Annual Financial Report

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Board Members' Report

The Board of The Northern SEQ Distributor-Retailer Authority trading as Unitywater ("Unitywater") is pleased to submit this Annual Financial Report of Unitywater for the financial year ended 30 June 2020. 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 (ceased 30 September 2019)
c. Sharon Doyle
d. Mike Williamson
e. Fiona Waterhouse
f. Michael Arnett (appointed 1 September 2019)

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 Our Board section of the Unitywater Annual Report 2019-2020 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 $143,393,500 (2019: $151,800,132).

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 2019-2020.

COVID-19

The world-wide economy has been significantly impaired by the tragic spread of the COVID-19 virus. This virus has resulted in significant loss of life and livelihoods for individuals, families and communities.

In acknowledgement of this uncertain time and the difficulties our customers may be facing, Unitywater has introduced a number of relief initiatives for both our residential and business customers. As a financially responsible statutory body with a robust Statement of Financial Position, Unitywater feels equipped to support the community in this way whilst still meeting its current and future financial obligations.

CLIMATE CHANGE

Unitywater has developed or is in the process of developing a number of plans in response to the impact of climate change. Critical plans include a Drought Management Plan and Total Water Cycle Management Plans for the region Unitywater serves. Further information can be found in the body of the Annual Report under the Risk management and accountability section, refer to Climate risk.

EVENTS AFTER THE REPORTING PERIOD

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

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL REGULATIONS

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

Unitywater's Board maintains oversight of key environmental risks and obligations and is committed to achieving a high standard of environmental performance. The Board has established appropriate governance arrangements in relation to the environment. Unitywater is responsible for the regular monitoring of environmental exposures, review of incident trends, environmental initiatives, endorsement of recommendations for environmental improvement policies, programs and investments, as well as compliance with environmental regulations.

Board Members' Report

PARTICIPATION RETURNS

Participation returns paid or declared by Unitywater during the 2020 financial year were:

	Total amount 2020 $'000	Total amount 2019 $'000
Final participation return	32,848	34,981

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

REMUNERATION AND OTHER INTERESTS OF BOARD MEMBERS AND EXECUTIVES

Note 4.3 of the financial statements provides details of Board members' and executives' remuneration. Between 1 July 2019 and 30 June 2020, no Board member has received or become entitled to receive a benefit, other than as disclosed in that note. Any other interests Board members or executives have in Unitywater transactions are outlined in Note 9.3 of the financial statements.

INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS

Indemnification of Board members of Unitywater

Unitywater has agreed to indemnify Jim Soorley, Sharon Doyle, Mike Williamson, Fiona Waterhouse, and Michael Arnett, 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 2020 were:

		Committee meetings			
Board Member	Board meetings	Audit and Risk	Sustainability and Innovation	People and Culture	Capital Works
Meetings held	**11**	**4**	**4**	**4**	**9**
Jim Soorley – Chairman	11	-	4	4	9
Barry Casson[1]	3	1	-	2	-
Sharon Doyle	11	4	-	4	-
Mike Williamson	11	-	4	-	9
Fiona Waterhouse	11	4	4	-	-
Michael Arnett[1]	8	3	-	2	6

[1] Michael Arnett joined the Board on 1 September 2019 and was eligible to attend eight Board meetings, three Audit and Risk Committee meetings, six Capital Works Committee meetings and two People and Culture Committee meetings this financial year. Barry Casson retired from the Board on 30 September 2019, therefore was only eligible to attend three Board meetings, one Audit and Risk Committee meeting and two People and Culture Committee meetings.

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
19 August 2020

Caboolture, Queensland

Statement of Profit or Loss

for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Revenue			
Utility charges	3.1	578,791	549,483
Developer contributions	3.2	123,257	151,998
Other revenue	3.3	27,998	29,098
Total revenue		**730,046**	**730,579**
Expenses			
Bulk water purchases	3.4	(205,058)	(189,299)
Supplies and services	3.5	(82,893)	(86,230)
Employee expenses	4.1	(71,870)	(68,036)
Depreciation and amortisation	5.1, 5.2, 5.3	(83,927)	(82,972)
Impairment losses	5.4	-	(34)
Borrowing costs	6.8	(70,264)	(73,940)
Other expenses	3.6	(11,308)	(13,407)
Total expenses		**(525,320)**	**(513,918)**
Profit before income tax expense		**204,726**	**216,661**
Income tax expense	8.1	(61,332)	(64,861)
Profit for the year		**143,394**	**151,800**

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

Statement of Financial Position

as at 30 June 2020

	Notes	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	6.3	102,162	139,464
Trade and other receivables	6.4	164,898	126,669
Other assets	9.1	7,985	7,481
Total current assets		**275,045**	**273,614**
Non-current assets			
Trade and other receivables	6.4	1,807	1,750
Property, plant and equipment	5.1	3,739,276	3,603,019
Intangible assets	5.2	25,717	23,807
Right of use assets	5.3	8,178	-
Other assets	9.1	2,284	-
Total non-current assets		**3,777,262**	**3,628,576**
Total assets		**4,052,307**	**3,902,190**
Current liabilities			
Trade and other payables	6.6	87,966	94,275
Contract liabilities	6.5	24,043	21,971
Employee benefits provision	4.4	21,239	18,369
Lease liabilities	6.7	2,224	-
Other liabilities	9.2	1,344	1,243
Total current liabilities		**136,816**	**135,858**
Non-current liabilities			
Contract liabilities	6.5	1,000	2,256
Employee benefits provision	4.4	1,584	1,829
Lease liabilities	6.7	7,201	-
Borrowings	6.8	1,557,652	1,557,652
Deferred tax liabilities	8.1	191,260	167,668
Other liabilities	9.2	582	-
Total non-current liabilities		**1,759,279**	**1,729,405**
Total liabilities		**1,896,095**	**1,865,263**
Net assets		**2,156,212**	**2,036,927**
Equity			
Contributed equity	6.2	1,434,782	1,434,782
Retained earnings		721,430	602,145
Total equity		**2,156,212**	**2,036,927**

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 2020

	Notes	Retained earnings $'000	Contributed equity $'000	Total $'000
Balance at 30 June 2018		**484,262**	**1,434,782**	**1,919,044**
Adjustment on initial application of new accounting standards, net of tax		1,064	-	1,064
Restated balance at 1 July 2018		**485,326**	**1,434,782**	**1,920,108**
Total distribution to participants	6.2	(34,981)	-	(34,981)
Profit for the year		151,800	-	151,800
Balance at 30 June 2019		**602,145**	**1,434,782**	**2,036,927**
Adjustment on initial application of new accounting standards, net of tax	2.1	(1,443)	-	(1,443)
Developer contributions - donated assets adjustment, net of tax	5.1	10,182	-	10,182
Restated balance at 1 July 2019		**610,884**	**1,434,782**	**2,045,666**
Total distribution to participants	6.2	(32,848)	-	(32,848)
Profit for the year		143,394	-	143,394
Balance at 30 June 2020		**721,430**	**1,434,782**	**2,156,212**

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 2020

	Notes	2020 Inflow /(Outflow) $'000	2019 Inflow /(Outflow) $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		562,181	558,324
Developer contributions		55,443	68,285
Government grants and subsidies		3,799	3,998
Interest received		2,882	4,430
Goods and services tax refunded (net)		22,630	18,939
Payments to suppliers (inclusive of GST)		(305,760)	(284,521)
Payments to employees		(74,163)	(74,743)
Borrowing costs		(71,366)	(74,536)
Income tax payments		(38,591)	(64,066)
Net cash inflow from operating activities	6.3	**157,055**	**156,110**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,438	4,670
Payments for property, plant and equipment and intangibles		(160,305)	(127,861)
Loan to controlled entity		(57)	(63)
Net cash (outflow) from investing activities		**(157,924)**	**(123,254)**
Cash flows from financing activities			
Proceeds from borrowings (Queensland Treasury Corporation)		87,021	47,000
Proceeds from lease liabilities		94	-
Repayments of lease liabilities		(2,099)	-
Repayments of borrowings		(87,021)	(47,000)
Participation return payments		(34,428)	(15,750)
Net cash (outflow) from financing activities		**(36,433)**	**(15,750)**
Net increase in cash and cash equivalents		(37,302)	17,106
Cash and cash equivalents at the beginning of the financial year		139,464	122,358
Cash and cash equivalents at the end of the financial year	6.3	**102,162**	**139,464**

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 About this financial report

1.1 REPORTING AUTHORITY

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

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

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

Unitywater is a "for profit" entity for the purpose of reporting and is required to provide commercial returns to its participants per the Participation Agreement based on each participant's share of the Regulated Asset Base, comprising debt and participation rights as agreed by the Participating Councils and Unitywater. Refer to Note 6.2 for participation rights allocation.

Unitywater's primary function is the provision of water and sewerage services for its geographic area as set out in Section 11(1) of the Restructuring Act.

1.2 BASIS OF PREPARATION

1.2.1 The reporting entity

This Annual Financial Report presents the audited general purpose financial statements of Unitywater for the year ended 30 June 2020. 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 entities are not considered material (refer to Note 9.4).

1.2.2 Statement of compliance

These general purpose financial statements have been prepared in accordance with:

i. Applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

ii. The *Financial Accountability Act 2009*.

iii. The *Financial and Performance Management Standard 2019*.

iv. Queensland Treasury's *Financial Reporting Requirements for Queensland Government Agencies* (as applicable to statutory bodies).

v. *Statutory Bodies Financial Arrangements Act 1982*.

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

vii. Other authoritative pronouncements.

The financial statements were authorised for issue by the Board on 19 August 2020.

1.2.3 Measurement basis

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

Unitywater has reviewed its ongoing operations in the light of COVID-19 and remains confident that application of the going concern assumption is appropriate.

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

Further information about the assumptions made in measuring fair value is included in Notes 3.2, 5.1, 5.4 and 7.1.

1 About this financial report

1.2 BASIS OF PREPARATION

1.2.4 Classification as Current or Non-current

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

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

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

1.2.5 Presentation currency

These financial statements are presented in Australian dollars. Amounts included in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated.

1.2.6 Goods and services tax

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

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

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

1.2.7 Comparatives

As a result of the modified retrospective application of AASB 16 *Leases* (where the cumulative impact is recognised in retained earnings), comparative information has not been restated.

Use of estimates and judgements

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

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

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

Note 1.2	Measurement basis
Note 3.1	Utility charges
Note 3.2	Developer contributions – donated assets
Note 3.4	Bulk water purchases
Note 4.4	Employee benefits
Note 5.1	Property, plant and equipment
Note 5.2	Intangible assets
Note 5.3	Right of use assets
Note 5.4	Impairment
Note 6.4	Trade and other receivables
Note 6.7	Lease liabilities
Note 7.3	Contingencies
Note 8.1	Income tax

2 Significant matters in the financial year

This section covers matters which have particularly affected the financial position and performance of Unitywater during the year ended 30 June 2020. Unitywater adopted the new accounting standard AASB 16 *Leases* from 1 July 2019. The details of this standard as it relates to Unitywater, as well as the impact on our results and policies, are outlined below.

2.1 AASB 16 *LEASES*

Unitywater adopted AASB 16 *Leases* with an initial application date of 1 July 2019. AASB 16 removes the concept of operating and finance leases for lessees which existed under AASB 117 *Leases*, introducing a single lease accounting model such that qualifying leases are effectively treated as a purchase of an asset on a financed basis with some low value and short-term lease exemptions. AASB 16 primarily affected the accounting for Unitywater's operating leases – in particular, long-term non-cancellable property leases for office buildings (the Northern and Southern Corporate Centres) and land (Maleny Wetlands).

These are now recognised as a lease liability (which constitutes the remaining discounted lease payments) with corresponding right of use (ROU) assets (comprising the initial lease liability, payments made in advance of lease commencement and costs of remediating the asset on termination of the lease). Previously Unitywater only recognised assets and liabilities where there was a timing difference between the actual lease payments and expense recognition (prepayments). In the Profit or Loss Statement, rental payments for qualifying leases previously reported as operating expenses are instead shown as repayments of the outstanding lease liability, with interest on that liability and depreciation of the ROU asset being the expense component that passes through the Profit or Loss (unless capitalised). Rental payments for short-term and low value leases continue to be recognised as an operating expense on a straight-line basis over the term of the lease. In addition, AASB 16 requires lessees and lessors to make more extensive disclosures than under AASB 117 *Leases*.

2 Significant matters in the financial year

2.1 AASB 16 *LEASES*

Unitywater has elected to apply the "Modified Retrospective Approach" on transition. Under this approach, Unitywater has not restated the comparative information for its operating leases, and opening retained earnings are adjusted for the cumulative effect of the initial application. Unitywater has elected to measure the carrying amounts of the right of use assets as if the standard had applied from lease commencement. The weighted average incremental borrowing rate used to value liabilities at transition date was 3.66%. The full impact of the transition on the financial statements is outlined below:

	As reported at 30 June 2019 $'000	Adjustments due to adoption of AASB 16 $'000	Post transition adjusted balances $'000
Retained earnings	(602,145)	1,443	(600,702)
Net deferred tax liabilities	(167,668)	618	(167,050)
Restoration provision	-	(582)	(582)
ROU assets	-	21,655	21,655
ROU assets accumulated depreciation	-	(11,401)	(11,401)
Prepayments	5,716	(303)	5,413
Lease liability current	-	(1,966)	(1,966)
Lease liability non-current	-	(9,464)	(9,464)

Practical expedients applied

In applying AASB 16 for the first time, Unitywater used the following practical expedients permitted by the standard:

a. the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;

b. the grandfathering of the lease definition, meaning classifications of existing contracts determined under AASB 117 (as to whether they are a lease or not) continue to be classified as such under AASB 16;

c. the reliance on previous assessments of whether leases are onerous, as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019; and

d. the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2 Significant matters in the financial year

2.1 AASB 16 *LEASES*

Difference between discounted operating leases under AASB 117 and AASB 16

The difference between the outstanding commitments on operating leases as disclosed in the 2019 financial statements under AASB 117, and the balance on transition to AASB 16 is detailed below:

	$'000
Operating lease commitments disclosed as at 30 June 2019 – AASB 117	**12,986**
Adjustment for discounting (discount rate: 3.66%)	(1,173)
Adjustment for lease prepayment	(329)
Adjustment for updated extension assumptions	257
Adjustment for overstatement of final lease payment	4
Adjustment for CPI increases	(315)
Lease liabilities recognised at date of transition – AASB 16	**11,430**

Under AASB 117, operating lease commitments were not discounted but did take into account anticipated CPI adjustments. CPI adjustments are not recognised under AASB 16 until effective, but the payments are discounted based on the incremental borrowing rate, hence there are differences between the two balances. In addition, extension assumptions for one of the leases were updated and a lease payment was prepaid, resulting in further differences.

Changes in accounting policy

As a result of the implementation of AASB 16 *Leases*, Unitywater updated its accounting policies in relation to leases as outlined above. The change of policy recognises discounted lease payments within lease liabilities on the Statement of Financial Position. As a result, as payments are made, they are no longer expensed but applied to the liability, with the implied interest being recognised in the Statement of Profit or Loss. In addition, a ROU asset is created when a lease is entered into (previously there was no asset recognised) which is then depreciated through the Statement of Profit or Loss over the life of the lease.

2 Significant matters in the financial year

2.2 COVID-19

The COVID-19 pandemic has had a significant impact on both the Australian and global economy this year. It has had less of an impact on Unitywater's financial position and performance to date. Management currently has an appropriate response plan in place including a dedicated COVID-19 response team to co-ordinate communications, liaise with government, establish protocols, review processes requiring adjustment and monitor the situation. Unitywater will continue to review and assess the ongoing development, impacts on financial performance, financial position and cash flows, and respond accordingly.

More specific information on Unitywater's response to COVID-19 from a financial perspective is outlined in the following notes:

Note 1.2	Measurement basis
Note 3.1	Utility charges
Note 3.5	Supplies and services
Note 3.7	Financial sustainability
Note 4.1	Employee expenses
Note 4.2	Superannuation
Note 5.4	Impairment testing
Note 6.4	Trade and other receivables
Note 7.1	Financial risk management
Note 7.4	Subsequent events

3 Our performance

This section gives further insight into the financial performance of Unitywater by providing details of Unitywater's earnings and costs.

3.1 UTILITY CHARGES

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Water access charges	105,737	101,557
Water volumetric charges	237,101	216,680
Sewerage access charges	197,391	194,105
Sewerage volumetric charges	38,562	37,141
Total utility charges	**578,791**	**549,483**

Utility revenue comprises variable usage (volumetric) and fixed access charges for the provision of water and sewerage services. It is recognised at the time of supply and customer consumption. Unitywater's performance obligations are met over time as the customer simultaneously receives and consumes the services provided (access to the network and provision of water and sewerage services). Revenue is measured at the price allocated to each service, whether it be access or usage.

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

COVID-19 may have introduced more uncertainty in customer consumption estimates as businesses have ceased trading and more customers are working from home however Unitywater believes its estimates result in accruals which are materially accurate given they reflect the bulk water purchases.

3 Our performance

3.2 DEVELOPER CONTRIBUTIONS

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Developer contributions – donated assets	67,755	77,941
Developer contributions – cash	55,502	74,057
Total developer contributions	**123,257**	**151,998**

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

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

Where approval to connect is yet to be given, contributions are shown as a contract liability (refer to note 6.5 Contract liabilities).

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

3 Our performance

3.3 OTHER REVENUE

	2020 $'000	2019 $'000
Revenue from contracts with customers		
Fees and charges	8,827	7,523
Private works	9,917	9,859
Other	332	470
	19,076	17,852
Other revenue		
Grants and subsidies	3,799	3,998
Interest	2,645	4,743
Other	2,478	2,505
	8,922	11,246
Total other revenue	**27,998**	**29,098**

3.4 BULK WATER PURCHASES

	2020 $'000	2019 $'000
Bulk water purchases	205,058	189,299
Total bulk water purchases	**205,058**	**189,299**

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

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

3 Our performance

3.5 SUPPLIES AND SERVICES

	2020 $'000	2019 $'000
Materials and services	80,920	83,194
Consultants and legal fees	1,146	2,230
Other supplies and consumables	827	806
Total supplies and services	**82,893**	**86,230**

Supplies and services generally represent the day-to-day running costs incurred in normal operations. They are expensed in the reporting period in which they are incurred.

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

As a result of COVID-19, Unitywater has experienced delays in supply chains and incurring additional incremental operating costs such as delivery, information technology support and data expenses to support remote working and customer communications, preparing offices for return to work, cleaning and sanitisation however Unitywater has managed to mitigate their impact on the overall performance of the entity.

3.6 OTHER EXPENSES

	2020 $'000	2019 $'000
Insurance	1,244	1,252
Audit fees (internal and external)[1]	589	517
Adjustment of expected credit losses	74	75
Indirect tax expenses	2,261	2,063
Loss on disposal of property, plant and equipment[2]	6,210	8,565
Other	930	935
Total other expenses	**11,308**	**13,407**

[1] Total external audit fees quoted by the Queensland Audit Office (QAO) relating to the 2020 financial statements are estimated to be $251,130 (2019: $245,000). There are no non-audit services included in this amount.

[2] Loss on disposal of property, plant and equipment in 2019 includes a write off of $4.7M relating to an abandoned section of water main found to be defective.

3 Our performance

3.7 FINANCIAL SUSTAINABILITY

3.7.1 Financial sustainability ratios

Unitywater seeks to ensure it remains financially sustainable by ensuring that we can meet our financial obligations both current and future, managing and operating our water and sewerage infrastructure in order to meet our customer service obligations, environmental licence conditions and requirements for water quality, and by working to deliver our services to our customers at the lowest cost.

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

a. Operating ratio – Operating profit before income tax expense expressed as a proportion of total revenue. Ongoing positive results indicate that sufficient revenue is being generated to fund operating and future capital expenditure.

b. Capital replenishment ratio – Capital expenditure on replacement of non-current assets divided by depreciation expense on non-current assets. An average above one, over time, indicates that assets are being built or replaced at or above the rate the non-current asset base is being depreciated.

c. Debt to revenue ratio – Total loans and borrowings divided by total revenue. This indicates the ability to pay principal and interest on borrowings when they fall due, from the funds generated through operations. Based on an optimal gearing ratio of 60%, the benchmark for a water utility debt to revenue ratio would be no more than 3 times.

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

	2020	2019
Financial sustainability metrics		
Operating ratio	28%	30%
Capital replenishment ratio	2.6	2.3
Debt to revenue ratio	2.1	2.1

As is evident in the above ratios, despite the impact of COVID-19, Unitywater continues to remain financially sustainable.

4 Our team

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

4.1 EMPLOYEE EXPENSES

	2020 $'000	2019 $'000
Employee benefits		
Salaries and wages	57,666	55,081
Employer superannuation contribution	6,693	5,886
Other employee benefits	516	691
	64,875	61,658
Employee related expenses		
Payroll tax	3,524	3,131
Workers compensation premium	993	727
Training	1,225	1,138
Recruitment	523	771
Other employee expenses	730	611
	6,995	6,378
Total employee expenses	**71,870**	**68,036**

Employee expenses include costs related to employment. Other employee benefits include directors' fees and redundancy payments. Other employee related expenses include fringe benefits tax, conferences and seminars and employee health expenses. They are expensed in the period in which they are incurred unless they are directly attributable to capital projects in which case they are capitalised and depreciated in order to apportion the cost of a capital project over the life of the asset.

As an essential service, Unitywater continues to supply the community therefore our committed workforce - and their cost - remains unchanged. The nature of their work has changed however, with a large percentage working from home and new protocols being adopted for our field staff. Unitywater has made special pandemic leave of up to 20 days available if a team member is unable to work as a result of COVID-19 and has used all their normal personal leave. Employees have been delaying annual leave during COVID-19 restrictions which is forecast to have an immaterial impact on profit. Unitywater also continues to support staff through a dedicated COVID-19 response team headed by our Executive Manager of People, Culture and Safety focused on keeping employees connected, and planning their safe return to our offices across the region.

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:

	2020	2019
Number of employees	682	643

4 Our team

4.2 SUPERANNUATION

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

Local Government Superannuation Scheme – LGIAsuper

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

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

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "at the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date". Unitywater is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date (including the impact of COVID-19).

COVID-19 has introduced more uncertainty into investment markets however the actuary for LGIA does not have any concerns regarding the financial position of the scheme and its sufficiency to cover defined benefit obligations at 30 June 2020.

No changes have been made to prescribed employer contributions which remain at 12% of employee assets, and there are no known requirements to change the rate of contributions.

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

4 Our team

4.2 SUPERANNUATION

Superannuation risks –	The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary, are:
Investment risk –	The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.
Salary growth risk –	The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.
Legislative risk –	The risk that the cost of providing the benefits will increase as a result of changes to legislation.

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

	2020 $'000	2019 $'000
Superannuation plan		
Regional Defined Benefit Fund – LGIAsuper	494	465
Accumulation Benefit Fund – LGIAsuper	4,833	4,798
Other defined contribution funds	2,259	1,408
Total superannuation contributions	**7,586**	**6,671**

A portion of the above superannuation contributions related to work performed on capital projects which were capitalised. The amount recognised as an expense during the financial year is $6,693,435 (2019: $5,885,512).

4.3 KEY MANAGEMENT PERSONNEL

4.3.1 Board members

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

	2020 $	2019 $
Remuneration		
Jim Soorley	124,912	120,506
Barry Casson	15,898	62,774
Sharon Doyle	63,591	68,379
Mike Williamson	63,591	62,774
Fiona Waterhouse	63,591	62,774
Michael Arnett	51,951	-
Total board members' remuneration	**383,534**	**377,207**

4 Our team

4.3 KEY MANAGEMENT PERSONNEL

4.3.2 Key executive management personnel

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

Position	Responsibilities
Chief Executive Officer	Accountable to the Board for the overall management and operation of Unitywater as well as ensuring the successful delivery of Unitywater's strategic direction.
Chief Financial Officer	Responsible for managing corporate strategy, business development, corporate performance, financial reporting, tax, treasury, procurement, pricing and Unitywater's information technology environment.
Executive Manager Sustainable Infrastructure Solutions	Responsible for water and sewerage asset management including planning, design and capital delivery, drinking water quality monitoring, testing and assurance, and development services of Unitywater.
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 Unitywater as well as fleet operation, stores and non-regulated private works revenue.
Executive Manager Customer and Community	Responsible for ensuring Unitywater's commercial and regulatory obligations to customers, community and government are met through the effective management and leadership of communications, stakeholder engagement, customer service and revenue assurance.
Executive Manager People Culture and Safety	Responsible for workforce strategy, safety, environmental compliance, quality systems, workplace relations, human resources practices, policies and procedures of Unitywater, risk management and legal and governance.

4 Our team

4.3 KEY MANAGEMENT PERSONNEL

4.3.3 Remuneration for key executive management personnel

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

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

Performance payments of key executive management are capped at 20% of Fixed Annual Remuneration (FAR). Amounts payable are tied to the achievement of pre-determined organisational, business unit and individual performance targets as agreed by the Board and the Chief Executive Officer. Performance payments require endorsement by the People and Culture Committee and approval by the Board. No other non-cash benefits are provided to executives as the FAR concept captures various benefits structured within a total reward rather than a base salary plus benefits approach.

All remuneration component amounts are reviewed annually and annual increases in remuneration are in accordance with recommendations endorsed by the People and Culture Committee and approved by the Board in line with the governance arrangements for executive managers provided by Unitywater.

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

All executives were employed for the entire financial year unless otherwise disclosed.

4 Our team

4.3 KEY MANAGEMENT PERSONNEL

4.3.3 Remuneration for key executive management personnel

Remuneration for key executive management personnel comprises the following components:

1 July 2019 - 30 June 2020

	Short term benefits					
Position	Monetary[1] $	Non-monetary[2] $	Post-employment benefits[3] $	Long term employment benefits[4] $	Termination benefits[5] $	Total remuneration $
Chief Executive Officer	554,333	5,500	21,003	48,809	-	629,645
Chief Financial Officer	421,154	5,500	21,003	35,483	-	483,140
Executive Manager Sustainable Infrastructure Solutions (acting 1 July 2019 - 7 July 2019, appointed 8 July 2019)	314,956	5,500	21,003	5,277	-	346,736
Executive Manager Customer Delivery (15 July 2019 - 30 June 2020)	294,189	5,500	21,003	2,753	-	323,445
Executive Manager Customer and Community	304,131	5,500	21,003	18,634	-	349,268
Executive Manager People, Culture and Safety	321,029	5,500	21,003	28,149	-	375,681
Total remuneration	**2,209,792**	**33,000**	**126,018**	**139,105**	**-**	**2,507,915**

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

[2] Short term non-monetary benefits relate to parking spaces provided for the executive team.

[3] Post-employment benefits consist of superannuation contributions.

[4] Long term employee benefits represent long service leave entitlements paid and provided for.

[5] Termination benefits consist of additional payments made on termination of employment.

4 Our team

4.3 KEY MANAGEMENT PERSONNEL

4.3.3 Remuneration for key executive management personnel

1 July 2018 - 30 June 2019

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

4.3.4 Performance payments

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

The performance assessment process occurs after the end of the financial year. Payment of performance bonuses occurs in the year following actual performance. Performance bonuses were paid this financial year by 18 December 2019.

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

	2020 $	2019 $
Performance payments paid	168,101	301,279

4 Our team

4.4 EMPLOYEE BENEFITS PROVISION

	2020 $'000	2019 $'000
Current		
Accrued salaries and wages	4,857	4,196
Annual leave liability	6,435	5,041
Long service leave liability	9,746	8,976
Leave in lieu liability	201	156
Total current employee benefits provision	**21,239**	**18,369**
Non-current		
Long service leave liability	1,584	1,829
Total non-current employee benefits provision	**1,584**	**1,829**

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

Employee benefits are recognised as a current liability where Unitywater does not have an unconditional right to defer settlement of these liabilities.

i. **Salaries and wages**

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

ii. **Annual leave and long service leave**

A liability for annual leave and long service leave expected to be settled within 12 months of the reporting date is recognised in respect of 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.

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

iii. **Leave in lieu**

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

iv. **Sick leave**

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

5 Our assets

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

5.1 PROPERTY, PLANT AND EQUIPMENT

5.1.1 Movement in carrying amounts

	Land $'000	Buildings $'000	Infrastructure $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
Cost	55,778	16,877	3,819,962	68,795	136,557	4,097,969
Less accumulated depreciation[1]	-	(1,897)	(562,005)	(25,457)	-	(589,359)
Net book value at 1 July 2018	**55,778**	**14,980**	**3,257,957**	**43,338**	**136,557**	**3,508,610**
Additions	-	-	-	-	104,109	104,109
Transfers between classes	105	(239)	(48)	182	-	-
Transfers from work in progress	670	-	77,259	8,414	(86,343)	-
Donated assets[2]	-	-	77,601	-	-	77,601
Disposals	(532)	-	(9,317)	(1,319)	-	(11,168)
Impairment losses / reversals	-	-	-	(34)	-	(34)
Depreciation expensed	-	(303)	(69,149)	(6,647)	-	(76,099)
Net book value at 30 June 2019	**56,021**	**14,438**	**3,334,303**	**43,934**	**154,323**	**3,603,019**
Cost	56,021	16,480	3,962,531	69,498	154,323	4,258,853
Less accumulated depreciation[1]	-	(2,042)	(628,228)	(25,564)	-	(655,834)
Net book value at 30 June 2019	**56,021**	**14,438**	**3,334,303**	**43,934**	**154,323**	**3,603,019**
Developer contributions - donated assets adjustment[3]	-	-	14,546	-	-	14,546
Net book value at 1 July 2019	**56,021**	**14,438**	**3,348,849**	**43,934**	**154,323**	**3,617,565**
Additions	-	-	-	-	142,073	142,073
Transfers between classes	-	306	(306)	-	-	-
Transfers from assets held for sale	334	-	-	-	-	334
Transfers to investment property	(2,284)	-	-	-	-	(2,284)
Transfers from work in progress	1,415	-	118,356	3,691	(123,462)	-
Donated assets	-	-	68,300	-	-	68,300
Disposals	(1,629)	-	(6,182)	(743)	-	(8,554)
Depreciation						
Depreciation expensed	-	(269)	(71,929)	(5,329)	-	(77,527)
Depreciation capitalised	-	(41)	(41)	(549)	-	(631)
Net book value at 30 June 2020	**53,857**	**14,434**	**3,457,047**	**41,004**	**172,934**	**3,739,276**
Cost	53,857	16,786	4,152,648	69,591	172,934	4,465,816
Less accumulated depreciation[1]	-	(2,352)	(695,601)	(28,587)	-	(726,540)
Net book value at 30 June 2020	**53,857**	**14,434**	**3,457,047**	**41,004**	**172,934**	**3,739,276**

[1] Including accumulated impairment losses/reversals.

[2] During the 2019 financial year it was identified that a portion of donated assets constructed by Unitywater on behalf of developers had not been recognised within property, plant and equipment balances nor as developer contributions revenue, of which $6,854,122 relates to prior periods.

[3] During the 2020 financial year donated assets recognised with a value of $14,545,751 were identified as having been accepted on maintenance in prior periods but not previously recognised within property, plant and equipment nor as developer contributions revenue. An adjustment of $10,182,026 to reflect this balance net of tax of $4,363,725 was booked against retained earnings on 1 July 2019. The tax impact is shown in Note 8.1.

5 Our assets

5.1 PROPERTY, PLANT AND EQUIPMENT

5.1.1 Movement in carrying amounts

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

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

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

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

i. Initial recognition of property, plant and equipment

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

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

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

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

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

Unitywater's complex assets are its infrastructure distribution networks.

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

5 Our assets

5.1 PROPERTY, PLANT AND EQUIPMENT

5.1.1 Movement in carrying amounts

ii. Asset valuation

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

iii. Depreciation

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

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

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

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

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

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

Buildings	40 - 60 years
Infrastructure assets	
- Water infrastructure assets	10 - 120 years
- Sewer infrastructure assets	5 - 180 years
Plant and equipment	2 - 25 years

In the 2020 financial year, a review of useful lives identified that a shorter life was more appropriate for certain sewer assets. The lower range for sewerage assets decreased from 15 to 5 years in line with industry averages and design lives.

iv. Gains and losses on disposals

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

5 Our assets

5.2 INTANGIBLE ASSETS

5.2.1 Movement in carrying amounts

	Software $'000	Work in progress $'000	Total $'000
Cost	58,021	2,227	60,248
Accumulated amortisation	(36,436)	-	(36,436)
Net book value at 1 July 2018	**21,585**	**2,227**	**23,812**
Additions	-	7,073	7,073
Transfers from work in progress	4,485	(4,485)	-
Disposals	(205)	-	(205)
Amortisation	(6,873)	-	(6,873)
Net book value at 30 June 2019	**18,992**	**4,815**	**23,807**
Cost	59,585	4,815	64,400
Accumulated amortisation	(40,593)	-	(40,593)
Net book value at 30 June 2019	**18,992**	**4,815**	**23,807**
Additions	-	7,317	7,317
Transfers from work in progress	3,646	(3,646)	-
Disposals	(92)	-	(92)
Amortisation	(5,315)	-	(5,315)
Net book value at 30 June 2020	**17,231**	**8,486**	**25,717**
Cost	57,108	8,486	65,594
Accumulated amortisation	(39,877)	-	(39,877)
Net book value at 30 June 2020	**17,231**	**8,486**	**25,717**

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

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

i. **Computer software**

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

ii. **Amortisation**

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

The **estimated useful lives** for intangible assets are:

Software 3 – 15 years

In the 2020 financial year, a review of useful lives identified that for certain software a longer life was more appropriate. This has resulted in some software having their lives increased from 10 years to 15 years.

5 Our assets

5.3 RIGHT OF USE ASSETS

5.3.1 Movement in carrying amounts

	Land $'000	Buildings $'000	Total $'000
Cost	-	-	-
Less accumulated depreciation	-	-	-
Net book value at 30 June 2019	-	-	-
Additions	-	-	-
Transition additions	163	10,091	10,254
Reassessments[1]	3	91	94
Depreciation			
Depreciation expensed	(4)	(1,081)	(1,085)
Depreciation capitalised	-	(1,085)	(1,085)
Net book value at 30 June 2020	**162**	**8,016**	**8,178**
Cost	193	21,556	21,749
Less accumulated depreciation	(31)	(13,540)	(13,571)
Net book value at 30 June 2020	**162**	**8,016**	**8,178**

[1] CPI adjustments as per lease contracts

Unitywater leases office premises in the Sunshine Coast and Moreton Bay regions and wetlands in the Sunshine Coast. A right of use asset is recognised when control of the use of a specific asset for a length of time is conveyed by a lease contract in exchange for consideration. Except in the case of short-term leases or leases of low-value assets (which are expensed through the Statement of Profit or Loss), such right of use assets are capitalised at cost on the commencement date of the lease.

Estimation of cost of right of use assets – The cost of right of use assets comprises the initial lease liability adjusted for initial direct costs, lease payments prior to commencement, lease incentives and estimated make good costs. The assets are subsequently held at cost less accumulated depreciation and impairment losses, and remeasured in line with lease liabilities as a result of CPI adjustments. They are depreciated on a straight-line basis over the lesser of the various lease terms and the assets' estimated useful lives, with any extension clause options being taken up where reasonably certain.

Refer to Note 6.7 Lease liabilities for details of the financing of these assets.

5 Our assets

5.4 IMPAIRMENT

5.4.1 Impairment testing

The carrying amounts of Unitywater's non-current assets (including intangible assets and right of use assets) are reviewed annually to determine whether there is any indication of impairment. If there is an indication of impairment, an impairment test is performed to determine whether the assets carrying value exceeds their recoverable amount. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount.

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

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

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

COVID-19 has been considered a trigger for impairment and its potential effects incorporated in Unitywater's impairment review under two valuation scenarios. Those scenarios both represent a 10% drop in consumption across the customer base, impacting on both water and sewerage revenue. The reduced consumption applies across all 10 years of the model. Unitywater notes that if a drought occurred during a COVID-19-based economic downturn, the impact on revenue from drought would be expected to overlap with, rather than increase, any impact from the economic downturn i.e. customers that reduce consumption due to drought are not likely to further reduce consumption because of economic inability and vice versa.

Unitywater's review of asset valuation in 2020 concluded that the fair value range remains supportive of the assets' carrying value and hence no impairment is indicated. Other than mentioned above, there are no material indicators of impairment at the time the financial statements were authorised for issue.

Based on this review no impairment (2019: $34,345) was recognised in relation to plant and equipment in the Statement of Profit or Loss.

6 Our funding

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

6.1 CAPITAL MANAGEMENT

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

Capital comprises contributed equity, retained earnings and net debt.

	Notes	2020 $'000	2019 $'000
Contributed equity	6.2	1,434,782	1,434,782
Retained earnings		721,430	602,145
Total equity		2,156,212	2,036,927
Borrowings	6.8	1,557,652	1,557,652
Less: cash and cash equivalents	6.3	(102,162)	(139,464)
Net debt		1,455,490	1,418,188
Net capital		**3,611,702**	**3,455,115**
Gearing ratio		**40%**	**41%**

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

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

	2020	2019
Key credit metrics		
EBITDA[1] interest coverage >= 2.5	20.3	18.7
EBIT[2] interest coverage >= 1.75	13.0	11.6
Funds from operations interest coverage >= 2.25	16.9	13.1
Net debt to fixed assets <= 60%	8%	7%

[1]Earnings before interest, tax, depreciation and amortisation.

[2]Earnings before interest and tax.

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

6 Our funding

6.2 EQUITY

6.2.1 Contributed equity

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

On 19 December 2013 the Minister for Energy and Water Supply approved the amendments to the Participation Agreement required to accommodate Noosa Council as a participant from 1 January 2014.

The resulting participation rights of each council are as follows:

	%	2020 $'000	2019 $'000
Moreton Bay Regional Council	58.24%	835,591	835,591
Sunshine Coast Council	37.51%	538,213	538,213
Noosa Council	4.25%	60,978	60,978
Total contributed equity	**100.00%**	**1,434,782**	**1,434,782**

6.2.2 Participation returns

In accordance with the Restructuring Act, the participating Councils have entered into an agreement (the Participation Agreement) to determine each entity's participation rights in Unitywater. The Participation Agreement specifies the participants' rights to participate in a distribution of profits of Unitywater in proportion to the percentage set out next to the participant's name in the Register of Participation Rights. During the period from 15 March to 15 April in each financial year Unitywater must give to the participants:

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

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

A liability for participation return payable is made for the amount of any participation return declared by the Board on or before the end of the financial year but not distributed at the end of the reporting period. A participation return may only be paid out of current year net profits after tax of Unitywater (excluding developer contributions in excess of a progressively decaying cap on developer contributions through to 2021-22, because developer contributions are a form of funding for Unitywater's capital expansion). If insufficient adjusted profits are available to meet agreed returns, there is provision for a special dividend to be made.

6 Our funding

6.2 EQUITY

6.2.2 Participation returns

The following participation returns have been paid or are payable at 30 June 2020:

	2020 $'000	2019 $'000
In accordance with the Participation Agreement, an interim participation return was declared on 21 January 2020 and paid on 14 February 2020	15,198	15,751
The Board declared the full year participation return on 24 June 2020	17,650	19,230
Total participation return paid/payable	**32,848**	**34,981**
Moreton Bay Regional Council	19,131	20,373
Sunshine Coast Council	12,321	13,121
Noosa Council	1,396	1,487
Total	**32,848**	**34,981**

6 Our funding

6.3 CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at bank and on hand	102,162	139,464
Total cash and cash equivalents in the Statement of Cash Flows	**102,162**	**139,464**

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

6.3.1 Reconciliation of cash flows from operating activities

	2020 $'000	2019 $'000
Cash flows from operating activities		
Profit for the year	143,394	151,800
Non-cash items included in operating result:		
Depreciation and amortisation	83,927	82,972
Loss on disposal of property, plant and equipment	6,210	8,564
Donated assets	(68,300)	(77,601)
Impairment losses on property, plant and equipment	-	34
Credit losses on trade and other receivables	74	75
Changes in assets and liabilities:		
Increase in trade and other receivables	(38,303)	(10,800)
Increase in inventories held for use	(742)	(108)
Increase in prepayments	(399)	(1,003)
Increase / (Decrease) in trade and other payables	7,806	(18,085)
Increase in contract liabilities	816	24,227
Increase in employee benefits provision	2,625	1,678
Increase / (Decrease) in other liabilities	101	(32,783)
Increase in deferred tax liabilities	19,846	27,140
Net cash inflow from operating activities	**157,055**	**156,110**

6 Our funding

6.4 TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Current		
Trade debtors and accrued receivables	163,011	124,573
Less: expected credit losses	(621)	(574)
	162,390	123,999
GST receivables	2,341	2,281
Other receivables	167	389
Total current	**164,898**	**126,669**
Non-current		
Other receivables	1,807	1,750
Total non-current	**1,807**	**1,750**
Total trade and other receivables	**166,705**	**128,419**

Trade debtors are amounts due from customers for the provision of water, sewerage, trade waste and other services performed in the ordinary course of business. Accrued receivables are recognised for water and sewerage charges and other works and services where performance obligations have been satisfied but not yet invoiced.

Trade and other receivables are initially measured at fair value and are subsequently carried at amortised cost. Trade debtors (from contracts with customers) are generally due for settlement 30 days from invoice date and are therefore classified as current. Overpayments are reclassified to contract liabilities (see Note 6.5). Other receivables are due in accordance with their contractual terms.

Trade debtors are generally interest-bearing once they become due. Other receivables include an intercompany loan receivable from Unitywater Properties Pty Ltd $1,806,805 (2019: $1,749,618).

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

As a result of COVID-19, Unitywater has introduced various measures to support the community over this time. These include extending payment terms to 60 days as well as suspending interest on overdue accounts. This is designed to be a short-term measure to enable our customers to get through a difficult period. As a result of the extension of terms, Unitywater's debtors have risen. This has resulted in a corresponding increase in the expected credit loss estimation since it is based on a provision matrix applied to the outstanding balance.

6 Our funding

6.4 TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Movement in expected credit losses		
Opening balance	574	1,388
Adjustment on initial application of new accounting standards	-	(851)
Restated opening balance	574	537
Increase in provision	47	37
Closing balance	**621**	**574**

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

	Expected Credit Loss Rate %	Gross $'000	Expected Credit Losses $'000	Total $'000
Trade and other receivables				
2020				
Accrued receivables	0.02%	90,269	20	90,249
Current billed	0.02%	67,918	14	67,904
Past due 0-30 days	0.10%	3,070	3	3,067
Past due 31-60 days	0.00%	36	-	36
Past due 61-90 days	0.89%	1,010	9	1,001
More than 91 days	11.45%	5,023	575	4,448
Total trade and other receivables		**167,326**	**621**	**166,705**
2019				
Accrued receivables	0.02%	69,928	15	69,913
Current billed	0.02%	47,264	9	47,255
Past due 0-30 days	0.12%	5,063	5	5,058
Past due 31-60 days	0.47%	1,001	5	996
Past due 61-90 days	0.86%	1,291	11	1,280
More than 91 days	11.90%	4,446	529	3,917
Total trade and other receivables		**128,993**	**574**	**128,419**

6 Our funding

6.5 CONTRACT LIABILITIES

	2020 $'000	2019 $'000
Opening balance	24,227	-
Transfers from other liabilities	-	32,833
Previously deferred revenue recognised during the period	(15,633)	(22,074)
Additional revenue deferred during the period	18,276	17,540
Refunds of balances previously deferred	(1,827)	(4,072)
Closing balance	**25,043**	**24,227**
Current	24,043	21,971
Non-current	1,000	2,256
Total contract liabilities	**25,043**	**24,227**

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

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

6.6 TRADE AND OTHER PAYABLES

	2020 $'000	2019 $'000
Current		
Trade creditors	30,525	25,787
Participation return payable	17,650	19,230
Interest payable	17,184	18,283
Accrued expenses	16,855	28,482
Income tax payable	2,918	23
Other	2,834	2,470
Total trade and other payables	**87,966**	**94,275**

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.

6 Our funding

6.7 LEASE LIABILITIES

	2020 $'000	2019 $'000
Lease liabilities		
Current	2,224	-
Non-current	7,201	-
Total lease liabilities	**9,425**	**-**

Discounted lease payments are recognised as lease liabilities at the commencement date of the lease. In determining the present value of the lease payments, Unitywater has used its incremental borrowing rate since the implied interest rate is not able to be readily determined. Subsequently, interest at this rate is added to the lease liability, and payments deducted, in order to reflect the carrying value of the lease liability. Where lease contracts incorporate CPI escalations, the lease liability and its corresponding right of use asset are adjusted to take this into account once the impact is known.

The total cash outflow for leases in 2020 was $2,589,791.

Judgement and estimation regarding lease liabilities – The lease liability reflects an estimate of the present value of the lease payments since CPI adjustments are not accounted for until confirmed and the discounting is based on Unitywater's incremental borrowing rate. Management has used judgement when considering whether extension options will be exercised.

Refer to Note 5.3 Right of use assets for details of the assets covered by these leases.

6 Our funding

6.8 BORROWINGS

6.8.1 Borrowing costs

	2020 $'000	2019 $'000
Interest on loans	69,921	73,940
Interest on lease liabilities	192	-
Other interest	151	-
Total borrowing costs	**70,264**	**73,940**

Borrowing costs comprise interest expense and related fees on bank overdrafts, short-term and long-term borrowings. They are recognised as an expense using the effective interest method in the period in which they are incurred. Borrowing costs that are not settled in the period in which they arise are accrued as interest payable. Where material, borrowing costs directly attributable to a specific capital project that takes more than 12 months to prepare for its intended use, are added to the cost of those assets.

No borrowings were used to fund capital projects in 2020 (2019: $Nil).

6.8.2 Composition of borrowings

	2020 $'000	2019 $'000
Non-current		
Participating Councils		
Subordinated debt	1,160,652	1,160,652
Queensland Treasury Corporation		
Portfolio linked loan	397,000	397,000
Total borrowings	**1,557,652**	**1,557,652**

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

No assets have been pledged as security for any liabilities. All borrowings are in Australian dollar denominated amounts and carried at amortised cost. The fair value of the loans and borrowings subsequently measured at amortised cost is set out in Note 7.1. There have been no defaults or breaches of the loan agreements during the 2020 financial year (2019: none).

Principal repayments for debt funding with Queensland Treasury Corporation and the Participating Councils are due at the end of the life of the loans as per their terms and conditions. Participating Councils loans have a 20-year term, terminating on 30 June 2033 with an extension clause of 10 years. Debt is subordinated to Queensland Treasury Corporation with variable interest rates set annually on a portfolio-based approach. The maturity profile is disclosed in Note 7.1 along with Unitywater's other financial liabilities.

The weighted average rate of borrowings for the year is 4.46% (2019: 4.70%). Interest payments are made quarterly in arrears at rates ranging from 3.09% to 4.86% (2019: 3.75% to 5.02%).

6 Our funding

6.8 BORROWINGS

6.8.2 Composition of borrowings

Sensitivity analysis for variable rate instruments

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

		Interest rate risk			
		-1%		+1%	
	Net carrying amounts $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2020					
Financial assets	101,776	(1,018)	(1,018)	1,018	1,018
Financial liabilities	(1,557,652)	809	809	(792)	(792)
Sensitivity (net)	**(1,455,876)**	**(209)**	**(209)**	**226**	**226**
2019					
Financial assets	139,372	(1,394)	(1,394)	1,394	1,394
Financial liabilities	(1,557,652)	790	790	(768)	(768)
Sensitivity (net)	**(1,418,280)**	**(604)**	**(604)**	**626**	**626**

6.8.3 Financing arrangements at balance date

	2020 $'000	2019 $'000
Unitywater has access available at balance date to the following facilities:		
Bank overdraft	50	50
Credit card	750	750
Working capital	50,000	50,000
Loans	1,557,652	1,557,652
Total facilities	**1,608,452**	**1,608,452**
Facilities not utilised at balance date:		
Bank overdraft	50	50
Credit card	735	719
Working capital	49,980	50,000
Total facilities not used	**50,765**	**50,769**

7 Our financial risks

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

7.1 FINANCIAL RISK FRAMEWORK

7.1.1 Financial instruments

Financial instruments are classified and measured as follows:

Financial instrument	Initial measurement	Subsequent measurement
Cash and cash equivalents	Fair value	Amortised cost
Trade receivables and lease receivables	Fair value	Amortised cost
Intercompany loan receivables	Fair value	Fair value (through profit or loss) or amortised cost[1]
Payables	Fair value	Amortised cost
Borrowings	Fair value net of directly attributable transaction costs	Amortised cost (using the effective interest method)
Lease liabilities	Present value of unpaid lease payments at commencement date	Adjusted for lease payments, interest and lease modifications

[1]Depending on the terms of the loan agreement.

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

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

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

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

7.1.2 Categorisation of financial instruments

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

Category	Notes	2020 $'000	2019 $'000
Financial assets			
Cash and cash equivalents	6.3	102,162	139,464
Trade and other receivables	6.4	164,364	126,138
Total financial assets		**266,526**	**265,602**
Financial liabilities			
Trade and other payables	6.6	87,966	94,275
Lease liabilities	6.7	9,425	-
Borrowings	6.8	1,557,652	1,557,652
Total financial liabilities		**1,655,043**	**1,651,927**

GST is excluded from trade and other receivables as it does not arise from a contract with the ATO and is therefore not a financial asset.

7 Our financial risks

7.1 FINANCIAL RISK FRAMEWORK

7.1.3 Financial risk management

Risk management framework

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

Exposure to financial risks is managed in accordance with Unitywater's approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of Unitywater.

Risk exposure

Unitywater's activities expose it to a variety of financial risks as set out below.

Credit risk is the risk of financial loss to Unitywater if a customer or another party fails to meet its obligations.

Unitywater is exposed to credit risk through its customers, investments with the Queensland Treasury Corporation (QTC) and deposits held with banks. Ageing analysis is used to measure this risk (see Note 6.4).

Unitywater has a concentration of credit risk from receivables due from its customers. The QTC Cash Fund is an asset management portfolio with investments in a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with regulated financial institutions that have a credit rating of at least A+.

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

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

The maximum exposure to credit risk at 30 June 2020 in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment (see Notes 6.3 and 6.4).

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

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

As a result of COVID-19, Unitywater's debtor position has increased. This combined with the less favourable economic outlook exposes Unitywater to higher credit risk. The estimated impact of this on expected credit losses is included in note 6.4 Trade and other receivables.

7 Our financial risks

7.1 FINANCIAL RISK FRAMEWORK

7.1.3 Financial risk management

Liquidity risk is the risk that Unitywater may encounter difficulty in meeting obligations associated with financial liabilities which are settled by delivering cash or another financial asset.

Unitywater is exposed to liquidity risk through its trading in the normal course of business, and through borrowings from the QTC for its working capital requirements. Maturity analysis is used to measure this risk (see below).

The policies introduced by Unitywater to support customers and SME suppliers through COVID-19, as well as the pandemic itself has impacted expected timing of cash flows for Unitywater. This has led to an increase in liquidity risk resulting in higher debtors and a lower cash position however at this time Unitywater is still in a financially sustainable position as outlined in note 3.7 Financial sustainability.

Unitywater manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long-term, to cater for unexpected volatility in cash flows.

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

Financial liabilities

	Carrying amount	Cash flow payable in			Total cash flows
		<1 year	1-5 years	>5 years	
	$'000	$'000	$'000	$'000	$'000
2020					
Trade and other payables	87,966	87,966	-	-	87,966
PLG loans	1,160,652	53,361	209,382	1,592,357	1,855,100
QTC borrowings	397,000	12,218	48,833	397,000	458,051
Lease liabilities	9,425	2,645	7,397	300	10,342
Total financial liabilities	**1,655,043**	**156,190**	**265,612**	**1,989,657**	**2,411,459**
2019					
Trade and other payables	94,275	94,275	-	-	94,275
PLG loans	1,160,652	56,872	225,631	1,682,268	1,964,771
QTC borrowings	397,000	14,600	58,043	397,000	469,643
Lease liabilities	-	-	-	-	-
Total financial liabilities	**1,651,927**	**165,747**	**283,674**	**2,079,268**	**2,528,689**

7 Our financial risks

7.1 FINANCIAL RISK FRAMEWORK

7.1.3 Financial risk management

Market risk – Unitywater's market risk is primarily in relation to interest rate risk. This is the risk that the 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. Sensitivity analysis is used to measure this risk (see Note 6.8).

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

As Unitywater's primary market risk is related to interest rates, the COVID-19 pandemic is not likely to have an adverse impact. It is likely that interest rates will remain at a low level for the foreseeable future.

Unitywater manages this part of its portfolio by setting, monitoring and adjusting the terms and duration of its loan portfolio as allowed under its commercial financing contract, with QTC and the Participating Councils such that the desired interest rate risk exposure can be constructed.

7.1.4 Fair value

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

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

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

	Carrying amount $'000	Fair value $'000
2020		
Participating Councils		
Subordinated loans	1,160,652	1,523,747
QTC borrowings		
Portfolio linked loan	397,000	440,337
Total borrowings	**1,557,652**	**1,964,084**
2019		
Participating Councils		
Subordinated loans	1,160,652	1,530,950
QTC borrowings		
Portfolio linked loan	397,000	431,809
Total borrowings	**1,557,652**	**1,962,759**

7 Our financial risks

7.2 COMMITMENTS

7.2.1 Leases as a lessee

Unitywater leases various land and buildings as a lessee. These leases have varying terms, escalation clauses and renewal rights. They were previously classified as operating leases but from 1 July 2019, the distinction between finance leases and operating leases was removed following the implementation of AASB 16 *Leases* – see Note 2. As a result, such leases are now recognised as right-of-use assets with corresponding liabilities – see Notes 5.3 and 6.7. Going forward, they will be recognised on the date at which the leased asset is available for use by Unitywater.

Short-term and/or low value leases as well as non-qualifying leases are not recognised as right of use assets. Lease payments for these are expensed in the period incurred and are representative of the pattern of benefits derived over the lease term.

Commitments under non-cancellable operating leases in 2019 were payable as follows (not relevant for 2020 as indicated above):

	2020 $'000	2019 $'000
Within one year	-	2,584
Between one and five years	-	10,355
More than five years	-	47
Total commitments – leases as a lessee	**-**	**12,986**

During 2019, an amount of $2,508,332 was recognised as an expense in the Statement of Profit or Loss in respect of operating leases.

7.2.2 Leases as lessor

Finance leases

Leases in which Unitywater transfers substantially all of the risks and rewards of ownership to another party are classified as finance leases. Unitywater does not at present have any such leases.

Non-cancellable operating leases

Where leases do not transfer substantially all of the risks and rewards of ownership, they are classified as operating leases. Unitywater leases sites to telecommunication carriers for installation and operation of mobile telecommunication facilities which are of this nature. Commitments to Unitywater under non-cancellable operating leases at reporting date are receivable as follows:

	2020 $'000	2019 $'000
Within one year	1,750	1,667
Between one and five years	4,712	4,891
More than five years	5,078	5,936
Total commitments – leases as a lessor	**11,540**	**12,494**

7 Our financial risks

7.2 COMMITMENTS

7.2.3 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:

	2020 $'000	2019 $'000
Property, plant and equipment		
Within one year	43,822	45,140
One year and no later than five years	2,023	3,857
More than five years	64	-
Total commitments	**45,909**	**48,997**
Intangibles		
Within one year	12,680	10,782
One year and no later than five years	6	3,593
Total commitments	**12,686**	**14,375**

7.3 CONTINGENCIES

Legal claims

Judgement regarding legal claims – A construction claim was made by a Unitywater contractor against Unitywater. Unitywater does not admit liability for this claim.

7.4 SUBSEQUENT EVENTS

Unitywater's financial statements are expected to be impacted by the COVID-19 pandemic beyond 30 June 2020, although the actual impacts cannot be reliably estimated at the reporting date. There have been no other subsequent events to date that may significantly affect the operations of Unitywater or materially impact the financial statements.

8 Our tax

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

8.1 INCOME TAX

8.1.1 Income tax expense

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

	2020 $'000	2019 $'000
Income tax expense recognised in profit or loss		
Current tax expense		
Current income tax charge	41,486	37,879
Adjustments for current income tax of prior years	-	(158)
Current tax expense	41,486	37,721
Deferred tax expense		
Deferred income tax charge	19,846	26,982
Adjustments for current income tax of prior years	-	158
Deferred tax expense	19,846	27,140
Total income tax expense	**61,332**	**64,861**
Reconciliation of effective tax rate		
Profit (loss) before income tax expense	204,726	216,661
Income tax expense at 30%	61,418	64,998
Non-deductible expenses	16	11
Change in unrecognised temporary differences subject to initial recognition exemption	(102)	(148)
Income tax expense	**61,332**	**64,861**

8 Our tax

8.1 INCOME TAX

8.1.2 Deferred tax assets and liabilities

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

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

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Property, plant and equipment	-	-	(187,930)	(165,752)	(187,930)	(165,752)
Right of use assets	-	-	(2,454)	-	(2,454)	-
Prepayments	-	-	(95)	(82)	(95)	(82)
Employee benefits	5,186	4,546	-	-	5,186	4,546
Other provisions and accruals	362	312	-	-	362	312
Lease liabilities	3,062	-	-	-	3,062	-
Other items	1	1	(9,392)	(6,693)	(9,391)	(6,692)
Tax asset/(liability)	8,611	4,859	(199,871)	(172,527)	(191,260)	(167,668)
Set off	(8,611)	(4,859)	8,611	4,859	-	-
Net tax liability	**-**	**-**	**(191,260)**	**(167,668)**	**(191,260)**	**(167,668)**

8 Our tax

8.1 INCOME TAX

8.1.3 Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening balance	4,859	4,504	(172,527)	(144,576)	(167,668)	(140,072)
Developer contributions - donated assets adjustment[1]	-	-	(4,364)	-	(4,364)	-
Adjustment on initial application of new accounting standards	3,694	3,060	(3,076)	(3,516)	618	(456)
Restated opening balance	8,553	7,564	(179,967)	(148,092)	(171,414)	(140,528)
Current year's income tax equivalent expense	58	(2,705)	(19,904)	(24,435)	(19,846)	(27,140)
Closing balance	**8,611**	**4,859**	**(199,871)**	**(172,527)**	**(191,260)**	**(167,668)**

[1]During the 2020 financial year, donated assets with a value of $14,545,751 were identified as having been accepted on maintenance in prior periods but not previously recognised within property, plant and equipment nor as developer contributions revenue. An adjustment of $10,182,026 to reflect this balance net of tax of $4,363,725 was booked against retained earnings on 1 July 2019. The impact on property, plant and equipment is shown in Note 5.1.

8.1.4 Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Depreciating assets transferred from Councils on 1 July 2010	-	-	(155)	(145)	(155)	(145)
Employee provisions transferred from Councils on 1 July 2010	512	605	-	-	512	605
Tax asset/(liability)	512	605	(155)	(145)	357	460
Set off	(155)	(145)	155	145	-	-
Net tax asset	**357**	**460**	**-**	**-**	**357**	**460**

9 Other

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

9.1 OTHER ASSETS

	2020 $'000	2019 $'000
Current		
Prepayments	5,812	5,716
Inventories held for use (cost)	2,173	1,431
Non-current assets held for sale	-	334
Total other current assets	**7,985**	**7,481**
Non-current		
Investment property	2,284	-
Total other non-current assets	**2,284**	**-**

An amount of $3,196,166 (2019: $2,936,257) of inventory was recognised as an expense during the year.

9.2 OTHER LIABILITIES

	2020 $'000	2019 $'000
Current		
Unearned revenue	1,113	1,082
Security deposits and retentions	168	106
Other payables	63	55
Total other current liabilities	**1,344**	**1,243**
Non-current		
Provision for restoration	582	-
Total other non-current liabilities	**582**	**-**

9 Other

9.3 RELATED PARTIES

9.3.1 Transactions with Participating Councils

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

	Moreton Bay Regional Council		Sunshine Coast Council[1]		Noosa Council		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue								
Utility charges	6,913	6,416	4,616	4,944	860	1,074	12,389	12,434
Developer contributions	3,187	40	987	24	4	-	4,178	64
Other revenue	1,257	976	549	603	420	307	2,226	1,886
	11,357	**7,432**	**6,152**	**5,571**	**1,284**	**1,381**	**18,793**	**14,384**
Expenses								
Supplies and services	364	143	1,410	2,103	9	30	1,783	2,276
Interest on loans	32,903	33,987	21,112	21,807	2,392	2,471	56,407	58,265
Taxation equivalents	25,477	23,153	16,409	14,912	1,859	1,690	43,745	39,755
Participation returns	19,131	20,373	12,321	13,121	1,396	1,487	32,848	34,981
	77,875	**77,656**	**51,252**	**51,943**	**5,656**	**5,678**	**134,783**	**135,277**
Amounts receivable								
Utility charges	852	777	728	699	104	129	1,684	1,605
Other receivables	63	148	54	228	9	28	126	404
	915	**925**	**782**	**927**	**113**	**157**	**1,810**	**2,009**
Amounts payable								
Interest payable	8,226	8,497	5,278	5,452	598	618	14,102	14,567
Supplies and services	2	-	-	-	-	-	2	-
Taxation equivalents	3,014	1,174	1,942	756	220	86	5,176	2,016
Participation returns	10,279	11,200	6,621	7,213	750	817	17,650	19,230
	21,521	**20,871**	**13,841**	**13,421**	**1,568**	**1,521**	**36,930**	**35,813**
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**

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

Amounts owing are unsecured and are expected to be settled in cash. Refer to Note 9.4 for details relating to transactions and balances with controlled entities.

9 Other

9.3 RELATED PARTIES

9.3.2 Board members' transactions

A number of the Board members hold positions in other entities that may result in them having control or significant influence over the financial or operating policies of those entities. Resulting related party transactions with Unitywater are conducted at arm's length on normal commercial terms.

9.4 CONTROLLED ENTITIES

9.4.1 Unitywater Properties Pty Ltd

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

i. not required for water and sewerage services and would therefore be classified as non-regulated; and
ii. has facilities that could alternatively be used for commercial purposes.

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

Unitywater is the sole contributor of resources to Unitywater Properties Pty Ltd via an intercompany loan which attracts a market rate of interest. The loan receivable from Unitywater Properties Pty Ltd is $1,806,805 (2019: $1,749,618) - see Note 6.4. During 2020, funds provided to Unitywater Properties Pty Ltd totalled $Nil (2019: $Nil) however interest of $57,187 was capitalised to the loan (2019: $63,239). As a result, Unitywater Properties Pty Ltd has accumulated losses of $120,426 (2019: $63,239).

9.4.2 Headworks Australia Pty Ltd

Headworks Australia Pty Ltd was registered on 9 December 2019. The for-profit entity is 100% owned and controlled by Unitywater and was formed to facilitate operationalisation of commercial ventures aligned with its core business of water delivery and sewerage services. It has not yet entered into any transactions.

9 Other

9.5 NEW AND REVISED ACCOUNTING STANDARDS

At the date of authorisation of the financial report, the following Australian accounting standards and interpretations have been issued but are not yet effective. None of these have been early adopted and their impacts on the financial statements are not expected to be material.

Standard/Interpretation		Application date for Unitywater
AASB 1059	*Service Concession Arrangements: Grantors*	1 July 2020
AASB 2018-6	*Amendments to Australian Accounting Standards – Definition of a Business*	1 July 2020
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*	1 July 2020
AASB 2019-1	*Amendments to Australian Accounting Standards – References to the Conceptual Framework*	1 July 2020
AASB 2019-3	*Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*	1 July 2020
AASB 2019-4	*Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*	1 July 2020
AASB 2019-5	*Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet Issued in Australia*	1 July 2020
AASB 2019-7	*Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates GAAP/GFS Reconciliations*	1 July 2020
AASB 2019-2	*Amendments to Australian Accounting Standards – Implementation of AASB 1059*	1 July 2020
AASB 17	*Insurance Contracts (Appendix D)*	1 July 2021
AASB 2020-2	*Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*	1 July 2021
AASB 1060	*General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*	1 July 2021
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 July 2022
AASB 2020-1	*Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 July 2022
AASB 2020-3	*Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*	1 July 2022

Unitywater applies standards and interpretations in accordance with their respective commencement dates.

Certificate of Unitywater for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

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

b. the financial 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 2020 and of the financial position at the end of that year; and

We acknowledge responsibility under s.7 and s.11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

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

Chairman

19 August 2020

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

Chief Executive Officer

19 August 2020

Pauline Thomson
BBus (Acc), FCPA, GAICD

Chief Financial Officer

19 August 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Northern SEQ Distributor-Retailer Authority

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a) gives a true and fair view of the entity's financial position as at 30 June 2020, 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 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General 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 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 2019 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.

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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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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.

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Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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

b) I consider that, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.

20 August 2020

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane