastructure	$1

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

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*.

Land, buildings and infrastructure assets are measured at fair value using an income approach based on discounted future cash flows. Valuations are undertaken annually to ensure that the carrying value of the assets does not differ materially from that which would be determined using fair value at the end of the reporting period. Due to the specialised nature of this class of asset where there is generally no active market, the fair value is determined using information from a variety of sources, the results of which are evaluated considering the reasonableness of the range of values indicated by those results. The key assumptions for fair value assessment are disclosed in Note 15(c).

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

3 Significant accounting policies

g Property, plant and equipment

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

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:

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

Changes to useful lives

In the 2014-15 year the ongoing review of estimated useful lives has resulted in some changes to the rates applied for linear assets (i.e. mains, manholes and fittings) within the water and sewerage infrastructure categories as well as impacting Information Technology (IT) hardware. These changes were effective from 1 July 2014.

3 Significant accounting policies

g Property, plant and equipment

In making these changes management have considered Unitywater's specific asset usage, history and performance, manufacturer information and industry behaviour for similar assets. In recent years Unitywater has progressively improved and optimised asset management systems and processes, resulting in management's current confidence that the business is now positioned to be able to manage assets to achieve these revised useful lives.

For linear assets within the water and sewerage infrastructure categories the overall outcome has been to move average useful lives from a very conservative position to a less conservative position. For IT hardwar the outcome has been to apply slightly less aggressive useful lives.

Management consider these changes to useful lives to be changes in estimates in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and the estimated future impact by category is set out below.

Further ongoing review is progressing for other areas, particularly relating to the non-linear assets (i.e. treatment plants, pump stations and reservoirs) within the water and sewerage infrastructure categories. At this time the review has not yet progressed to a point where management is able to reasonably estimate if there will be any opportunity to move to less conservative useful lives for these areas and for the moment management believe the current useful lives remain appropriate.

The impact on annual depreciation expense from the above changes to useful lives as recognised in the 2014-15 financial year and estimated for future years is set out below:

Class of fixed asset	2014-15 impact $M	Estimated 2015-16 impact $M	Estimated 2016-17 impact $M	Estimated 2017-18 impact $M
Infrastructure assets				
Water infrastructure assets	(6.5)	(6.5)	(5.9)	(6.0)
Sewerage infrastructure assets	(9.2)	(8.9)	(8.8)	(8.8)
Plant and equipment				
Office, IT and scientific equipment	0.7	-	0.3	1.1
Total impact	(15.0)	(15.4)	(14.4)	(13.7)

vi Gains and losses on disposals

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

h Intangible assets

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

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

i Computer software

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

3 Significant accounting policies

h Intangible assets

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

ii Utility easements

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

iii Amortisation

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

The estimated useful lives are:

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

Changes to useful lives

In the 2014-15 year the ongoing review of estimated useful lives has resulted in some changes to the rates applied for computer software. These changes were effective from 1 July 2014.

In making these changes management have considered Unitywater specific asset usage and industry behaviour for similar assets. For computer software the outcome has been to apply slightly less aggressive useful lives.

Management consider these changes to useful lives to be changes in estimates in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and the estimated future impact by category is set out below.

The impact from the above changes to useful lives as recognised in the 2014-15 financial year and estimated for future years is set out below:

Class of intangible asset	2014-15 impact $M	Estimated 2015-16 impact $M	Estimated 2016-17 impact $M	Estimated 2017-18 impact $M
Computer software	1.9	1.6	0.7	0.7

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 15(d).

3 Significant accounting policies

i Impairment

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

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

j Payables

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

k Financial instruments

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

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

Financial instruments are classified and measured as follows:

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

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

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

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

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

l Employee benefits

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

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

3 Significant accounting policies

I Employee benefits

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

i Salaries and wages

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

ii Annual leave

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

iii Leave in lieu

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

iv Sick leave

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

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

v Long service leave

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

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

vi Superannuation schemes

Unitywater contributes to the Local Government Superannuation Scheme (Qld) (LG Super) for employees under both defined benefit scheme and accumulation superannuation scheme. Unitywater has no liability to or interest in LG Super other than the payment of the statutory contribution. Contributions are expensed when incurred. Refer to Note 24.

3 Significant accounting policies

l Employee benefits

vii Termination benefits

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

viii Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury and Trade. Refer to Note 29.

m Unearned revenue

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

n Leases

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

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

o Goods and services tax

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

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

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

p Income tax equivalents

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

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

3 Significant accounting policies

p Income tax equivalents

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.

q Participation returns

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

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

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

r Comparatives

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

s New and revised accounting standards

Unitywater did not voluntarily change any of its accounting policies during 2014-15. There are no Australian Accounting Standard changes applicable for the first time for 2014-15 that have a material impact on Unitywater's financial statements.

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 2015. Our assessment of the impact of these new standards and interpretations is set out below.

3 Significant accounting policies

s New and revised accounting standard

AASB 15 *Revenue from Contracts with Customers* will become effective from reporting periods beginning on or after 1 January 2017. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of goods and services, such that some revenue may need to be deferred to a later reporting period to the extent that the entity has received cash but has not met its associated obligations (such amounts would be reported as a liability (unearned revenue) in the meantime. Unitywater is yet to complete its analysis of current arrangements for sale of its goods and services, but at this stage does not expect a significant impact on its present accounting practices.

AASB9 *Financial Instruments* and AASB9 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* will become effective from reporting periods beginning on or after 1 January 2018. The main impacts of these standards are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the department's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

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

4 Utility charges

	2015 $'000	2014 $'000
Water access charges	86,867	83,041
Water volumetric charges	164,146	149,463
Sewerage access charges	193,171	191,396
Sewerage volumetric charges	30,017	24,290
	474,201	**448,190**

5 Fees and charges

	2015 $'000	2014 $'000
Application fees	1,560	1,799
Permits and licences	554	465
Connection fees	2,130	2,356
Search fees	2,625	2,490
Other fees and charges	840	638
	7,709	**7,748**

Notes to and forming part of the financial statements
FOR THE YEAR ENDED 30 JUNE 2015

6 Developer contributions

	2015 $'000	2014 $'000
Developer contributions – assets	66,241	36,558
Developer contributions – cash	62,673	43,506
	128,914	**80,064**

7 Other income

	2015 $'000	2014 $'000
Private works	4,563	3,821
Rent revenue	1,406	1,220
Other revenue	1,334	3,276
	7,303	**8,317**

8 Employee expenses

	2015 $'000	2014 $'000
Salaries and wages	54,114	53,876
Restructuring costs	2,689	2,202
Employer superannuation contribution	6,397	6,818
Payroll tax	3,362	3,509
Board Members' fees	351	334
Other employee expenses	3,245	2,852
	70,158	**69,591**

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:

	2015	2014
Number of employees	749	828

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

9 Supplies and services

	2015 $'000	2014 $'000
Materials and services	65,694	67,209
Consultants and legal fees	3,090	2,285
Other supplies and consumables	751	562
	69,535	**70,056**

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

10 Finance and borrowing costs

	2015 $'000	2014 $'000
Interest costs	82,251	79,047
Interest costs – capitalised	(1,445)	(4,658)
Other financial costs	1,351	1,291
	82,157	**75,680**

11 Other expenses

	2015 $'000	2014 $'000
Insurance	1,541	1,632
Audit fees (internal and external)*	568	557
Regulatory fees	324	481
Impairment of trade receivables	(1,907)	168
Gain/Loss on disposal of property, plant and equipment	1,423	478
Industry membership	295	340
Other	246	399
	2,490	**4,055**

*Total external audit fees paid to the Queensland Audit Office relating to the 2014/15 financial statements are estimated to be $235,000 (2014: $218,000). There are no non-audit services included in this amount.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

12 Cash and cash equivalents

a Cash and cash equivalents

	2015 $'000	2014 $'000
Cash on hand	1,374	237
Bank balances	31,241	21,457
Cash and cash equivalents in the Statement of Cash Flows	**32,615**	**21,694**

b Reconciliation of cash flows from operating activities

	2015 $'000	2014 Restated $'000
Cash flows from operating activities		
Profit for the year	120,302	84,466
Adjustments for:		
Depreciation	77,983	77,374
Amortisation of intangible assets	7,712	3,680
Loss on disposal of property, plant and equipment	1,423	478
Donated assets	(66,241)	(36,558)
Impairment losses on property, plant and equipment	6,703	-
Impairment losses on trade receivables	(1,907)	168
Change in assets and liabilities		
Change in trade and other receivables	2,148	(6,063)
Change in inventories	575	338
Change in prepayments	(858)	342
Change in trade and other payables	(9,434)	(2,003)
Change in employee benefits	(2,167)	(312)
Change in other liabilities	(434)	2,945
Change in deferred tax liabilities	21,037	13,387
Net cash provided by operating activities	**156,842**	**138,242**

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

13 Trade and other receivables

	2015			2014		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Current						
Trade debtors	109,274	3,798	113,072	110,694	-	110,694
Less: Provision for impairment	(1,502)	-	(1,502)	(3,500)	-	(3,500)
	107,772	3,798	111,570	107,194	-	107,194
GST receivable	1,991	-	1,991	1,979	-	1,979
Receivables from Participating Councils	152	-	152	4,773	-	4,773
Other receivables	-	-	-	5	-	5
Total	**109,915**	**3,798**	**113,713**	**113,951**	**-**	**113,951**

Trade debtors are interest bearing once they become due. Receivables from Participating Councils consist of developer contributions collected by the Participating Councils that are payable to Unitywater and other minor receivables. The non-current trade debtor balance relates to a developer contribution due in 2016-17.

	2015 $'000	2014 $'000
Movements in the provision for impairment loss		
Balance at 1 July	3,500	3,500
Decrease in allowance	(259)	-
Decrease in allowance for developer debt	(1,739)	-
Balance at 30 June	**1,502**	**3,500**

14 Inventories

	2015 $'000	2014 $'000
Stores	1,306	1,881
Total	**1,306**	**1,881**

An amount of $2,617,031 (2014: $2,440,076) of inventory was recognised as an expense during the year.

15 Property, plant and equipment

a Carrying amount

	Land	Buildings	Infrastructure	Plant and equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2015						
Gross carrying amount	52,431	17,668	3,350,860	59,250	72,289	3,552,498
Accumulated depreciation	-	(1,133)	(368,750)	(15,223)	-	(385,106)
Accumulated impairment losses	-	-	(6,703)	-	-	(6,703)
Carrying amount	**52,431**	**16,535**	**2,975,407**	**44,027**	**72,289**	**3,160,689**
2014						
Gross carrying amount	48,370	17,153	3,090,062	50,527	196,385	3,402,497
Accumulated depreciation	-	(725)	(296,068)	(12,196)	-	(308,989)
Accumulated impairment losses	-	-	-	-	-	-
Carrying amount	**48,370**	**16,428**	**2,793,994**	**38,331**	**196,385**	**3,093,508**

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

15 Property, plant and equipment

b Movements

	Land	Buildings	Infrastructure	Plant and equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2015						
Carrying amount (opening)	48,370	16,428	2,793,994	38,331	196,385	3,093,508
Additions	-	-	-	-	88,890	88,890
Transfers from work in progress	4,061	525	195,648	12,572	(212,806)	-
Contributed assets	-	-	66,241	-	-	66,241
Disposals	-	(10)	(835)	(2,239)	(180)	(3,264)
Depreciation	-	(408)	(72,938)	(4,637)	-	(77,983)
Impairment [1]	-	-	(6,703)	-	-	(6,703)
Carrying amount (closing)	**52,431**	**16,535**	**2,975,407**	**44,027**	**72,289**	**3,160,689**
2014						
Carrying amount (opening)	48,370	11,946	2,714,812	32,405	171,290	2,978,823
Additions	-	-	-	-	157,012	157,012
Transfers from work in progress	-	4,678	117,089	9,780	(131,547)	-
Contributed assets	-	-	36,558	-	-	36,558
Disposals	-	-	(381)	(760)	(370)	(1,511)
Depreciation	-	(196)	(74,084)	(3,094)	-	(77,374)
Carrying amount (closing)	**48,370**	**16,428**	**2,793,994**	**38,331**	**196,385**	**3,093,508**

1 In March 2015 a decision was made to close the South Caboolture Advanced Recycled Water Treatment Plant. The plant was already in care and maintenance mode and there is now no future revenue generation expected from it, thus in advance of final decommissioning the assets relating to the plant have been written down to their recoverable amount. Recoverable amount has been determined by reference to the fair value less cost of disposal relating to the plant's assets, which was assessed as $nil based on the limited potential for the plant's remaining assets to realise proceeds (e.g. scrap value) in excess of disposal costs. The resultant impairment loss of $6.7M has been recognised in the statement of comprehensive income.

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

Unitywater capitalised finance and borrowing costs amounting to $1,444,969 (2014: $4,658,018) on qualifying assets during the year ended 30 June 2015. The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.37% (2014: 4.26%), which is the effective interest rate of the specific borrowing.

15 Property, plant and equipment

c Measurement of fair value

The fair value measurement for land, building and infrastructure assets of $3.0 billion (2014: $2.9 billion) has been categorised as a Level 3 in the fair value hierarchy Refer to Note 2(b).

As the fair value is not materially different from the carrying value of property, plant and equipment as at 30 June 2015, the carrying amount is considered to be representative of fair value and therefore no revaluation increment or revaluation decrement has been taken up. The following table presents Level 3 items for the year ended 30 June 2015 for recurring fair value measurements.

	Land $'000	Buildings $'000	Infrastructure $'000	Total $'000
2015				
Carrying amount (Opening)	48,370	16,428	2,793,994	2,858,792
Additions	4,061	525	261,889	266,475
Disposals	-	(10)	(835)	(845)
Depreciation and impairment	-	(408)	(79,641)	(80,049)
Carrying amount (Closing)	**52,431**	**16,535**	**2,975,407**	**3,044,373**

i Valuation techniques and significant unobservable inputs

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

ii Valuation inputs and relationships to fair value

Unobservable inputs	Basis	Range of inputs	Relationship between unobservable inputs and fair value
Revenue growth rate	Average growth as forecast by management	4.11% – 4.67%	The higher the annual revenue cashflow growth rate, the higher the fair value
Operating expenses growth rate	Average growth as forecast by management	3.71%	The higher the operating expenditure, the lower the fair value
Capital expenses growth rate	Average growth as forecast by management	7.24%	The higher the capital expenditure, the lower the fair value
Terminal value	Gordon Growth Model, Regulatory Asset Base and RAB x 1.1	$4,106M – $4,722M	The higher the terminal value, the higher the fair value
Weighted Average Cost of Capital	Developed by management in conjunction with independent experts	7.2%	The higher the weighted average cost of capital, the lower the fair value

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

15 Property, plant and equipment

d Impairment testing

Following an assessment of fair value, Unitywater undertook an impairment review. Internal indicators of impairment including obsolescence and physical damage, significant changes with an adverse effect and internal reporting concerning economic performance of an asset were considered, together with external sources of information such as changes in technological, market, economic or legal environment, changes in regulated environment, policy and/or legislative changes and market interest rate changes.

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.

16 Intangible assets

a Carrying amount

	Software $'000	Utility easements $'000	Work in progress $'000	Total $'000
2015				
Cost	44,280	2,657	2,005	48,942
Accumulated amortisation	(16,982)	-	-	(16,982)
Carrying amount	**27,298**	**2,657**	**2,005**	**31,960**
2014				
Cost	39,733	2,100	3,085	44,918
Accumulated amortisation	(9,584)	-	-	(9,584)
Carrying amount	**30,149**	**2,100**	**3,085**	**35,334**

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

16 Intangible assets

b Movements

	Software $'000	Utility easements $'000	Work in progress $'000	Total $'000
2015				
Carrying amount (opening)	30,149	2,100	3,085	35,334
Additions	-	-	4,338	4,338
Transfers from work in progress	4,861	557	(5,418)	-
Disposals	-	-	-	-
Amortisation	(7,712)	-	-	(7,712)
Carrying amount (closing)	**27,298**	**2,657**	**2,005**	**31,960**
2014				
Carrying amount (opening)	27,919	117	1,364	29,400
Additions	-	-	9,665	9,665
Transfers from work in progress	5,910	1,983	(7,893)	-
Disposals	-	-	(51)	(51)
Amortisation	(3,680)	-	-	(3,680)
Carrying amount (closing)	**30,149**	**2,100**	**3,085**	**35,334**

17 Trade and other payables

	2015 $'000	2014 $'000
Current		
Trade creditors	22,239	23,758
Participation return payable	23,472	21,271
Interest payable	20,250	19,697
Accrued expenses	14,793	18,992
Income tax equivalent payable	8,743	15,282
Other	1,985	1,912
Total	**91,482**	**100,912**

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

18 Loans and borrowings

a Compositions of loans

	2015 $'000	2014 $'000
Current		
Participating Councils		
Working capital	2,452	9,407
Total	**2,452**	**9,407**
Non-current		
Participating Councils		
Working capital	-	2,452
Subordinated debt	1,160,652	1,160,652
Queensland Treasury Corporation Loans		
Client Specific Pool	397,000	397,000
Total	**1,557,652**	**1,560,104**

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

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

The weighted average rate of borrowings for the year is 5.19% (2014: 5.11%). Interest payments are made quarterly in arrears at rates ranging from 4.37% to 6.79% (2014: 4.25% to 6.79%).

18 Loans and borrowings

b Financing arrangements at balance date

	2015 $'000	2014 $'000
The Authority has access available at balance date to the following facilities:		
Bank overdraft	50	50
Credit card	750	750
Working capital	52,452	61,860
Loans	1,617,652	1,609,652
	1,670,904	**1,672,312**
Facilities not utilised at balance date:		
Bank overdraft	50	50
Credit card	725	679
Working capital	50,000	50,000
Loans	60,000	52,000
	110,775	**102,729**

19 Employee benefits

	2015 $'000	2014 $'000
Current		
Accrued salaries and wages	3,843	3,058
Annual leave	4,403	4,928
Long service leave	696	825
Rostered days off	282	361
Other employee entitlements	8	1
Total	**9,232**	**9,173**
Non-current		
Annual leave	1,252	1,678
Long service leave	8,291	10,092
Total	**9,543**	**11,770**

Refer to Note 24 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 2015

20 Other liabilities

	2015 $'000	2014 $'000
Current		
Unearned revenue	4,952	4,105
Security deposits and retentions	1,576	856
Provision for restructuring	-	1,962
Other payables	-	38
Total	**6,528**	**6,961**

21 Income tax

a Income tax equivalents	2015 $'000	2014 Restated $'000
Income tax equivalents recognised in profit or loss		
Current tax expense		
Current income tax charge	22,899	20,875
Current tax expense	22,899	20,875
Deferred tax expense		
Deferred income tax charge	21,037	13,386
Deferred tax expense	21,037	13,386
Total income tax equivalent expense	**43,936**	**34,261**
Reconciliation of effective tax rate		
Profit (loss) before income tax equivalent	164,238	118,727
Income tax equivalent expense at 30%	49,271	35,618
Non deductible expenses	7	7
Change in unrecognised temporary differences subject to initial recognition exemption	(5,342)	(1,364)
Income tax equivalent expense	**43,936**	**34,261**

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

21 Income tax

b Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014 Restated	2015	2014 Restated
	$'000	$'000	$'000	$'000	$'000	$'000
Property, plant and equipment	-	-	(80,376)	(60,246)	(80,376)	(60,246)
Employee benefits	3,385	3,990	-	-	3,385	3,990
Other provisions and accruals	486	1,714	-	-	486	1,714
Formation costs	2	3	-	-	2	3
Other items	23	25	(2,152)	(3,080)	(2,129)	(3,055)
Tax asset (liability)	3,896	5,732	(82,528)	(63,326)	(78,632)	(57,594)
Set off	(3,896)	(5,732)	3,896	5,732	-	-
Net tax asset (liability)	-	-	(78,632)	(57,594)	(78,632)	(57,594)

c Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2015	2014	2015	2014 Restated	2015	2014 Restated
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	5,732	5,892	(63,326)	(50,100)	(57,594)	(44,208)
Current year's income tax equivalent expense	(1,836)	(160)	(19,202)	(13,226)	(21,038)	(13,386)
Balance at 30 June	3,896	5,732	(82,528)	(63,326)	(78,632)	(57,594)

d Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2015	2014	2015	2014 Restated	2015	2014 Restated
	$'000	$'000	$'000	$'000	$'000	$'000
Depreciating assets transferred from Councils on 1 July 2010	-	-	(12,663)	(7,501)	(12,663)	(7,501)
Employee provisions transferred from Councils on 1 July 2010	1,537	1,717	-	-	1,537	1,717
Tax asset (liability)	1,537	1,717	(12,663)	(7,501)	(11,126)	(5,784)
Set off	(1,537)	(1,717)	1,537	1,717	-	-
Net tax asset (liability)	-	-	(11,126)	(5,784)	(11,126)	(5,784)

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

22 Contributed equity

	2015 $'000	2014 $'000
Contributed equity	1,434,782	1,434,782
	1,434,782	**1,434,782**

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

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

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

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

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

23 Participation returns

The following Participation returns have been paid or are payable at 30 June 2015:

	2015 $'000	2014 $'000
In accordance with the Participation Agreement, an interim participation return was declared on 28 January 2015 and paid on 13 February 2015.	21,654	27,003
The Board declared the final participation return payment on 24 June 2015. Payment will be made by 30 September 2015.	23,472	21,271
Total participation return paid/payable	**45,126**	**48,274**
Moreton Bay Regional Council	26,281	28,115
Sunshine Coast Council	16,927	19,255
Noosa Council	1,918	904
Total	**45,126**	**48,274**

24 Superannuation

Local Government Superannuation Scheme – LG Super

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

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

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

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

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

24 Superannuation

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

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

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

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

Following the previous actuarial assessment in 2009, participating employers were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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

There are currently 71 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 71 entities. Unitywater made less than 4% of the total contributions to the plan in the 2014-15 financial year. The next actuarial investigation will be made at 1 July 2015.

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

	2015 $'000	2014 $'000
Superannuation plan		
Regional defined benefit fund - LG Super	901	1,063
Accumulation benefit fund - LG Super	5,985	6,248
Other Defined Contribution funds	366	464
Total	**7,252**	**7,775**

A portion of the above superannuation contributions related to work performed on capital projects which were capitalised. The amount recognised as an expense during the financial year is $6,397,398 (2014: $6,817,843).

25 Financial instruments

Financial risk management

Overview

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

Risk management framework

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

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

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

Credit risk

Credit risk is the risk of financial loss to Unitywater if a customer or another party fails to meet its obligations. Unitywater is exposed to credit risk through its customers, investments with the Queensland Treasury Corporation (QTC) and deposits held with banks. Unitywater has a concentration of credit risk from receivables due from its customers. The QTC 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 through borrowings from the QTC for asset acquisitions and capital works and from Moreton Bay Regional Council, Sunshine Coast Council and Noosa Council for its working capital requirements. Unitywater manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

25 Financial instruments

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 Participating Councils, and cash deposited in interest bearing accounts. Unitywater manages that part of its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract, with QTC and the Participating Councils.

Interest rate risk

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

Operational risk

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

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

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

a Requirements for appropriate segregation of duties, including the independent authorisation of transactions.

b Requirements for the reconciliation and monitoring of transactions.

c Compliance with regulatory and other legal requirements.

d Documentation of controls and procedures.

e Training and professional development.

f Risk mitigation, including insurance where this is effective.

25 Financial instruments

a Categorisation of financial instruments

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

Category	Notes	2015 $'000	2014 $'000
Financial assets			
Cash and cash equivalents	12	32,615	21,694
Trade and other receivables	13	109,915	113,951
Total		**142,530**	**135,645**
Financial liabilities			
Trade and other payables	17	91,482	100,912
Loans and borrowings	18	1,560,104	1,569,511
Total		**1,651,586**	**1,670,423**

b Credit risk exposure

Exposure to credit risk for Unitywater exists in respect of all financial assets recognised in the Statement of Financial Position, such as trade and other receivables and cash and cash equivalent.

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

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

The maximum exposure to credit risk at 30 June 2015 in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment (Refer Notes 12 and 13).

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

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

The method of calculating any impairment provision for risk is based on Unitywater's past experience and industry experience as a proportion of outstanding debt. The recognised impairment provision for receivables is $1,501,967 (2014: $3,500,000) for the current year.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

25 Financial instruments

b Credit risk exposure

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

Trade and other receivables	Gross $'000	Impairment $'000	Total $'000
2015			
Not past due	102,093	-	102,093
Past due 0-30 days	5,454	-	5,454
Past due 31- 60 days	1,218	-	1,218
Past due 61- 90 days	1,438	-	1,438
More than 91 days	5,012	1,502	3,510
	115,215	**1,502**	**113,713**
2014			
Not past due	96,262	-	96,262
Past due 0-30 days	6,100	-	6,100
Past due 31- 60 days	1,270	-	1,270
Past due 61- 90 days	1,812	-	1,812
More than 91 days	12,007	3,500	8,507
	117,451	**3,500**	**113,951**

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

25 Financial instruments

c Liquidity risk

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

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				
	Carrying amount	Cash flows payable in			Total cash flows
	$'000	<1 year $'000	1-5 years $'000	>5 years $'000	$'000
2015					
Trade and other payables	91,482	91,482	-	-	91,482
PLG Loans	1,160,652	62,211	248,843	1,969,393	2,280,447
QTC borrowings	397,000	16,913	67,513	392,401	476,827
Working capital facilities	2,452	2,494	-	-	2,494
Total	**1,651,586**	**173,100**	**316,356**	**2,361,794**	**2,851,250**
2014					
Trade and other payables	100,912	100,912	-	-	100,912
PLG Loans	1,160,652	65,017	262,978	2,081,076	2,409,071
QTC borrowings	397,000	17,529	70,166	393,103	480,798
Working capital facilities	11,859	9,976	2,494	-	12,470
Total	**1,670,423**	**193,434**	**335,638**	**2,474,179**	**3,003,251**

25 Financial instruments

d Market risk

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

Profile

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

	2015 $'000	2014 $'000
Fixed rate instruments		
Financial liabilities	2,452	11,859
	2,452	**11,859**
Variable rate instruments		
Financial assets	31,241	21,457
Financial liabilities	1,557,652	1,557,652
	1,588,893	**1,579,109**

Sensitivity analysis for variable rate instruments

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

		Interest rate risk			
		-1%		+1%	
	Net carrying amounts $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2015					
Financial assets	31,241	(312)	(312)	312	312
Financial liabilities	(1,557,652)	778	778	(766)	(766)
Sensitivity (net)	**(1,526,411)**	**466**	**466**	**(454)**	**(454)**
2014					
Financial assets	21,457	(215)	(215)	215	215
Financial liabilities	(1,557,652)	781	781	(771)	(771)
Sensitivity (net)	**(1,536,195)**	**566**	**566**	**(556)**	**(556)**

25 Financial instruments

d Market risk

Fair value

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

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

Cash and cash equivalent is held at fair value and is valued using Level 1 observable input. The fair value of interest bearing loans and borrowings is 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
2015		
Participating Councils		
Working capital	2,452	2,452
Subordinated loans	1,160,652	1,191,210
QTC borrowings		
Client Specific Pool	397,000	413,807
Total	**1,560,104**	**1,607,469**
2014		
Participating Councils		
Working capital	11,859	11,981
Subordinated loans	1,160,652	1,173,854
QTC borrowings		
Client Specific Pool	397,000	408,513
Total	**1,569,511**	**1,594,348**

26 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:

	2015 $'000	2014 $'000
Less than one year	2,710	2,700
Between one and five years	11,469	11,079
More than five years	13,038	15,251
	27,217	**29,030**

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

During the year an amount of $2,419,223 (2014: $3,427,928) 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:

	2015 $'000	2014 $'000
Less than one year	1,609	1,604
Between one and five years	4,884	5,200
More than five years	9,176	10,096
	15,669	**16,900**

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 2015

27 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:

	2015 $'000	2014 $'000
Property, plant and equipment		
Within one year	22,499	18,704
One year and no later than five years	8,240	64
	30,739	**18,768**

b Other expenditure commitments

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

	2015 $'000	2014 $'000
Within one year	20,086	16,111
One year and no later than five years	28,167	11,188
More than five years	-	8,558
	48,253	**35,857**

28 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 2015

29 Key management personnel

a Board Members

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

	2015 Remuneration $	2014 Remuneration $
Jim Soorley	110,250	105,000
Barry Casson	58,800	56,000
Sharon Doyle	64,050	61,000
Megan Houghton	58,800	56,000
Mike Williamson	58,800	56,417
	350,700	**334,417**

b Board Members' transactions

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

Jim Soorley is a consultant for RP Data Pty Ltd. Unitywater made payments of $7,247 (2014: $7,247) for property information services during the financial year. This entity was engaged on an arm's length basis under commercial terms and conditions.

Sharon Doyle is a Director of InterFinancial Pty Ltd. Unitywater made payments of $2,500 (2014: $42,600) for corporate advisory services during the financial year. This entity was engaged on an arm's length basis under commercial terms and conditions.

c Loans to key management personnel

None of the key management personnel have personal loans with Unitywater outstanding at 30 June 2015 (2014: Nil).

d Key executive management personnel transactions

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

A related party of the Chief Financial Officer, Stratboard Pty Ltd was engaged by the Chief Executive Officer during the prior financial year. Unitywater paid $0 (2014: $24,338) for corporate strategy services to Stratboard Pty Ltd during the financial year. This entity was engaged on an arm's length basis under commercial terms and conditions.

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

e Key executive management personnel

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

29 Key management personnel

e Key executive management personnel

Position	Responsibilities	Current incumbents	
		Contract classification	Date appointed to position
Chief Executive Officer	Accountable to the Board for the overall management and operation of the Authority as well as to ensure the successful delivery of the Authority's strategic direction.	Contract of employment	16 July 2012
Executive Manager Infrastructure Services	Responsible for managing all aspects of the day-to-day operation and maintenance of the water reticulation network, recycled water network, sewage collection network and sewage treatment plants of the Authority.	Contract of employment	29 April 2013
Executive Manager Infrastructure Planning & Capital Delivery	Responsible for water and sewerage asset management including planning, design and capital delivery, drinking water quality monitoring and assurance, and development services of the Authority.	Contract of employment	29 April 2013
Executive Manager Retail	Responsible for ensuring the Authority's commercial and regulatory obligations to customers, community and government are met through the effective management and leadership of communications, stakeholder engagement, customer service, business improvement measures and revenue assurance.	Contract of employment	1 July 2010
Chief Financial Officer	Responsible for managing strategy and business development, corporate performance, financial reporting, tax, treasury, financial systems, procurement, pricing and economic regulation, whilst incorporating the strategy and management of data, information, its underlying technology and security for the Authority and information technology.	Contract of employment	24 January 2011
Executive Manager People Culture & Safety	Responsible for workforce strategy, safety, environmental compliance, quality systems, records management, human resources practices, policies and procedures of the Authority.	Contract of employment	2 July 2012
General Counsel and Company Secretary [1]	Responsible for the company secretariat, governance, internal audit, risk and compliance, and legal functions of the Authority.	Contract of employment	1 July 2014

1 The Counsel and Company Secretary position was appointed on 5 May 2014, however only became part of the Executive Leadership Team as at 1 July 2014.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

29 Key management personnel

f Remuneration for key executive management personnel

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

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

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

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

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

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

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

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

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

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

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

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

29 Key management personnel

f Remuneration for key executive management personnel

1 July 2014 – 30 June 2015

Position	Short term employee benefits		Post employment benefits	Long term employee benefits[1]	Total remuneration
	Monetary $	Non-monetary benefits $	$	$	$
Chief Executive Officer	340,066	-	32,553	5,468	378,087
Executive Manager Infrastructure Services	228,620	14,852	21,752	3,763	268,987
Executive Manager Infrastructure Planning & Capital Delivery	220,682	-	20,977	2,227	243,886
Executive Manager Retail	226,062	9,682	25,360	(14,777)	246,327
Chief Financial Officer	284,194	-	27,014	5,057	316,265
Executive Manager People Culture & Safety	218,561	-	20,776	2,364	241,701
General Counsel & Company Secretary	176,328	-	16,761	1,878	194,967
Total remuneration	**1,694,513**	**24,534**	**165,193**	**5,980**	**1,890,220**

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

29 Key management personnel

f Remuneration for key executive management personnel

1 July 2013 – 30 June 2014

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

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

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

29 Key management personnel

g Performance payments

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

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

Position	Date paid	Basis for payment
Chief Executive Officer	23 Dec 2014	Individual performance payments are based upon achievement of corporate, divisional and individual targets.
Executive Manager Infrastructure Services	17 Oct 2014	
Executive Manager Infrastructure Planning & Capital Delivery	17 Oct 2014	
Executive Manager Retail Services	17 Oct 2014	
Chief Financial Officer	17 Oct 2014	
Executive Manager People Culture & Safety	17 Oct 2014	

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:

	2015 Remuneration $	2014 Remuneration $
Performance payments	190,208	280,581

At the date of certification the performance assessment process for the financial year ended 30 June 2015 was still being conducted.

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

30 Related parties

Transactions with Participating Councils

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

	Moreton Bay Regional Council		Sunshine Coast Council		Noosa Council[1]		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue								
Utility charges	5,098	4,427	3,580	4,018	869	298	9,547	8,743
Utility rebates	-	(4)	-	-	-	-	-	(4)
Other revenue	765	1,128	1,622	1,120	111	50	2,498	2,298
	5,863	1,827	5,202	5,138	980	348	12,045	11,037
Expenses								
Supplies and services	1,441	1,827	31	1,092	9	1	1,481	2,920
Interest on loans	37,238	36,940	23,967	25,211	2,692	1,324	63,897	63,475
Taxation equivalents	14,203	12,978	9,147	8,811	1,036	495	24,386	22,284
Participation returns	26,281	28,115	16,927	19,255	1,918	904	45,126	48,274
	79,163	79,860	50,072	54,369	5,655	2,724	134,890	136,953
Amounts receivable								
Utility charges	640	593	492	366	172	77	1,304	1,036
Other receivables	101	43	73	6	(1)	-	173	49
Developer contributions - cash	-	1,297	137	3,382	14	94	151	4,773
	741	1,933	702	3,754	185	171	1,628	5,858
Amounts payable								
Interest payable	9,279	9,207	5,961	5,943	673	662	15,913	15,812
Supplies and services	57	36	1	66	-	-	58	102
Taxation equivalents	5,958	9,720	3,837	6,638	435	332	10,230	16,690
Participation returns	13,670	12,388	8,804	7,979	998	904	23,472	21,271
	28,964	31,351	18,603	20,626	2,106	1,898	49,673	53,875
Loans and borrowings								
Loans	677,025	677,025	434,409	434,409	49,218	49,218	1,160,652	1,160,652
Working capital	1,226	5,930	1,226	5,930	-	-	2,452	11,860
	678,251	682,955	435,635	440,339	49,218	49,218	1,163,104	1,172,512

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

1 Noosa Council commenced operations on 1 January 2014.

Refer to Note 29 for details about related party transactions with Key Management Personnel.

31 Restated balances

As part of the restructure of water entities in South East Queensland, the Sunshine Coast and Moreton Bay Regional Councils transferred assets to Unitywater as at 1 July 2010 ("transferred assets"). The requirements of the recognition exemption sections of AASB112 *Income Taxes* (paragraphs 15 and 24) are applicable in relation to these transferred assets resulting in any Deferred Tax Assets or Liabilities arising on the acquisition of the transferred assets not being recognised and no Deferred Tax Asset or Liability balances or movements are ever recognised in future periods in relation to these assets as the assets are depreciated or disposed. However, the temporary differences arising between the carrying amount and the tax base of the assets subsequently acquired by Unitywater is recognised as a taxable temporary difference in accordance with AASB112 (paragraph17(b)).

Unitywater had classified its accounting and tax asset base between the transferred assets and subsequent additions for the purpose of determining Deferred Tax balances, however it has been identified in the 2015 financial year that this sub classification within the asset register has been flawed, thus distorting the value of the transferred assets with a resulting impact on Deferred Tax balances.

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

Year	Adjustment to Income Tax Equivalent Expense	Adjustment to Deferred Tax Liability (cumulative)
	$'000	$'000
2011	(454)	(454)
2012	4,175	3,721
2013	2,218	5,939
2014	1,546	7,485
	7,485	

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

Notes to and forming part of the financial statements

FOR THE YEAR ENDED 30 JUNE 2015

31 Restated balances

Statement of comprehensive income (extract)	30 June 2014 $'000	Increase/ (Decrease) $'000	30 June 2014 Restated $'000
Income tax equivalent expense	32,715	1,546	34,261
Profit for the year	**86,012**	**(1,546)**	**84,466**
Total comprehensive income for the year	**86,012**	**(1,546)**	**84,466**

Statement of financial position (extract)	30 June 2014 $'000	Increase/ (Decrease) $'000	30 June 2014 Restated $'000	30 June 2013 $'000	Increase/ (Decrease) $'000	1 July 2013 Restated $'000
Non-current liabilities						
Deferred tax liabilities	50,109	7,485	57,594	38,269	5,939	44,208
Total non-current liabilities	**1,621,983**	**7,485**	**1,629,468**	**1,542,570**	**5,939**	**1,548,509**
Total liabilities	**1,748,436**	**7,485**	**1,755,921**	**1,677,117**	**5,939**	**1,683,056**
Net assets	**1,519,694**	**(7,485)**	**1,512,209**	**1,481,956**	**(5,939)**	**1,476,017**
Equity						
Retained earnings	84,912	(7,485)	77,427	47,174	(5,939)	41,235
Total Equity	**1,519,694**	**(7,485)**	**1,512,209**	**1,481,956**	**(5,939)**	**1,476,017**

Management Certificate

FOR THE YEAR ENDED 30 JUNE 2015

Certificate of Unitywater for the year ended 30 June 2015

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

a The prescribed requirements for establishing and keeping the accounts have been complied with in all material respects.

b The statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Unitywater for the financial year ended 30 June 2015 and of the financial position at the end of that year.

c These assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.

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

Signature
24 August 2015

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

Signature
24 August 2015

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

Signature
24 August 2015

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 2015, 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 2014 to 30 June 2015 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

QUEENSLAND
28 AUG 2015
AUDIT OFFICE

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

Queensland Audit Office
Brisbane