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 2017. The Board Members Report is as follows:

Board

The names of the Board Members in office at any time during, or since the end of, the year are:

a. Jim Soorley – Chairman

b. Barry Casson

c. Sharon Doyle

d. Mike Williamson

e. Kate Farrar (ceased 26 August 2016)

f. Fiona Waterhouse (appointed 1 September 2016)

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 2016-17 for details of Board Members' qualifications, experience and special responsibilities.

Principal activities

The principal activities of Unitywater during the financial year were water supply and sewage collection, transport and treatment services to the Moreton Bay, Sunshine Coast and Noosa communities.

Operating results

The profit of Unitywater after providing for income tax expense, amounted to $135,507,148 (2016: $136,310,382).

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 2016-17.

Events after the reporting period

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

Future developments

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

Environmental regulations

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

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

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

Board Members Report

Participation returns

Participation returns paid or declared by Unitywater during the 2016-17 financial year were:

	Total amount 2017 $000	Total amount 2016 $000
Final participation return	36,888	43,865

Refer to Note 22 of the financial statements for details of participation returns paid or payable.

Board Members' benefits and interests in contracts

Between 1 July 2016 and 30 June 2017, no Board Member has received or become entitled to receive a benefit, other than those benefits disclosed in Note 26 of the financial statements.

Indemnification of Board Members and Officers

Indemnification of Board Members of Unitywater

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

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

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

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

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

Insurance premiums

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

Board Members Report

Board Members' meetings

The numbers of meetings of Unitywater's Board Members and each Board Committee held and attended by each Board Member during the year ended 30 June 2017 were:

Unitywater	Board meetings		Committee meetings							
			Audit and Risk		Sustainability and Innovation		Nominations and Remuneration		Capital Works	
Board Members	A	B	A	B	A	B	A	B	A	B
Jim Soorley – Chairman	11	11	-	-	3	3	-	-	4	4
Barry Casson	11	11	4	4	-	-	4	4	-	-
Sharon Doyle	9	11	4	4	2	3	4	4	-	-
Mike Williamson	11	11	-	-	3	3	-	-	4	4
Kate Farrar	3	3	1	1	1	1	-	-	-	-
Fiona Waterhouse	8	8	3	3	2	2	-	-	-	-

A - Number of meetings attended

B - Number of meetings held during the year

Remuneration of Board Members and executives

Refer to Note 26 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
28 August 2017
Caboolture, Queensland

Statement of Profit or Loss

for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Income			
Utility charges	3	512,795	482,386
Fees and charges	4	7,667	7,994
Developer contributions	5	130,245	143,744
Grants and subsidies		3,642	4,114
Interest revenue		3,556	2,828
Other income	6	11,618	9,345
Total income		**669,523**	**650,411**
Expenses			
Bulk water purchases	7	(170,178)	(150,808)
Supplies and services	7	(81,308)	(75,260)
Employee expenses	8	(64,084)	(67,798)
Depreciation and amortisation	14,15	(79,658)	(78,967)
Impairment losses	14	(1,809)	(321)
Finance and borrowing costs	9	(79,848)	(80,789)
Other expenses	10	(12,314)	(11,214)
Total expenses		**(489,199)**	**(465,157)**
Profit before income tax expense		**180,324**	**185,254**
Income tax expense	20	(44,817)	(48,944)
Profit for the year		**135,507**	**136,310**

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

Statement of Financial Position

as at 30 June 2017

	Notes	2017 $'000	2016 Restated* $'000
Current assets			
Cash and cash equivalents	11	102,980	77,377
Trade and other receivables	12	114,017	113,009
Inventories	13	1,197	1,203
Prepayments		3,189	3,351
Total current assets		**221,383**	**194,940**
Non-current assets			
Property, plant and equipment	14	3,367,215	3,272,530
Intangible assets	15	30,944	31,207
Total non-current assets		**3,398,159**	**3,303,737**
Total assets		**3,619,542**	**3,498,677**
Current liabilities			
Trade and other payables	16	101,249	98,072
Employee benefits	18	16,663	18,263
Other liabilities	19	8,067	8,768
Total current liabilities		**125,979**	**125,103**
Non-current liabilities			
Loans and borrowings	17	1,557,652	1,557,652
Employee benefits	18	1,887	1,934
Deferred tax liabilities	20	124,212	112,255
Other liabilities	19	9,460	-
Total non-current liabilities		**1,693,211**	**1,671,841**
Total liabilities		**1,819,190**	**1,796,944**
Net assets		**1,800,352**	**1,701,733**
Equity			
Contributed equity	21	1,434,782	1,434,782
Retained earnings		365,570	266,951
Total equity		**1,800,352**	**1,701,733**

**Prior year has been restated, refer Note 18.*
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 2017

	Notes	Retained earnings $'000	Contributed equity $'000	Total $'000
Balance at 1 July 2015		**174,506**	**1,434,782**	**1,609,288**
Participation return to Participants	22	(43,865)	-	(43,865)
Total distributions to Participants		**(43,865)**	**-**	**(43,865)**
Profit for the year		136,310	-	136,310
Balance at 30 June 2016		**266,951**	**1,434,782**	**1,701,733**
Participation return to Participants	22	(36,888)	-	(36,888)
Total distributions to Participants		**(36,888)**	**-**	**(36,888)**
Profit for the year		135,507	-	135,507
Balance at 30 June 2017		**365,570**	**1,434,782**	**1,800,352**

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 2017

	Notes	2017 Inflow (Outflow) $'000	2016 Inflow (Outflow) $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		526,224	509,886
Developer contributions		91,471	67,435
Government grants and subsidies		3,642	4,114
Interest received		3,556	2,828
GST input tax credits from ATO		17,997	14,364
Payments to suppliers (inclusive of GST)		(268,200)	(242,000)
Employee expenses		(69,510)	(66,398)
Finance and borrowing costs		(80,077)	(81,319)
Income tax equivalent		(26,682)	(30,512)
Net cash inflow from operating activities	11(b)	**198,421**	**178,398**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,294	1,514
Payments for property, plant and equipment		(128,665)	(84,469)
Payments for intangibles		(5,717)	(4,820)
Loan to controlled entity		(1,686)	-
Net cash (outflow) from investing activities		**(133,774)**	**(87,775)**
Cash flows from financing activities			
Proceeds from borrowings (Queensland Treasury Corporation)		78,876	102,757
Borrowing redemptions		(78,878)	(105,209)
Participation return payments		(39,042)	(43,409)
Net cash (outflow) from financing activities		**(39,044)**	**(45,861)**
Net increase in cash and cash equivalents		25,603	44,762
Cash and cash equivalents at beginning of financial year		77,377	32,615
Cash and cash equivalents at end of financial year	11(a)	**102,980**	**77,377**

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 2017

1. Reporting authority

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

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

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

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

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

a. purchase of water

b. distribution of water

c. provision of water and sewerage services to customers

d. charge customers for these relevant services

e. manage customer enquiries, service requests and complaints.

2. Basis of preparation

a. Statement of compliance

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

i. Applicable Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB).

ii. The *Financial Accountability Act 2009*.

iii. The *Financial and Performance Management Standard 2009*.

iv. Queensland Treasury's *Financial Reporting Requirements for Queensland Government Agencies* (as applicable under the Restructuring Act).

v. *Statutory Bodies Financial Arrangements Act 1982.*

vi. The exemptions under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

vii. Other authoritative pronouncements.

The financial statements were authorised for issue by the Board on 28 August 2017.

b. The reporting entity

The financial statements include all income, expenses, assets, liabilities and equity of Unitywater (the parent entity) only. The transactions and balances of the directly controlled entity (Unitywater Properties Pty Ltd) are not considered material (refer to note 28) for consolidated entity reporting.

2. Basis of preparation

c. Measurement of fair values

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

i. Level 1: quoted prices in active markets for identical assets or liabilities.

ii. Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

iii. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Further information about the assumptions made in measuring fair value is included in Note 24(d) Financial instruments.

d. 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.

e. 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.

f. Comparatives

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

g. Going concern

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

h. 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	Utility charges
Note 5	Developer contribution (non-cash)
Note 14(b)(ii)	Asset valuation
Note 14(b)(iii)	Depreciation
Note 14(c)	Impairment testing
Note 18	Employee benefits
Note 20	Income tax
Note 25	Contingencies and commitments

2. Basis of preparation

i. New and revised accounting standards

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

AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised from contracts with customers. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* which covers revenue arising from the sale of goods and rendering of services, AASB 111 *Construction Contracts* which covers construction contracts and Interpretation 18 *Transfers of Assets from Customers* which covers revenue arising from the donation of cash and/or items of property, plant and equipment from customers. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers.

This standard will first apply to the financial statements of Unitywater for 2018-19 and permits either a full retrospective or a modified retrospective approach for the adoption.

Potential future impacts identifiable at the date of this report are as follows:

i. Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from sales of goods and services, such that some revenue may need to be deferred to a later reporting period to the extent that Unitywater has received cash or other assets but has not met its associated performance obligations. Such amounts would be reported as a liability (unearned revenue) until the performance obligations are met.

ii. A range of new disclosures will also be required by the new standard in respect of Unitywater's revenue.

Management is yet to complete its analysis of existing arrangements with customers, for sale of its goods and services but at this stage does not expect a significant impact on its present accounting practices for utility charges and other fees and charges. The main area of uncertainty in relation to appropriate application of AASB 15 relates to the considerably more complex area of developer contributions, particularly in relation to what is the contract or related contracts to be assessed and over what period the revenue should be recognised. Management will make more detailed assessments of the effects including the transition approach over the next six months.

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

The main impacts of these standards are that they will change the requirements for the classification, measurement, impairment and disclosures associated with Unitywater's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value reflecting the business model in which assets are managed and their cash flow characteristics. AASB 9 also introduces a new impairment model for financial assets.

These standards will first apply to the financial statements of Unitywater for 2018-19. While Unitywater has yet to undertake a detailed assessment, the new guidance is not expected to have a significant impact on the classification or measurement of its financial assets. As the classification of financial assets at the date of initial application of the new standard will depend on the facts and circumstances existing at that date, Unitywater's conclusions will not be confirmed until closer to that time.

At this stage, and assuming no change in the types of transactions Unitywater enters into, all of Unitywater's financial assets are expected to be required to be measured at fair value. In the case of Unitywater's current receivables which are currently measured at amortised cost, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in Unitywater's operating result. There will be no impact on Unitywater's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Unitywater does not have any such liabilities.

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

Unitywater will not need to restate comparative figures for financial instruments on adoption of AASB 9 from 2018-19. The new standard introduces expanded disclosure

2. Basis of preparation

i. New and revised accounting standards

requirements. A number of one-off disclosures will be required in the 2018-19 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that Unitywater enters into, the most likely ongoing disclosure impact is expected to relate to the credit risk of financial assets subject to impairment.

AASB 16 *Leases*

AASB 16 introduces a single lease accounting model for lessees which will result in almost all leases being recognised in the Statement of Financial Position as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability (the obligation to pay rentals) are recognised for all leases with a term of more than 12 months, unless the underlying assets are of low value. The accounting for lessors will not significantly change.

The right of use asset will be initially recognised at cost, reflecting the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the commencement date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Lease rental expense will be replaced by depreciation and interest expense resulting in a front loaded lease expense.

Unitywater has not yet quantified the impact on the Statement of Profit or Loss or the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required. The changes introduced by this standard are likely to result in the recognition of assets and liabilities primarily for Unitywater's operating leases of office facilities. This will impact metrics that rely on a leverage ratio for example debt to equity or interest cover. Once the new rules are applied, lessees will become more heavily indebted on the Statement of Financial Position. In addition, the nature of expenses related to those leases will change as AASB 16 replaces the straight line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. Management will undertake a more detailed assessment of Unitywater's portfolio of leases and identify how key metrics will be affected over the next 12 months.

This standard will first apply to the financial statements of Unitywater for 2019-20. AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application. Unitywater will await further guidance from Queensland Treasury on the transitional accounting method to be applied.

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.

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

i. Changes in accounting policy

Unitywater changed its employee benefits policy during 2016-17 following an amendment to the application guidance in Queensland Treasury Financial Reporting Requirement 4C Employee Benefits Liabilities for determining current / non-current split of employee benefits. Refer to Note 18 for further disclosure in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. There are no Australian Accounting Standard changes applicable for the first time for 2016-17 that have a material impact on Unitywater's financial statements.

ii. Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2016-17. Unitywater applies standards and interpretations in accordance with their respective commencement dates.

iii. Accounting standards applied for the first time

There were no Australian Accounting Standards that became effective for the first time in 2016-17 which materially impacted on this financial report.

Notes to and forming part of the financial statements

for the year ended 30 June 2017

3. Utility charges

	2017 $'000	2016 $'000
Water access charges	93,612	90,081
Water volumetric charges	197,377	174,797
Sewerage access charges	187,689	185,377
Sewerage volumetric charges	34,117	32,131
	512,795	**482,386**

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

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

4. Fees and charges

	2017 $'000	2016 $'000
Application fees	2,053	2,117
Permits and licences	1,031	961
Connection fees	866	1,388
Search fees	2,882	2,701
Other fees and charges	835	827
	7,667	**7,994**

Revenue from fees and charges is recognised as revenue upon delivery of services to the customers. This revenue consists of fees and charges for development applications, trade waste, standpipe and water carrier permits and licences, water service connections and disconnections, searches (sewer, water and trade waste) and other fees and charges including laboratory testing, provision of sewerage and water infrastructure maps.

5. Developer contributions

	2017 $'000	2016 $'000
Developer contributions – donated assets	54,949	69,696
Developer contributions – cash	75,296	74,048
	130,245	**143,744**

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

Non-cash contributions (donated assets)

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

Cash contributions

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

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

6. Other income

	2017 $'000	2016 $'000
Private works	8,796	6,687
Rent revenue	1,564	1,561
Other revenue	1,258	1,097
	11,618	**9,345**

7. Bulk water and Supplies and services

Bulk water

	2017 $'000	2016 $'000
Bulk water	170,178	150,808
	170,178	**150,808**

Supplies and services

	2017 $'000	2016 $'000
Materials and services	77,929	72,516
Consultants and legal fees	2,546	1,978
Other supplies and consumables	833	766
	81,308	**75,260**

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

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

Notes to and forming part of the financial statements

for the year ended 30 June 2017

8. Employee expenses

	2017 $'000	2016 $'000
Salaries and wages	47,598	54,187
Restructuring costs	4,725	481
Employer superannuation contribution	5,739	6,114
Payroll tax	3,030	3,143
Board Members' fees	355	353
Other employee expenses	2,637	3,520
	64,084	**67,798**

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:

	2017	2016
Number of employees	**615**	708

9. Finance and borrowing costs

	2017 $'000	2016 $'000
Interest costs	78,645	79,774
Interest costs - capitalised	–	(260)
Other financial costs	1,203	1,275
	79,848	**80,789**

Finance and borrowing costs comprise:

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

ii. bank fees and charges.

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

The rate used to determine the amount of borrowing costs eligible for capitalisation was not required for the 2016-17 financial year (2016: 4.20%, which is the effective interest rate of the specific borrowing).

Notes to and forming part of the financial statements

for the year ended 30 June 2017

10. Other expenses

	2017 $'000	2016 $'000
Insurance	1,185	1,323
Audit fees (internal and external)*	571	525
Impairment of trade receivables	21	(115)
Loss on disposal of property, plant and equipment	9,669	8,610
Other	868	871
	12,314	**11,214**

*Total external audit fees quoted by the Queensland Audit Office relating to the 2016-17 financial statements are estimated to be $245,000 (2016: $250,000). There are no non-audit services included in this amount.

11. Cash and cash equivalents

a. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash on hand	1,446	676
Bank balances	101,534	76,701
Cash and cash equivalents in the Statement of Cash Flows	**102,980**	**77,377**

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

b. Reconciliation of cash flows from operating activities

	2017 $'000	2016 $'000
Cash flows from operating activities		
Profit for the year	135,507	136,310
Adjustments for:		
Depreciation	73,578	72,470
Amortisation of intangible assets	6,080	6,497
Loss on disposal of property, plant and equipment	9,669	8,609
Donated assets	(54,949)	(69,696)
Impairment losses on property, plant and equipment	1,809	321
Impairment losses on trade receivables	21	(115)
Change in assets and liabilities		
Decrease in trade and other receivables	663	815
Decrease in inventories	6	103
Decrease / (Increase) in prepayments	161	(728)
Increase / (Decrease) in trade and other payables	6,807	(1,877)
(Decrease) / Increase in employee benefits	(1,647)	1,380
Increase in other liabilities	8,759	2,281
Increase in deferred tax liabilities	11,957	22,028
Net cash inflow from operating activities	**198,421**	**178,398**

Notes to and forming part of the financial statements

for the year ended 30 June 2017

12. Trade and other receivables

	2017 $'000	2016 $'000
Current		
Trade debtors	110,827	105,253
Less: Provision for impairment	(1,198)	(1,313)
	109,629	103,940
GST receivable	2,649	2,304
Other receivables	1,739	6,765
Total	**114,017**	**113,009**

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

Trade debtors are interest bearing once they become due. Other receivables consist of developer contributions due from developers not yet invoiced and an intercompany loan receivable from Unitywater Properties Pty Ltd.

Collectability of trade and other receivables is reviewed on an ongoing basis with provision being made for impairment (incorporating nature, age and history of the debt). Individual debts that are uncollectable are written off when identified. Movements in the provision for impairment are recognised as an expense.

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to Unitywater, according to the due date (normally terms of 30 days).

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt / group of debtors. If Unitywater determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a Bad Debt expense and written-off directly against Receivables.

	2017 $'000	2016 $'000
Movements in the provision for impairment loss		
Balance at 1 July	1,313	1,502
Decrease in allowance	(115)	(189)
Balance at 30 June	**1,198**	**1,313**

Notes to and forming part of the financial statements

for the year ended 30 June 2017

13. Inventories

	2017 $'000	2016 $'000
Inventories held for use (cost)	1,197	1,203
Total	**1,197**	**1,203**

An amount of $3,015,883 (2016:$2,699,544) of inventory was recognised as an expense during the year.

14. Property, plant and equipment

a. Carrying amount

	Land $'000	Buildings $'000	Infrastructure $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
2017						
Gross carrying amount	55,928	20,226	3,649,491	68,183	105,529	3,899,357
Accumulated depreciation	-	(2,002)	(499,240)	(22,067)	-	(523,309)
Accumulated impairment losses	-	-	(8,833)	-	-	(8,833)
Carrying amount	**55,928**	**18,224**	**3,141,418**	**46,116**	**105,529**	**3,367,215**
2016						
Gross carrying amount	52,449	20,168	3,522,166	61,434	76,801	3,733,018
Accumulated depreciation	-	(1,619)	(433,566)	(18,279)	-	(453,464)
Accumulated impairment losses	-	-	(7,024)	-	-	(7,024)
Carrying amount	**52,449**	**18,549**	**3,081,576**	**43,155**	**76,801**	**3,272,530**

14. Property, plant and equipment

b. Movements

	Land $'000	Buildings $'000	Infrastructure $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
2017						
Carrying amount (opening)	52,449	18,549	3,081,576	43,155	76,801	3,272,530
Additions	-	-	-	-	125,947	125,947
Transfers from work in progress	3,485	162	83,665	9,907	(97,219)	-
Donated assets	-	-	54,949	-	-	54,949
Disposals	(6)	(92)	(9,077)	(1,649)	-	(10,824)
Depreciation expense	-	(395)	(67,886)	(5,297)	-	(73,578)
Impairment losses	-	-	(1,809)	-	-	(1,809)
Carrying amount (closing)	**55,928**	**18,224**	**3,141,418**	**46,116**	**105,529**	**3,367,215**
2016						
Carrying amount (opening)	52,431	16,535	3,007,405	44,027	72,289	3,192,687
Additions	-	-	-	-	92,406	92,406
Transfers from work in progress	18	2,500	81,085	4,291	(87,894)	-
Donated assets	-	-	69,696	-	-	69,696
Disposals	-	-	(8,350)	(1,118)	-	(9,468)
Depreciation expense	-	(486)	(67,939)	(4,045)	-	(72,470)
Impairment losses	-	-	(321)	-	-	(321)
Carrying amount (closing)	**52,449**	**18,549**	**3,081,576**	**43,155**	**76,801**	**3,272,530**

14. Property, plant and equipment

b. Movements

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

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

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

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

i. Initial recognition of property, plant and equipment

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

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

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

Expenditure on property, plant and equipment is capitalised where it is probable that the expenditure will produce future service potential for Unitywater. Costs incurred subsequent to initial recognition are capitalised when the expenditure improves the condition of the asset beyond its originally assessed standard of performance or capacity.

Complex assets comprise separately identifiable components (or groups of components) of significant value, that require replacement at regular intervals and at different times to other components comprising the complex asset. Components are separately recorded and valued on the same basis as the asset class to which they relate. The accounting policy for depreciation of complex assets, and estimated useful lives of components, are disclosed in Note 14(b)(iii).

Unitywater's complex assets are its infrastructure distribution networks.

ii. Asset valuation

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

14. Property, plant and equipment

b. Movements

iii. Depreciation

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

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

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

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

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

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

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

iv. Gains and losses on disposals

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

14. Property, plant and equipment

c. Impairment testing

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

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

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

Unitywater undertook an impairment review during the financial year. Internal indicators of impairment including obsolescence and physical damage, significant changes with an adverse effect and internal reporting concerning economic performance of an asset were considered, together with external sources of information such as changes in technological, market, economic or legal environment, changes in regulated environment, policy and/or legislative changes and market interest rate changes. Based on this review no impairment indicators were identified as at 30 June 2017. Separately, in the ordinary course of business, impairment adjustments of $1,809,407 have been recognised in relation to infrastructure assets in the Statement of Profit or Loss.

15. Intangible assets

a. Carrying amount

	Software $'000	Utility easements $'000	Work in progress $'000	Total $'000
2017				
Cost	50,801	3,277	6,132	60,210
Accumulated amortisation	(29,266)	-	-	(29,266)
Carrying amount	**21,535**	**3,277**	**6,132**	**30,944**
2016				
Cost	48,390	3,130	2,874	54,394
Accumulated amortisation	(23,187)	-	-	(23,187)
Carrying amount	**25,203**	**3,130**	**2,874**	**31,207**

15. Intangible assets

b. Movements

	Software $'000	Utility easements $'000	Work in progress $'000	Total $'000
2017				
Carrying amount (opening)	25,203	3,130	2,874	31,207
Additions	-	-	5,817	5,817
Transfers from work in progress	2,412	147	(2,559)	-
Amortisation	(6,080)	-	-	(6,080)
Carrying amount (closing)	**21,535**	**3,277**	**6,132**	**30,944**
2016				
Carrying amount (opening)	26,964	2,991	2,005	31,960
Additions	-	-	5,744	5,744
Transfers from work in progress	4,736	139	(4,875)	-
Amortisation	(6,497)	-	-	(6,497)
Carrying amount (closing)	**25,203**	**3,130**	**2,874**	**31,207**

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

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

i. **Computer software**

Costs associated with the development and implementation of new systems and computer software are capitalised. The cost of internally generated computer software includes the cost of all materials, direct labour, other directly attributable costs, borrowing costs and an appropriate proportion of overheads attributable during the development of the software.

ii. **Utility easements**

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

iii. **Amortisation**

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

The estimated useful lives are:

Intangible asset	Useful life
Computer software	4 – 10 years
Utility easements	Indefinite

16. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade creditors	23,447	26,001
Participation return payable	21,774	23,928
Interest payable	19,490	19,719
Accrued expenses	24,938	22,821
Income tax equivalent payable	9,825	3,647
Other	1,775	1,956
Total	**101,249**	**98,072**

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.

17. Loans and borrowings

a. Compositions of loans

	2017 $'000	2016 $'000
Non-current		
Participating Councils Subordinated debt	1,160,652	1,160,652
Queensland Treasury Corporation Loans Client Specific Pool	397,000	397,000
Total	**1,557,652**	**1,557,652**

No assets have been pledged as security for any liabilities. All borrowings are in Australian dollar denominated amounts and carried at amortised cost. The fair value of borrowing subsequently measured at amortised cost is set out in Note 24(d). There have been no defaults or breaches of the loan agreements during the 2016-17 financial year (2016: none).

Participating Councils loans have a 20 year term, terminating on 30 June 2033 with an extension clause of 10 years. Debt is subordinated to Queensland Treasury Corporation with variable interest rates set annually on a portfolio based approach. The maturity profile is disclosed in Note 24(c) along with Unitywater's other financial liabilities.

The weighted average rate of borrowings for the year is 5.01% (2016: 5.06%). Interest payments are made quarterly in arrears at rates ranging from 4.06% to 5.33% (2016: 4.20% to 5.36%).

17. Loans and borrowings

b. Financing arrangements at balance date

	2017 $'000	2016 $'000
The Authority has access available at balance date to the following facilities:		
Bank overdraft	50	50
Credit card	750	750
Working capital	50,000	50,000
Loans	1,557,652	1,597,652
	1,608,452	**1,648,452**
Facilities not utilised at balance date:		
Bank overdraft	50	50
Credit card	711	701
Working capital	50,000	50,000
Loans	-	40,000
	50,761	**90,751**

18. Employee benefits

	2017 $'000	2016 Restated* $'000
Current		
Accrued salaries and wages	4,981	4,542
Annual leave	4,746	5,220
Long service leave	6,747	8,237
Rostered days off	189	255
Other employee entitlements	-	9
Total	**16,663**	**18,263**
Non-current		
Long service leave	1,887	1,934
Total	**1,887**	**1,934**

*Prior year has been restated, see below.

During the year a change was made to the current and non-current classification of employee entitlements. In 2015-16 Unitywater followed the application guidance in Queensland Treasury Financial Reporting Requirement 4C Employee Benefits Liabilities for determining current / non-current split of employee benefits, which was subsequently amended during 2016-17 to align with the requirements of the Australian Accounting Standards. In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* this change in classification is considered to be an error. Certain employee benefits relating to annual leave and long-service leave have been reclassified from non-current liabilities to current liabilities where the benefits have vested with employees and Unitywater does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Previously the classification as a current liability for these employee benefits was based on an estimation of expected payments to be made within the next twelve months after the reporting period. This reclassification did not result in any change in the total employee benefit obligations for Unitywater in the current or prior year. The quantitative impact of the change relating to the comparative years is set out in the table below.

Notes to and forming part of the financial statements

for the year ended 30 June 2017

18. Employee benefits

Statement of financial position (extract)	**30 June 2016 $'000**	**Increase/ (Decrease) $'000**	**30 June 2016 Restated $'000**	**30 June 2015* $'000**	**Increase/ (Decrease) $'000**	**1 July 2015 Restated $'000**
Current liabilities						
Employee benefits	9,613	8,650	18,263	9,232	7,788	17,020
Total current liabilities	**116,453**	**8,650**	**125,103**	**108,194**	**7,788**	**115,982**
Non-current liabilities						
Employee benefits	10,584	(8,650)	1,934	9,543	(7,788)	1,755
Total non-current liabilities	**1,680,491**	**(8,650)**	**1,671,841**	**1,657,422**	**(7,788)**	**1,649,634**

*In the 30 June 2016 financial statements a prior period error adjustment was recognised. The 30 June 2015 balances reported above are the restated versions as reported in the 30 June 2016 financial statements which incorporates prior period error adjustments.

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

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

i. Salaries and wages

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

ii. Annual leave and long service leave

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

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

Expected future payments relating to such leave is discounted using market yields at the reporting date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

iii. Leave in lieu

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

iv. Sick leave

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

19. Other liabilities

	2017 $'000	2016 $'000
Current		
Unearned revenue	5,326	6,141
Security deposits and retentions	2,681	2,605
Other payables	60	22
Total	**8,067**	**8,768**
Non-current		
Unearned revenue	9,460	-
Total	**9,460**	**-**

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

20. Income tax

a. Income tax expense

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

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

Notes to and forming part of the financial statements

for the year ended 30 June 2017

20. Income tax

a. Income tax expense

	2017 $'000	2016 $'000
Income tax expense recognised in profit or loss		
Current tax expense		
Current income tax charge	32,860	26,916
Current tax expense	32,860	26,916
Deferred tax expense		
Deferred income tax charge	13,231	22,258
Adjustments for deferred income tax of prior year	(1,274)	(230)
Deferred tax expense	11,957	22,028
Total income tax expense	**44,817**	**48,944**
Reconciliation of effective tax rate		
Profit (loss) before income tax	180,324	185,254
Income tax expense at 30%	54,097	55,576
Recognition of previously unrecognised temporary differences	(1,274)	(230)
Non deductible expenses	12	13
Change in unrecognised temporary differences subject to initial recognition exemption	(8,018)	(6,415)
Income tax expense	**44,817**	**48,944**

b. Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse. A deferred tax asset is recognised for unused tax losses, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

20. Income tax

b. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Property, plant and equipment	-	-	(128,413)	(114,468)	(128,413)	(114,468)
Employee benefits	3,513	3,702	-	-	3,513	3,702
Other provisions and accruals	836	426	-	-	836	426
Prepayments	-	-	(56)	(82)	(56)	(82)
Other items	3	24	(95)	(1,857)	(92)	(1,833)
Tax asset (liability)	4,352	4,152	(128,564)	(116,407)	(124,212)	(112,255)
Set off	(4,352)	(4,152)	4,352	4,152	-	-
Net tax asset (liability)	-	-	(124,212)	(112,255)	(124,212)	(112,255)

c. Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at 1 July	4,152	3,896	(116,407)	(94,123)	(112,255)	(90,227)
Current year's income tax equivalent expense	200	256	(12,157)	(22,284)	(11,957)	(22,028)
Balance at 30 June	4,352	4,152	(128,564)	(116,407)	(124,212)	(112,255)

d. Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Depreciating assets transferred from Councils on 1 July 2010	-	-	(25,904)	(18,437)	(25,904)	(18,437)
Employee provisions transferred from Councils on 1 July 2010	840	1,391	-	-	840	1,391
Tax asset (liability)	840	1,391	(25,904)	(18,437)	(25,064)	(17,046)
Set off	(840)	(1,391)	840	1,391	-	-
Net tax asset (liability)	-	-	(25,064)	(17,046)	(25,064)	(17,046)

21. Contributed equity

	2017 $'000	2016 $'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**

22. Participation returns

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

i. an estimate of Unitywater's net profit for the financial year

ii. the amount of the Participation return to be paid for the financial year, including the amount payable for different Participation Rights.

A liability for participation return payable is made for the amount of any Participation return declared by the Board on or before the end of the financial year but not distributed at the end of the reporting period. A participation return may only be paid out of current year net profits of Unitywater.

The following Participation returns have been paid or are payable at 30 June 2017:

	2017 $'000	2016 $'000
In accordance with the Participation Agreement, an interim participation return was declared on 23 January 2017 and paid on 15 February 2017.	15,114	19,937
The Board declared the final participation return payment on 28 June 2017. Payment will be made by 30 September 2017.	21,774	23,928
Total participation return paid/payable	**36,888**	**43,865**
Moreton Bay Regional Council	21,483	25,547
Sunshine Coast Council	13,837	16,454
Noosa Council	1,568	1,864
Total	**36,888**	**43,865**

23. Superannuation

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

Local Government Superannuation Scheme – LG Super

The scheme is a multi-employer plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

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

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

The ABF is a defined contribution scheme as defined in AASB 119 *Employee Benefits*. Unitywater's legal or constructive obligations for this scheme is limited to the payment of statutory contributions.

23. Superannuation

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

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

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

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

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

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

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

There are currently 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Unitywater made less than 4% of the total contributions to the plan in the 2016-17 financial year. The next actuarial investigation will be made at 1 July 2018.

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

	2017 $'000	2016 $'000
Superannuation plan		
Regional defined benefit fund - LG Super	722	770
Accumulation benefit fund - LG Super	5,451	5,869
Other Defined Contribution funds	473	378
Total	**6,646**	**7,017**

A portion of the above superannuation contributions related to work performed on capital projects which were capitalised. The amount recognised as an expense during the financial year is $5,739,046 (2016: $6,113,690).

24. 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. loans and 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.

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

Financial risk management

Overview

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

Risk management framework

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

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

Risk Exposure	Measurement Method
Credit risk	Ageing analysis
Liquidity risk	Maturity analysis
Market risk – interest rate	Sensitivity analysis

24. Financial instruments

a. Categorisation of financial instruments

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

	Notes	2017 $'000	2016 $'000
Category			
Financial assets			
Cash and cash equivalents	11	102,980	77,377
Trade and other receivables	12	114,017	113,009
Total		**216,997**	**190,386**
Financial liabilities			
Trade and other payables	16	101,249	98,072
Loans and borrowings	17	1,557,652	1,557,652
Total		**1,658,901**	**1,655,724**

b. Credit risk exposure

Credit risk is the risk of financial loss to Unitywater if a customer or another party fails to meet its obligations. Unitywater is exposed to credit risk through its customers, investments with the Queensland Treasury Corporation (QTC) and deposits held with banks. Unitywater has a concentration of credit risk from receivables due from its customers. The QTC Cash Fund is an asset management portfolio with investments in a wide variety of high credit rating counterparts. Deposits are capital guaranteed. Other investments are held with regulated financial institutions that have a credit rating of at least A+.

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

In respect 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 2017 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 11 and 12).

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 (incorporating nature, age and history of the debt). The recognised impairment provision for receivables is $1,197,744 (2016: $1,313,292) for the current year.

24. 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
2017			
Not past due	102,738	-	102,738
Past due 0-30 days	6,064	-	6,064
Past due 31- 60 days	963	-	963
Past due 61- 90 days	1,089	-	1,089
More than 91 days	4,361	1,198	3,163
	115,215	**1,198**	**114,017**
2016			
Not past due	101,610	-	101,610
Past due 0-30 days	5,518	-	5,518
Past due 31- 60 days	1,346	-	1,346
Past due 61- 90 days	1,209	-	1,209
More than 91 days	4,639	1,313	3,326
	114,322	**1,313**	**113,009**

c. Liquidity risk

Liquidity risk is the risk that Unitywater may encounter difficulty in meeting obligations associated with financial liabilities. Unitywater is exposed to liquidity risk through its trading in the normal course of business, and through borrowings from the QTC for 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.

24. Financial instruments

c. Liquidity risk

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

	Financial liabilities				
	Carrying amount	Cash flows payable in			Total cash flows
	$'000	<1 year $'000	1-5 years $'000	>5 years $'000	$'000
2017					
Trade and other payables	101,249	101,249	-	-	101,249
PLG Loans	1,160,652	60,557	240,487	1,837,022	2,138,066
QTC borrowings	397,000	15,563	61,537	397,000	474,100
Total	**1,658,901**	**177,369**	**302,024**	**2,234,022**	**2,713,415**
2016					
Trade and other payables	98,072	98,072	-	-	98,072
PLG Loans	1,160,652	61,863	247,451	1,903,004	2,212,318
QTC borrowings	397,000	16,098	64,438	390,567	471,103
Total	**1,655,724**	**176,033**	**311,889**	**2,293,571**	**2,781,493**

d. Market risk – Interest rate

Unitywater does not trade in foreign currency and is not materially exposed to commodity price ranges. Interest rate risk is the risk that a value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates. Unitywater is exposed to interest rate risk through its borrowings from QTC and Participating Councils, investment with QTC and cash deposited in interest bearing accounts. Unitywater manages that part of its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract, with QTC and the Participating Councils such that the desired interest rate risk exposure can be constructed.

Profile

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

	2017 $'000	2016 $'000
Variable rate instruments		
Financial assets	101,534	76,701
Financial liabilities	1,557,652	1,557,652
	1,659,186	**1,634,353**

24. Financial instruments

d. Market risk

Sensitivity analysis for variable rate instruments

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

		Interest rate risk			
		-1%		+1%	
	Net carrying amounts $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2017					
Financial assets	101,534	(1,015)	(1,015)	1,015	1,015
Financial liabilities	(1,557,652)	785	785	(767)	(767)
Sensitivity (net)	**(1,456,118)**	**(230)**	**(230)**	**248**	**248**
2016					
Financial assets	76,701	(767)	(767)	767	767
Financial liabilities	(1,557,652)	788	788	(776)	(776)
Sensitivity (net)	**(1,480,951)**	**21**	**21**	**(9)**	**(9)**

24. Financial instruments

d. Market risk

Fair value

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

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

Cash and cash equivalent is held at fair value and is valued using Level 1 observable input. The fair value of interest bearing loans and borrowings is notified by QTC. It is calculated based on discounted expected future cash flows. The fair values of the loans and borrowings, together with the carrying amounts, are as follows:

	Carrying amount $'000	Fair value $'000
2017		
Participating Councils		
Subordinated loans	1,160,652	1,212,567
QTC borrowings		
Client Specific Pool	397,000	414,608
Total	**1,557,652**	**1,627,175**
2016		
Participating Councils		
Subordinated loans	1,160,652	1,247,703
QTC borrowings		
Client Specific Pool	397,000	427,882
Total	**1,557,652**	**1,675,585**

25. Contingencies and commitments

a. Leases

Finance leases

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

Non-cancellable operating leases

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

i. **Leases as lessee**

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

	2017 $'000	2016 $'000
Within one year	2,684	2,500
Between one and five years	11,623	10,690
More than five years	6,823	9,059
	21,130	**22,249**

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

During the year an amount of $2,436,253 (2016: $2,379,092) was recognised as an expense in the Statement of Profit or Loss in respect of operating leases.

25. Contingencies and commitments

a. Leases

ii. Leases as lessor

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

	2017 $'000	2016 $'000
Within one year	1,389	1,428
Between one and five years	4,808	4,711
More than five years	6,826	7,880
	13,023	**14,019**

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

b. Capital expenditure commitments

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

	2017 $'000	2016 $'000
Property, plant and equipment		
Within one year	57,293	26,969
One year and no later than five years	20,226	1,287
More than five years	329	-
	77,848	**28,256**
Intangibles		
Within one year	983	159
One year and no later than five years	39	-
	1,022	**159**

c. Contingencies

Litigation in progress

As at 30 June 2017, Unitywater had a small number of claims from developers which Unitywater is either in the process of settling and/or the matter is currently being considered by the courts. It is not possible to make a reliable estimate of the final amount payable, if any, in respect of the litigation before the courts at this time.

Other contingencies

i. A refund arising from an infrastructure agreement with a developer is likely to become payable in 2021-22 upon satisfactory completion of the developer's performance obligations. The amount of the expected refund is $1,550,000.

ii. Unitywater is currently progressing an insurance claim in respect of latent conditions on site at a sewage treatment plant. It is not possible to predict the likely outcome or make a reliable estimate of the claim reimbursement amount, if any, at this time.

Notes to and forming part of the financial statements

for the year ended 30 June 2017

26. Key management personnel

Key management personnel and remuneration

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

a. Board Members

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

	2017 Remuneration $	2016 Remuneration $
Jim Soorley	113,181	111,683
Barry Casson	60,338	59,564
Sharon Doyle	65,726	64,883
Megan Houghton (ceased 24 August 2015)	-	9,927
Mike Williamson	60,338	59,564
Kate Farrar (appointed 1 September 2015, ceased 26 August 2016)	9,992	49,637
Fiona Waterhouse (appointed 1 September 2016)	50,282	-
	359,857	**355,258**

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.

A Board Member is a Managing Director and major shareholder of InterFinancial Corporate Finance Limited. Unitywater recognised $84,600 as an expense during 2016-17 for consultancy services provided by that entity (2016:$Nil). This entity was engaged on an arm's length basis under normal commercial terms and conditions. At 30 June 2017, $15,000 remained outstanding as a trade and other payable.

A Board Member is a Chief Executive Officer and major shareholder of Utilitas Group Pty Ltd. Unitywater recognised $10,300 as an expense during 2016-17 for consulting services provided by that entity (2016:$Nil). This entity was engaged on an arm's length basis under normal commercial terms and conditions.

c. 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 Our Structure - Executive Leadership Team.

26. Key management personnel

c. Key executive management personnel

Position	Responsibilities	Current incumbents: Contract classification	Current incumbents: Dates position held
Chief Executive Officer	Accountable to the Board for the overall management and operation of the Authority as well as to ensure the successful delivery of the Authority's strategic direction.	Contract of employment	Appointed 16 July 2012
Executive Manager Customer Delivery	Responsible for managing all aspects of the day-to-day operation and maintenance of the water reticulation network, recycled water network, sewage collection network and sewage treatment plants of the Authority.	Contract of employment	Appointed 12 September 2016
Executive Manager Infrastructure Planning & Capital Delivery	Responsible for water and sewerage asset management including planning, design and capital delivery, drinking water quality monitoring and assurance, and development services of the Authority.	Contract of employment	Appointed 29 April 2013
Executive Manager Retail Services	Responsible for ensuring the Authority's commercial and regulatory obligations to customers, community and government are met through the effective management and leadership of communications, stakeholder engagement, customer service and revenue assurance.	Contract of employment	Appointed 1 July 2010
Chief Financial Officer	Responsible for managing strategy, innovation and business development, corporate performance, financial reporting, tax, treasury, financial systems, procurement, pricing and economic regulation and Unitywater's information technology environment.	Contract of employment	Appointed 24 January 2011
Executive Manager People Culture & Safety	Responsible for workforce strategy, safety, environmental compliance, quality systems, workplace relations, human resources practices, policies and procedures of the Authority.	Contract of employment	Appointed 2 July 2012
General Counsel and Company Secretary	Responsible for the company secretariat, governance, internal audit, risk and compliance, legal functions, and information and records management of the Authority.	Contract of employment	Appointed 1 July 2014; Resigned 28 April 2017; Acting replacement appointed 1 May 2017

26. Key management personnel

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.

An environmental advisory company jointly controlled by a member of the key executive management personnel received funding from Unitywater during the financial year. Unitywater recognised $10,000 as an expense in 2016-17 via the Unitywater Community Sponsorship Program (2015-16 $Nil). The sponsorship was granted under normal commercial terms and conditions.

A professional services company controlled by a close family member of a key executive management personnel was engaged by Unitywater to provide assistance with the development of Unitywater's Corporate Strategy during the financial year. Unitywater recognised $10,000 as an expense during 2016-17 for the preparation and facilitation of strategy workshops (2015-16 $Nil). The procurement of the services acquired was based on normal 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. Remuneration for key executive management personnel

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

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

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

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

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

26. Key management personnel

e. Remuneration for key executive management personnel

Where employment is terminated due to Unitywater's operational requirements, a redundancy payment is payable in accordance with the *Fair Work Act 2009*. The payment is based on the individual's FAR figure and period of service;

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

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

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

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

26. Key management personnel

e. Remuneration for key executive management personnel

Remuneration for key executive management personnel comprises the following components:

1 July 2016 – 30 June 2017

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

1 Short term monetary benefits include:
- salaries and allowances paid during the year;
- performance payments paid during the year; and
- annual leave entitlements paid and provided for.

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

3 Post employment benefits consist of superannuation contributions.

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

26. Key management personnel

e. Remuneration for key executive management personnel

1 July 2015 – 30 June 2016

Position	Short term employee benefits		Post employment benefits[3]	Long term employee benefits[4]	Total remuneration
	Monetary[1] $	Non-monetary benefits[2] $	$	$	$
Chief Executive Officer	478,630	-	34,354	11,467	524,451
Executive Manager Customer Delivery[5] (1 July 2015 - 22 April 2016)	238,253	14,273	22,677	(17,945)	257,258
Executive Manager Customer Delivery (acting)[5] (25 April 2016 - current)	35,881	1,266	3,962	3,400	44,509
Executive Manager Infrastructure Planning & Capital Delivery	274,541	-	25,458	3,744	303,743
Executive Manager Retail Services	278,530	7,893	30,619	18,257	335,299
Chief Financial Officer	353,223	-	29,885	7,177	390,285
Executive Manager People Culture & Safety	265,579	-	24,703	5,319	295,601
General Counsel & Company Secretary	218,134	-	20,896	2,407	241,437
Total remuneration	**2,142,771**	**23,432**	**192,554**	**33,826**	**2,392,583**

5 The Infrastructure Services Business Unit was renamed to Customer Delivery.

26. Key management personnel

f. Performance payments

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

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

Performance bonuses were paid this financial year on 17 November 2016 to the Chief Executive Officer and 10 November 2016 for all other Executives.

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

	2017 Remuneration $	2016 Remuneration $
Performance payments paid	291,536	328,662

At the date of certification the performance assessment process for the financial year ended 30 June 2017 was still being conducted.

Notes to and forming part of the financial statements

for the year ended 30 June 2017

27. Related parties

Transactions with Participating Councils

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

	Moreton Bay Regional Council		Sunshine Coast Council		Noosa Council		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue								
Utility charges	5,951	5,747	4,480	3,857	966	829	11,397	10,433
Other revenue	1,689	913	4,065	643	200	194	5,954	1,750
	7,640	6,660	8,545	4,500	1,166	1,023	17,351	12,183
Expenses								
Supplies and services	1,296	1,223	89	192	7	10	1,392	1,425
Interest on loans	36,085	36,289	23,154	23,284	2,623	2,638	61,862	62,211
Taxation equivalents	19,947	15,681	12,847	10,099	1,456	1,144	34,250	26,924
Participation returns	21,483	25,547	13,837	16,454	1,568	1,864	36,888	43,865
	78,811	78,740	49,927	50,029	5,654	5,656	134,392	134,425
Amounts receivable								
Utility charges	914	689	576	835	112	72	1,602	1,596
Other receivables	196	278	70	34	19	1	285	313
Developer contributions - cash	-	-	25	31	-	-	25	31
	1,110	967	671	900	131	73	1,912	1,940
Amounts payable								
Interest payable	9,021	9,072	5,789	5,821	656	660	15,466	15,553
Supplies and services	2	20	-	-	-	-	2	20
Taxation equivalents	6,532	3,003	4,207	1,934	477	219	11,216	5,156
Participation returns	12,681	13,936	8,168	8,975	925	1,017	21,774	23,928
	28,236	26,031	18,164	16,730	2,058	1,896	48,458	44,657
Loans and borrowings								
Loans	677,025	677,025	434,409	434,409	49,218	49,218	1,160,652	1,160,652
	677,025	677,025	434,409	434,409	49,218	49,218	1,160,652	1,160,652

Amounts owing are unsecured and are expected to be settled in cash.
Refer to Note 26 for details about related party transactions with Key Management Personnel.
Refer to Note 28 for details relating to transactions with controlled entities.

28. Controlled entities

Unitywater Properties Pty Ltd

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

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

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

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

Unitywater is the sole contributor of resources to Unitywater Properties Pty Ltd via an intercompany loan. During 2016-17, funds provided to Unitywater Properties Pty Ltd totalled $1,686,379. The intercompany loan does not attract interest and does not have any fixed repayment terms.

Financial Information of Unitywater Properties:

	2017 $ 000
Total assets	1,686
Total liabilities	1,686
Total revenue	-
Total Operating Result	-

Management Certificate

for the year ended 30 June 2017

Certificate of Unitywater for the year ended 30 June 2017

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 2017 and of the financial position at the end of that year.

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

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

Signature
28 August 2017

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

Signature
28 August 2017

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

Signature
28 August 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Northern SEQ Distributor - Retailer Authority

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a) gives a true and fair view of the entity's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended

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

The financial report comprises the statement of financial position as at 30 June 2017, the statement of profit and loss, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

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

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

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

Responsibilities of the entity for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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

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

QUEENSLAND
30 AUG 2017
AUDIT OFFICE

R Vagg
as delegate of the Auditor-General

Queensland Audit Office
Brisbane