



Unitywater

Serving you today, investing in tomorrow.

Annual Report

2019-2020

10 years
2010-2020

Welcome

Unitywater is a proud, future focused and innovative organisation providing essential services to keep our communities healthy. We do this by being safe, reliable, economically sustainable and sensitive to our natural environment.

ABOUT THIS REPORT

Unitywater is pleased to present our Annual Report 2019-2020. This report is published on our website at unitywater.com/annualreport. A limited number of copies of this report have also been printed. If you wish to access a printed copy, please call or email Unitywater to arrange delivery or collection. Please use these contacts if you need further information or assistance with this Annual Report:

Phone: 1300 086 489 Email: communications@unitywater.com



INTERPRETER SERVICE

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

ACKNOWLEDGEMENT OF TRADITIONAL OWNERS

Unitywater respectfully acknowledges the Kabi Kabi, the Jinibara and Turrbal peoples, the Traditional Owners of the lands on which we operate. We recognise their continuing connection to land, water and community. We pay our respects to their Elders past, present and emerging.

OUR CONTACT DETAILS

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Message from the Chairman

I'm proud to deliver Unitywater's 10th Annual Report, which is also my final as Chairman of this extraordinary business.

In our 10 years we have achieved outstanding results. Our focus has always been our customers and the need to keep our prices as low as possible for our customers. We have delivered on this by freezing our overall prices twice and freezing prices on water and sewerage usage charges for six consecutive years.

We continue to focus on keeping our operating costs as low as possible without compromising the quality of our water and sewerage services. Despite a growth of 25% in customers over the past decade, we have managed to grow our costs by only 1.6% over the same time.

In the face of challenges presented this year by COVID-19, we continued to provide essential services, delivering safe, quality drinking water and sewerage services at all times to the communities we serve.

This year we invested \$149.4 million in infrastructure, totalling \$1.4 billion over the past 10 years in order to provide reliable services while catering for the future needs of our growing communities. This year we achieved several major infrastructure milestones including the commencement of commissioning of a major upgrade at the Redcliffe Sewage Treatment Plant, and approving two future upgrade projects for Burpengary East and Brendale sewage treatment plants.

Population growth, increasing water demand, a corresponding increase of treated effluent and a focus on sustainability provide an opportunity to

innovate the way we manage our operations and care for the environment into the future. The agricultural area of Wamuran holds potential for the use of treated and recycled water from our sewage treatment plants. This year we progressed investigations into the viability of a pipeline that would deliver 2.6 gigalitres a year of reliable Class A water to Wamuran's agricultural community.

We again provided solid returns to our participating councils of Moreton Bay, Sunshine Coast and Noosa. I sincerely thank them for their ongoing support of the Board and the Unitywater team.

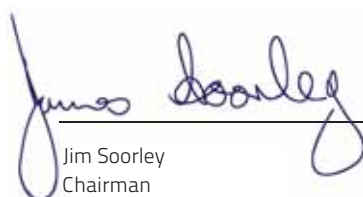
This year we delivered a profit of \$143.4 million. After excluding developer contributions of cash and gifted assets, our profit was \$20.1 million.

I have been privileged to be at the helm as Unitywater matured in all areas of its business over the past decade.

The organisation has earned a reputation as a leading water utility in Australia and has been recognised internationally for innovation and service.

Michael Arnett is the new Chairman and was on the initial Unitywater Board for two and a half years. Michael will continue the work of creating one of the best utilities in the country. Michael will do a great job and I wish him well.

I extend my sincere thanks to the Board members and Executive Leadership Team, past and present, and to all the Unitywater team for their hard work and commitment and wish you all the very best for the future.



Jim Soorley
Chairman
2 September 2020

Foreword from the CEO

This year marked our 10th year of providing water and sewerage services to the Moreton Bay, Sunshine Coast and Noosa communities.

Over the past decade, Unitywater has relentlessly pursued a goal of operational excellence and sought opportunities to reduce its operating costs by exploring new ways of doing things better. I am pleased that this year we have once again frozen our water and sewerage usage charges as a result of the excellent work being done by our people to make this possible.

In recognition of Unitywater's achievements throughout the past decade, our business was honoured to be inducted into the Leading Utilities of the World in late 2019, joining the ranks of only 50 utilities across the globe.

We also rose to the challenges presented by the global COVID-19 pandemic, responding to changes in how we carried out our work while continuing to deliver high-quality and reliable, around the clock water and sewerage services to our communities.

During this difficult period, we also grew our support for grass roots community services who care for the most vulnerable in our communities.

We released a series of customer support packages, the first within three weeks of the pandemic, to give customers financial relief and to help ease economic stress including freezing all prices for the next financial year. In addition, we also focused on paying valid invoices earlier for small and medium sized businesses.

The extraordinary challenge of the pandemic reinforced our commitment to safety. While we redeployed many of our people to work remotely, we also modified work practices for field crews to keep them safe.

During the year we once again reduced injury rates on the back of continuing training and a heightened awareness of risk and hazard assessments as we work to achieve our goal of zero harm. While we still have a way to go, this year saw a reduction of 22% in the significant injury frequency rate to 6.6.

Our commitment to deliver on our projects and maintenance programs during the pandemic was further motivated by wanting to keep our partners and suppliers in work and the economy stimulated during these challenging and difficult times as the pandemic unfolded.

I'm immensely proud of all our people and of our partners for their contribution and performance during the year.

I would like to thank, on behalf of all our people at Unitywater, our two retiring Board members, Chairman Jim Soorley and Sharon Doyle, Chair of the People and Culture Committee for a decade of strategic direction, positive support and the continuous challenge to be the best we can be. You have been a huge part of our success.

Thank you to the Board for their ongoing support and guidance and to all our people at Unitywater for their passion, commitment and contribution.



George Theo
Chief Executive Officer
2 September 2020

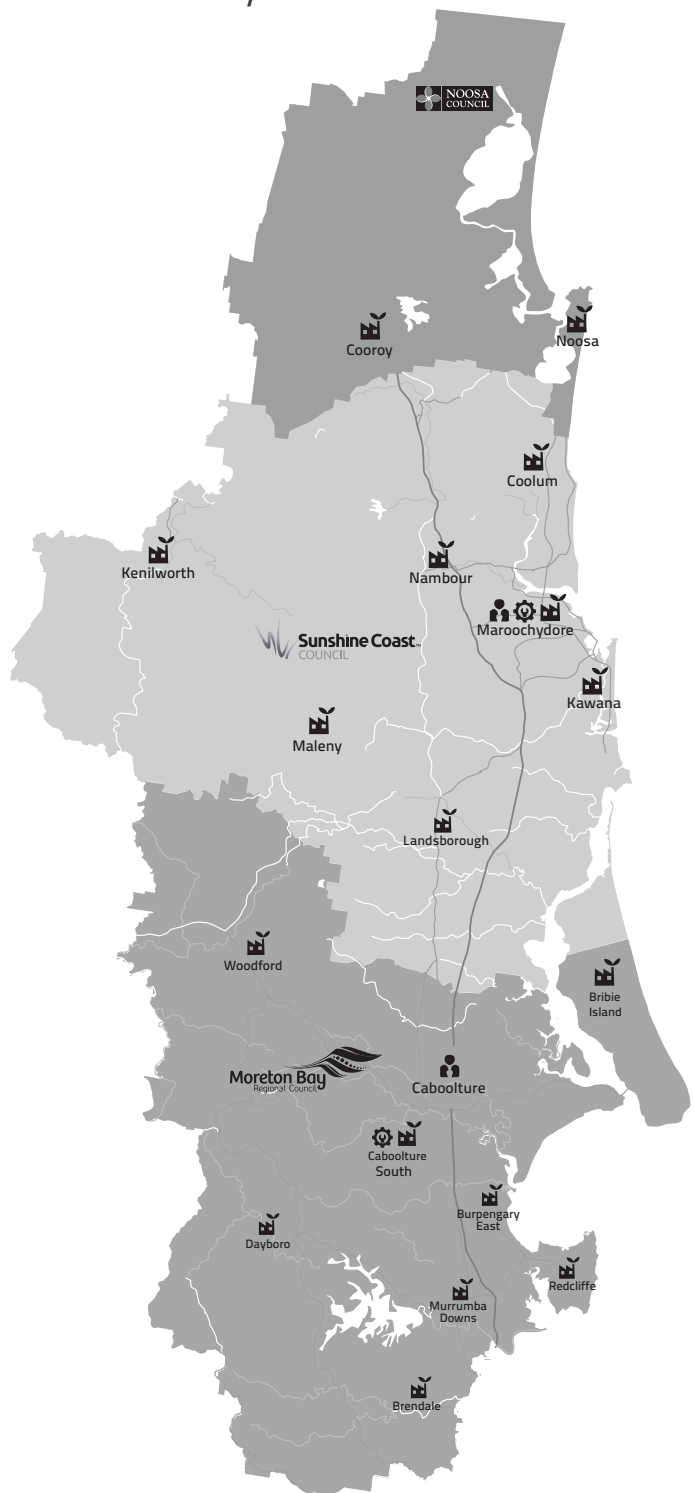
About us

Unitywater is an essential service provider for the communities of Moreton Bay, Noosa and Sunshine Coast within South East Queensland. Our high-quality water supply and sewerage services are vital to keeping these communities healthy.

We proudly provide our services 24 hours a day, seven days a week, knowing they are fundamental to sustaining the quality of life of our region.

We look after our customers and our communities now and into the future by planning, building, operating and maintaining their water and sewerage infrastructure.

Unitywater is a statutory authority, formed under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009*. Governed by an independent Board, we have a Participation Agreement with our shareholders – Moreton Bay Regional Council, Noosa Council and Sunshine Coast Council. We align with the State Government’s objectives for the community through keeping Queenslanders healthy, improving water quality and creating jobs.



UNITYWATER'S SERVICE AREA

-  Corporate Offices
-  Service Centres
-  Sewage Treatment Plants

About our strategy

Underpinning everything we do at Unitywater is a clear purpose, vision and a set of shared values. These guide our business operations, our goals and our aspirations.

OUR PURPOSE

Keeping our communities healthy.

OUR VISION

To be a sustainable water and sewerage service provider that creates value for its customers and returns value to its stakeholders.

OUR VALUES

- › Reliability
- › One team
- › Efficiency
- › Honesty and integrity
- › Safety
- › Innovation

OUR STRATEGIC FOCUS

We are an innovative organisation guided by our strategic priorities as we serve our communities every day. Unitywater's corporate strategic plan outlines our collective goals and aspirations. It provides the direction for us to achieve our vision and purpose to benefit our customers, communities and people.

Because we understand the importance of keeping prices as low as possible for customers, our corporate strategy drives everything we do to stay affordable, to be easy to interact with, to improve productivity and to be innovative.

Our strategy kept us on track through our response to the COVID-19 pandemic, reinforcing what 'essential' means.

These five themes of our strategic plan guide our activities as we continue to face unprecedented challenges:

- › Intelligent customer and network operations
- › Self-sustaining sewage treatment plants
- › Growing new business
- › Better business
- › Better together.

The *Unitywater Annual Report 2019-20* describes our progress throughout the year towards achieving the goals set out in our *Corporate Strategic Plan 2019-20 to 2023-24*.

Our performance on core services

Water

100%
ACHIEVED

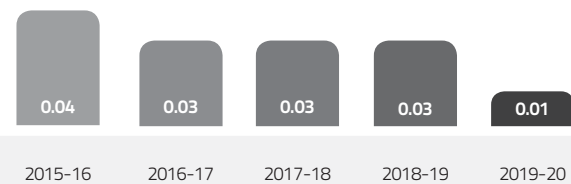
Bacteriological compliance with Public Health Regulation 2005

TARGET >98%

DRINKING WATER QUALITY COMPLAINTS
per 1000 connected properties

TARGET: <10

*INDUSTRY MEDIAN 2018-19 = 1.1



Sewerage

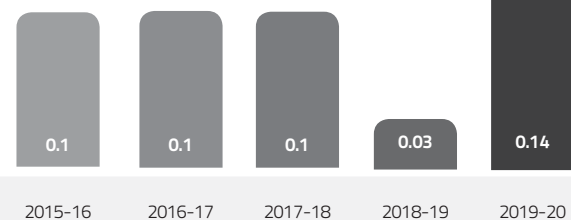
99.2%
ACHIEVED

Sewage treatment plants met licence requirements

ODOUR COMPLAINTS

per 1000 connected sewerage properties

TARGET: <3



Customer service

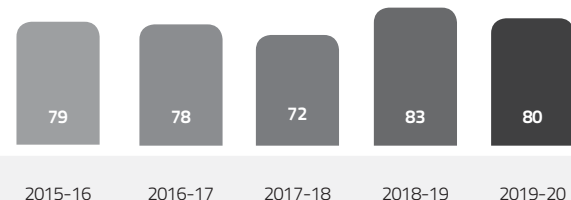
80%
ACHIEVED

Grade of service

TARGET = 82%

CALLS ANSWERED BY AN OPERATOR
within 30 seconds (%)

*INDUSTRY MEDIAN 2018-19 = 68

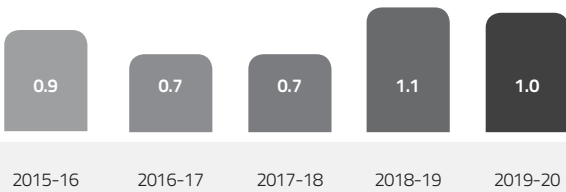


*Australian utilities with 100,000+ connected properties (National Performance Report 2018-19 Urban Water Utilities)

UNPLANNED WATER SUPPLY INTERRUPTIONS

Monthly average per 100 km of main

TARGET: <10

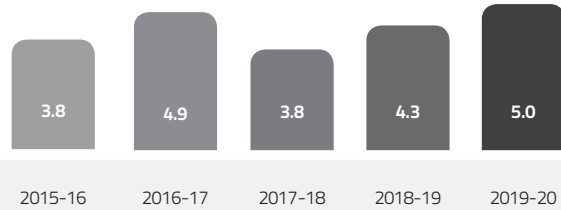


WATER MAIN BREAKS AND LEAKS

per 100 km of mains

TARGET: MAINTAIN BEST IN CLASS 4.1

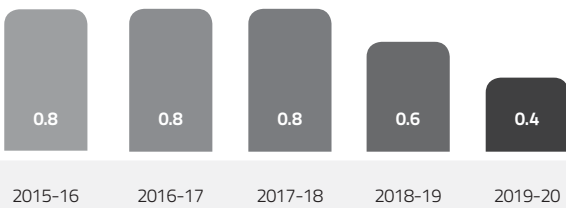
*INDUSTRY MEDIAN 2018-19 = 19.9



DRY WEATHER SEWAGE OVERFLOWS

Monthly average per 100 km of main

TARGET: <2.2

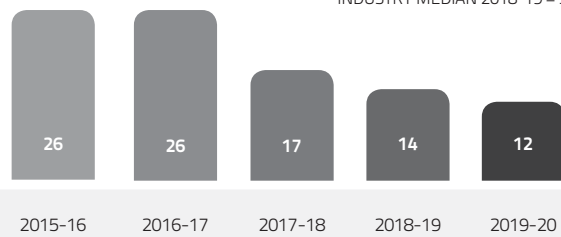


SEWER MAIN BREAKS AND CHOKES

per 100 km of mains

TARGET: 16.4

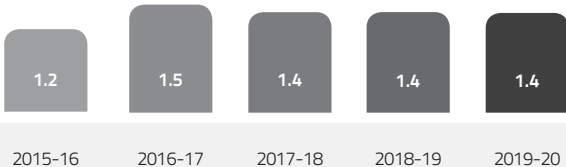
*INDUSTRY MEDIAN 2018-19 = 36.6



WATER AND SEWERAGE COMPLAINTS

per 1000 properties

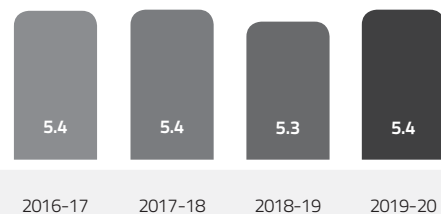
*INDUSTRY MEDIAN 2018-19 = 3.5



CUSTOMER EASE SCORE

Customer-initiated contact

TARGET: 5.4 (out of 7)



*Australian utilities with 100,000+ connected properties (National Performance Report 2018-19 Urban Water Utilities)

Highlights from 2019-20

Investing in our assets...

	Number	Measure
Investment in water supply	45.2	\$M
Investment in sewerage infrastructure	83.9	\$M
Investment in support services for both water and sewerage	20.3	\$M
Value of water supply and sewerage assets	3.6	\$B
Sewage treated	57,618	ML
Biosolids recycled and sent to beneficial reuse	78,376	tonnes
Percentage of biosolids recycled	100	%
Recycled water supplied	1,282	ML
Length of sewer mains servicing customers	5,975	KM
Sewer mains relined	36.7	KM
Sewer mains inspected with CCTV	143.9	KM
Water mains acoustically swept for leaks	2,009	KM
Hydrants/valves replaced	551	hydrants/valves
Length of water mains servicing customers	6,172	KM
Bulk water received	68,543	ML
Reservoirs renewed/reroofed	29	reservoirs
Reservoirs cleaned	19	reservoirs

...delivers for our customers

	Number	Measure
New customers	8,805	new water accounts
Residential properties served	319,367	properties
Commercial and industrial enterprises served	17,749	enterprises
Customer satisfaction score	6.6	out of 10
Customer issues resolved on first contact	67	%
Visits to our website	461,079	visits
New customers signed up for e-billing	19,648	customers
Customers who received their bills electronically	52	%
Customer calls received	131,677	calls
Priority 1 water supply and sewerage issues responded to in less than 1 hour	2,041	issues
Drinking water supplied	59,077	ML
Customer connections receiving drinking water	337,123	connections
Water meter readings performed	1,188,398	readings
Joint projects with participating councils (Kids in Action, Paddle Against Plastic, Blue Heart, beach clean-ups)	4	joint projects

Our financial performance

We are focused on robust financial management to ensure we meet our customers' expectations and obligations to our participant councils.

In the 2019-20 financial year Unitywater's profit was \$143.4 million after tax. After excluding developer contributions of \$123.3 million (comprised of cash and donated assets), we made a profit of \$20.1 million.

Developer cash contributions of \$55.5 million in 2019-20 continued to be a key revenue source as Unitywater has an obligation to use these funds to build new water and sewerage infrastructure for our growing communities.

STATEMENT OF PROFIT OR LOSS

	2015-16 \$M	2016-17 \$M	2017-18 \$M	2018-19 \$M	2019-20 \$M
Revenue					
Utility charges	482.4	512.8	526.2	549.5	578.8
Fees and charges	8.0	7.7	7.9	7.5	8.8
Developer contributions	143.7	130.2	142.6	152.0	123.3
Other income	16.3	18.8	19.5	21.6	19.2
Total revenue	650.4	669.5	696.2	730.6	730.1
Operating expenses					
Bulk water purchases	(150.8)	(170.2)	(176.4)	(189.3)	(205.1)
Employee expenses	(67.8)	(64.1)	(61.1)	(68.0)	(71.9)
Supplies and services	(75.3)	(81.3)	(89.9)	(86.2)	(82.9)
Depreciation and amortisation	(79.0)	(79.7)	(80.5)	(83.0)	(83.9)
Impairment losses	(0.3)	(1.8)	(0.1)	(0.0)	(0.0)
Finance and borrowing costs	(80.8)	(79.8)	(76.2)	(73.9)	(70.3)
Other expenses	(11.2)	(12.3)	(6.0)	(13.4)	(11.3)
Total operating expenses	(465.2)	(489.2)	(490.2)	(513.9)	(525.4)
Profit before tax	185.3	180.3	206.0	216.7	204.7
Tax expense	(48.9)	(44.8)	(86.6)	(64.9)	(61.3)
Profit after tax	136.3	135.5	119.4	151.8	143.4
Adjusted profit					
Profit after tax	136.3	135.5	119.4	151.8	143.4
Developer contributions	(143.7)	(130.2)	(142.6)	(152.0)	(123.3)
Less one-off tax adjustment			31.1		
Profit/(Loss) ex developer contributions	(7.4)	5.3	7.9	(0.2)	20.1

Keeping our prices down

Keeping prices as low as possible for our customers is a key driver for Unitywater.

We are controlling our operating costs by working smarter as we continue to deliver quality essential services to our growing communities.

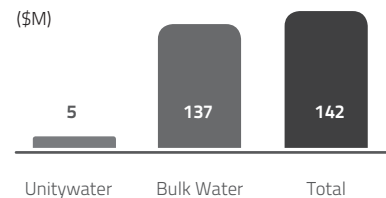
A KEY CHALLENGE – STATE GOVERNMENT BULK WATER COSTS

Unitywater buys bulk water from the State Government and this cost is passed on to our customers. Bulk water costs increased by \$137 million from 2010-11 to 2019-20.

Conversely, in this same period, Unitywater’s operating expenses increased by \$5 million.

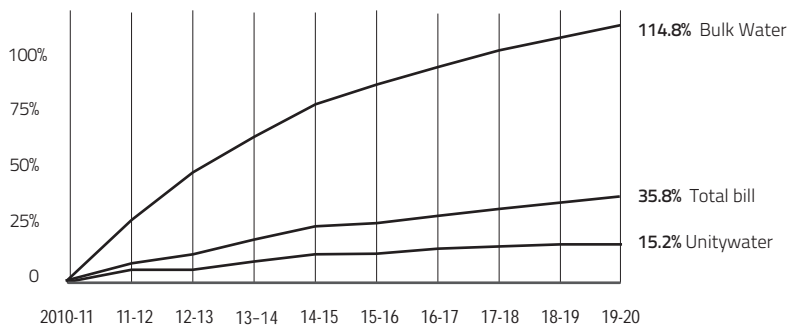
We appreciate the impact that bulk water pricing has on our customers’ bills and we continue to minimise our bill increases to offset these State Government charges.

CHANGE IN OPERATING EXPENSES SINCE 2010-11

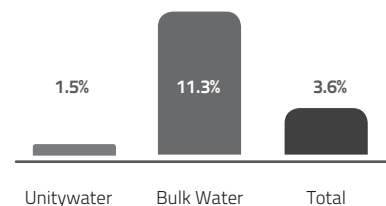


The comparison between bulk water increases and Unitywater’s increases in customers’ bills over time is reflected in the following graphs.

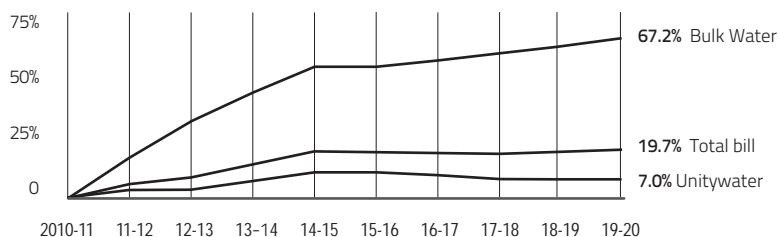
SUNSHINE COAST/NOOSA RESIDENTIAL CUSTOMERS YEAR-ON-YEAR BILL* – CUMULATIVE IMPACT (%)



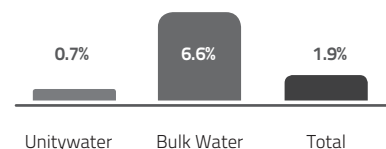
COMPOUND ANNUAL GROWTH RATE



MORETON BAY RESIDENTIAL CUSTOMERS YEAR-ON-YEAR BILL* – CUMULATIVE IMPACT (%)



COMPOUND ANNUAL GROWTH RATE



*Bill based on median consumption for the region.

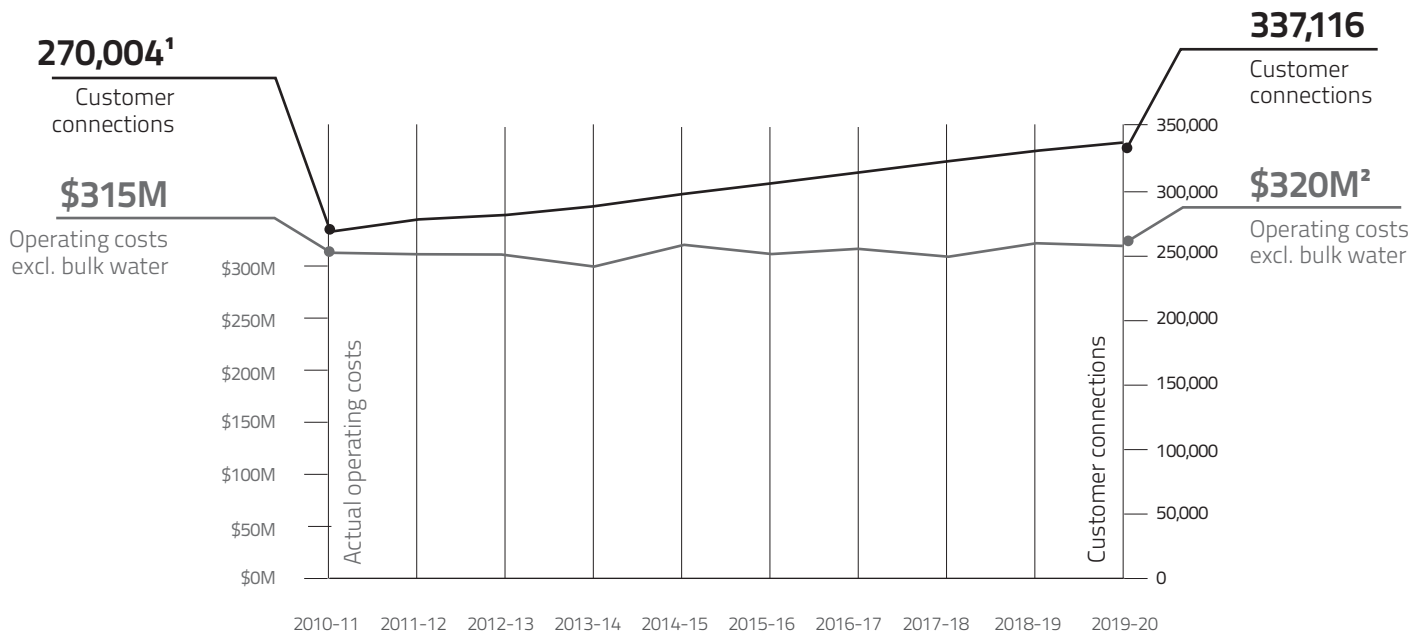
Keeping our prices down Cont.

OUR ACHIEVEMENT – MANAGING OPERATING EXPENDITURE

While population growth in our service region adds to the complexity of balancing revenue with expenditure, we consistently focus on managing our operating costs. Our operating costs, excluding bulk water, from 2010-11 to 2019-20 have remained relatively flat despite the pressures of inflation and a 25% growth in customer connections over this same period.

Unitywater continued to respond to these challenges by focusing on key strategic initiatives to drive costs down over the 2019-20 financial year. For our customers we also delivered a freeze on water and sewerage usage charges for the fifth consecutive year.

GROWTH IN CUSTOMER CONNECTIONS COMPARED TO OPERATING COSTS



¹ Water customer connections
² Nominal dollars

Our COVID-19 response

Unitywater's response to the unprecedented challenge of the COVID-19 pandemic was fast and focused on care.

RESILIENT, CONTINUED OPERATIONS

The COVID-19 pandemic served as a stark reminder of the essential nature of our services. At Unitywater, we enacted our business continuity plan, making sure water supply and sewerage services to our customers remained unaffected.

SAFELY ENABLING OUR ESSENTIAL WORKERS

We succeeded in transitioning our people to working from home and established a new way for our field crews to safely continue providing essential services.

Concerns for the health and safety of our people remained at the forefront throughout our response to COVID-19. Informed by state and federal government guidelines, we implemented new work procedures and protocols to keep everyone COVID-free.

HELPING OUR CUSTOMERS

The financial impact of the pandemic on the lives, work and businesses of many of our customers was a priority for our response to COVID-19. We released a Customer Relief Package that included extra time to pay bills, no interest on overdue payments and an invitation for customers to reach out to us if they needed further help with their account. We also froze all prices and waived fees for some trade waste customers and community groups for a year, starting from 1 July 2020.

DEVELOPMENT AND CONSTRUCTION CONTINUED

We were able to continue our capital development works while we assessed and mitigated potential risks. Collaboration with our delivery partners to proactively develop and implement COVID-19 response plans gave us confidence that we could continue delivering our capital works safely. Our annual capital program remained on track.

By prioritising applications from developers, we ensured no delays were experienced to construction progress. Unitywater's accreditation and certification system allows development applications and certifications to be fast-tracked through a streamlined process. At the end of the financial year, the system was already processing 20% of non-trunk infrastructure applications via the new Accreditation and Certification system.

HELPING LIFT THE WEIGHT OF HOMELESSNESS

With the COVID-19 crisis putting many people at risk of homelessness, Unitywater lent our support to a number of organisations who help some of the most vulnerable in our community. We provided almost \$100,000 in support for essential community services through our community program. This included a community collaboration to create the Sunshine Coast Community Hub and crisis centre. Beginning operations out of the Sunshine Coast Stadium, the hub provided a variety of much-needed services including emergency food packs, meals, financial and housing advice, laundry facilities, showers, medical consultations and flu vaccinations.

Our people matter

Our people are key to our success and we are investing in their capabilities and wellbeing to benefit our customers and communities.

PROUDLY INCLUSIVE

Unitywater made strong progress through the year towards achieving our challenging diversity targets.

	Actual 2019-20	Target 2019-20
Female participation	38.9%	40%
Females in leadership	44.0%	48%
Age diversity – people under 35 years	19.2%	21%
Diversity of hire in key technical and trade pathways	62.3%	58%

Our recognition and celebration of significant diversity events through the year supported our diversity and inclusion strategy. These included International Men’s Day, Sunshine Coast Pride Festival, RUOK Day, White Ribbon Day, International Day of People with Disability and Cultural Diversity Month.

GENDER PAY EQUITY

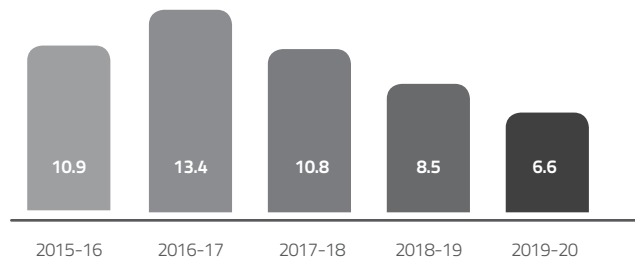
Unitywater continues to work hard to reduce our gender pay gap, which has been consistently below 5% since 2016. This year it was 4.35%, with a 39% participation rate.

SAFETY

Unitywater is improving our safety culture through a behavioural safety program. The program focuses on addressing safety attitudes and behaviours so that team members take personal accountability and become safety leaders. Based on organisation-wide insights gained through survey and feedback from a pilot, the program will roll out in the 2020-21 financial year.

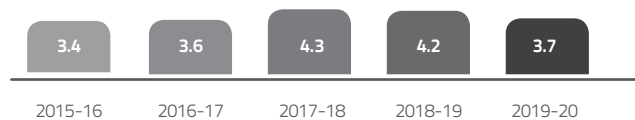
SIGNIFICANT INJURY FREQUENCY RATE*

*PER MILLION HOURS WORKED.



LOST TIME INJURY FREQUENCY RATE*

*PER MILLION HOURS WORKED.



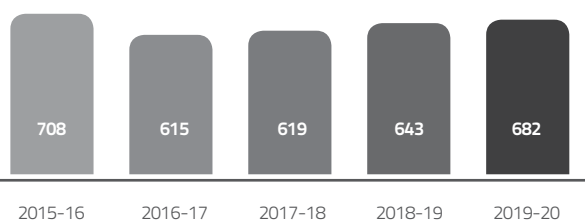
Our people matter Cont.

WORKFORCE PROFILE

At the end of the financial year, Unitywater employed 682 full-time equivalent staff, with a broad range of professional, paraprofessional, technical and trades skills and competencies.

We provide valuable experience and development opportunities for our people through projects and transfers to other roles. During the year, 98 people were provided opportunities through development placements.

FULL-TIME EQUIVALENT EMPLOYEES

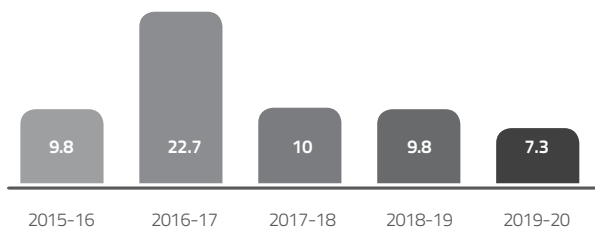


SPECIALIST TRAINING FOR WATER INDUSTRY WORKERS

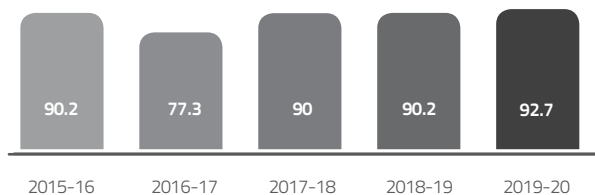
Our field crews are receiving development and advancement opportunities through training for their jobs and future careers as Water Industry Workers (WIWs). Although designed for face-to-face delivery, our two programs successfully transitioned to online delivery during COVID-19 restrictions.

- › Our partnership with Water Training Australia provides our WIWs with specialised career training. As at the end of the financial year, 28 of our WIWs are working towards attaining Certificates II, III and IV in Water Operations.
- › Facilitated by Leadership Management Australia, our first Certificate IV in Leadership and Management began with 14 participants.

PERMANENT SEPARATION RATE (%)



PERMANENT RETENTION RATE (%)



Our people matter Cont.

OUR PEOPLE

	2019-20					2018-19				
	Full time	Part time	Casual	Total	FTE 2019-20	Full time	Part time	Casual	Total	FTE 2018-19
Gender										
Male	420	7	2	429	426	403	6	2	411	408
Female	221	42	10	273	256	188	41	30	259	235
TOTAL	641	49	12	702	682	591	47	32	670	643
Age groups										
< 24 yrs	18	0	1	19	18	24	0	1	25	25
25-34 yrs	106	7	3	116	112	81	11	7	99	92
35-44 yrs	187	27	3	217	209	169	21	7	197	188
45-54 yrs	169	6	1	176	174	168	7	7	182	178
55-64 yrs	147	6		153	152	138	4	8	150	146
65+ yrs	14	3	4	21	17	11	4	2	17	14
TOTAL	641	49	12	702	682	591	47	32	670	643
Classification										
Executive	6	0	0	6	6	6	0	0	6	6
Senior employee	73	2	0	75	75	73	3	0	76	75
Administration and field staff	562	47	12	621	601	512	44	32	588	562
TOTAL	641	49	12	702	682	591	47	32	670	643

GENDER DISTRIBUTION BY JOB TYPE (as of end of June 2020)

	MALE		FEMALE	
	Percentage	Number	Percentage	Number
Executive Manager	50%	3	50%	3
Leadership	56%	42	44%	33
Clerical (administration)	3%	1	97%	28
Professional employee	55%	85	45%	70
Trades	93%	195	7%	15
Paraprofessional	45%	103	55%	124

Supporting our communities

Unitywater's purpose is keeping communities healthy. Our social responsibility takes this beyond providing water and sewerage services.

We know what it takes to deliver an essential service. That's why we're committed to supporting the communities in which we live by partnering with and supporting those who are taking on some of our communities' biggest challenges.

OUR COMMUNITY PROGRAM

Our new community program supports community organisations in ways that help them to provide the essential support services most needed.

We recognise we're not the experts in social and environmental issues, so we're supporting and partnering with organisations who are.

The program provides support for:

- › Homelessness
- › Prevention of domestic and family violence
- › Children and youth
- › Mental health
- › The environment.

Unitywater has partnerships with Sunny Street, Nambour Meals on Wheels, Redcliffe Breakfast Club, Maroochy Neighbourhood Centre, IFYS and OzHarvest. We have also supported Ocean Crusaders and Tangalooma EcoMarines in their environmental initiatives and a number of Men's Sheds across our service area, making a real difference to keeping communities healthy.

PREVENTING DOMESTIC AND FAMILY VIOLENCE

Unitywater is committed to promoting healthy relationships and preventing domestic and family violence by supporting people in our community and our workplace.

As part of our community commitment, we partner with Australia's CEO Challenge to support:

- › two women's refuges in our region to keep women and children safe
- › a men's behaviour change program for perpetrators of domestic and family violence who acknowledge they need help to prevent recurrence.

Our domestic and family violence program involves training to increase awareness amongst our people, and mechanisms to support people experiencing or perpetrating domestic and family violence.

Supporting our communities Cont.

uVOLUNTEER

As an enhancement to our community program, the people of Unitywater can support our community through the uVolunteer program. With a paid volunteer day for every team member each year, our people get involved and share skills and capabilities with community organisations and support initiatives.

This year uVolunteer opportunities included:

- › quarterly working bees at a women's refuge
- › sharing technology skills with local Men's Sheds
- › provision of graphic design and media skills
- › waterway clean-ups and debris sorting
- › Kids Teaching Kids educational events
- › preparing and serving meals at homeless shelters
- › packing hampers for those in need.

In total, 90 Unitywater people volunteered 466 hours to 35 organisations.

EDUCATION PROGRAM

Taking water and sewerage education to school students continued through the year, delivering online education through simple activities to support teachers, parents and students during home schooling.

SEWER RUN PILOT

Unitywater launched a pilot of our very first digital educational game for use on mobile and tablet devices. Sewer Run is designed to increase awareness of the impacts of the wrong things being placed in the sewer network. The game is being launched for schools and the broader community through the Apple and Google Play stores.

CHRISTMAS DELIVERED TO THE VULNERABLE

Christmas can be a difficult and lonely time for some people. Through our support of Hope Within Reach, some of the most vulnerable people in the Caboolture and Maroochydore areas received a visit on Christmas Day to provide support, connection, food and a small gift. The charity also invited vulnerable people for a festive dinner on Christmas Eve in Cotton Tree Park, Maroochydore, providing a special meal and an opportunity to connect with others.

Supporting our communities Cont.

AVOIDING POLLUTION FROM PLASTIC WATER BOTTLES

Unitywater's Water on Tap program aims to help reduce the use of single-use plastic and its impacts on waterways and wildlife. Our activities during the year as part of this program included the following:

- › We worked with Moreton Bay Regional Council to install 12 new permanent water refill stations, and with the Sunshine Coast Council to install three.
- › In Noosa, we worked with Tourism Noosa and Noosa Council to install an O Initiative Water Fountain at the Hastings Street Visitor Information as well as seven other refill stations across the region.
- › Unitywater released a digital map that shows the locations of our 26 permanent water refill stations across the region.
- › Our Water on Tap vans attended 63 community events (25 in Moreton Bay, 32 in Sunshine Coast and six in Noosa), making sure that everyone had the opportunity to fill up for free and avoid buying bottled water.
- › We also supported five clean-up events across the region, helping organisations and community members in cleaning up beaches and waterways, whilst increasing awareness of the impacts of plastic pollution on the environment.

TIMELY REMINDERS IN THE DRY

The threat of continuing low rainfall across our service area triggered Unitywater to reach out to the communities at risk from the dry. Unitywater encouraged everyone across our regions to be water wise as dam levels in South East Queensland approached 60%. They fell below 60% in December and we ramped up our public education campaign for people to save water. The residents of Dayboro, which isn't connected to the SEQ Water Grid, responded to special requests from us to take care with their water use after their water supply, the North Pine River, stopped running.

Caring for our environment

Unitywater works to protect our environment from the impacts of our operations and maintain the liveability of our beautiful region.

The interconnectedness of our environment is never more apparent than in the water cycle. By working to protect and restore our region's environmental assets for future generations, we are reducing our operational footprint.

BLUE HEART

This year Unitywater formed an Australian-first Blue Heart partnership with the State Government and Sunshine Coast Council. Blue Heart refers to an area of more than 5,000 hectares within the Maroochy River Catchment where a dedicated land and water management project will deliver a range of integrated environmental, social and economic outcomes. We are currently implementing initiatives outlined in a five-year plan for the Blue Heart.

The restored 191 hectares of former caneland that comprises the Yandina Creek Wetland removes nutrients and sediments from the Maroochy River, improving water quality and overall river health. Unitywater offsets the amount of nutrients removed by the wetlands against the nutrients discharged to the Maroochy River as part of the sewage treatment process.

GREEN KENILWORTH SOLUTION WINS INNOVATION AWARD

Our project to install solar panels and a floating wetland at our Kenilworth STP was so successful in demonstrating a low-tech, low-cost sewage treatment solution that it won the Australian Water Association (AWA) Queensland 2019 Project Innovation Award. The innovative modular wetland absorbs nutrients and sediments, enhancing the sewage treatment process. Thanks to the solar panels, the plant is now energy neutral and has lowered its carbon dioxide emissions by 12 tonnes a year.

LONG TERM SUSTAINABILITY GOALS

During the year Unitywater examined our long-term sustainability goals to realise a step change in waterway health, emissions and minimisation of waste. In view of sustained high growth in our service area and climate change impacts such as bushfires, these sustainability goals are in the interests of protecting public health and the environment. We recognise that to meet our aspirational goals of reducing our impact in these areas to zero by 2050, we will require a leap in innovation. We will set shorter term specific, measurable, attainable and relevant targets as stepping stones to our aspirational sustainability goals. These will include our 2020-2027 Energy Management Plan that aims for Unitywater to buy and consume less energy.

PAPER AND RESOURCES AVOIDED BY E-BILLING

Customers receiving bills electronically not only improves our customer service, it saves vast amounts of paper. This year alone we have avoided using:

- 78km² of paper
- 156km of envelopes.

That adds up to 5.5 tonnes of paper thanks to more than half of our customers now choosing e-billing.

KEEPING POLLUTANTS OUT OF RIVERS

In partnership with Healthy Land and Water, Unitywater restored 250 metres of severely eroded banks of the Caboolture River. The works at Bellmere will stop the erosion that allowed nutrients and sediments to enter the river. The works mean 1.5 tonnes of total nitrogen and 0.8 tonnes of total phosphorus will no longer enter the Caboolture River every year.

Intelligent customer and network operations

Digitally connecting and integrating our water and sewerage services improves our customer experience, reduces environmental impacts and keeps our operating costs down.

STP OPERATIONS INTEGRATED INTO SCADA NETWORK

Unitywater's SCADA (Supervisory Control and Data Acquisition) system controls our water and sewerage networks, alerts our Control Room operators to network issues or incidents and allows them to respond in real time. However, responding to operational issues at our STPs has historically seen operators attending the site to investigate concerns after receiving an alert. Now Unitywater has broken through technological and process barriers to allow our central Control Room to conduct remote operation of vital STP functions.

NOOSA PROJECT COMPLETES UNITYWATER'S SCADA UPGRADE

During the year we took the final step in upgrading our SCADA system, completing the replacement of the Noosa region's network. The \$3 million project, undertaken over 18 months, means our Control Room now operates a unified SCADA platform across our networks.

INTELLIGENT DATA PLATFORM

The Intelligent Data Platform is a key initiative designed to improve Unitywater's data and analytics capability. Taking a data-centric approach to network operations, work optimisation, asset management and customer experience, the project is in the design phase. On completion, it will deliver better insights into asset performance and process automation and improved customer service.

DIGITAL NEIGHBOURHOOD

The Digital Neighbourhood Program will create a digitally connected network that will improve the operational management of the water network and customer service. We began the program's first phase during the year, which included planning and procurement, with vendor selection for the underlying communication network, digital meters, leak detection on large water mains and online water quality monitoring that will provide real-time information for business intelligence and reporting purposes. The outcomes of the first phase will inform the rollout of digital technologies to more neighbourhoods across our water and sewer networks.

Self-sustaining STPs

Resource recovery and renewable energy underpin our strategic aim to make our sewage treatment plants (STPs) self-sustaining.

KAWANA STP A CORNERSTONE FOR HIGH GROWTH REGION

The \$83 million upgrade of the Kawana STP neared completion at the end of the financial year. Methane from the plant's new anaerobic digester began producing fuel to run the new electricity generator. Once this plant is operating optimally, it is expected to reduce our operating carbon footprint, costs and dependence on the electricity grid. On average, the new electricity generator will provide approximately 30% of total site power. The upgraded Kawana STP was contracted to cater for the needs of the equivalent of 200,000 people, a major milestone in readying for population growth in the surrounding suburbs, particularly Aura and Caloundra South.

MEGA COMMISSIONING OF SEWERAGE PROJECTS ON THE SUNSHINE COAST

Unitywater achieved a significant milestone in the sewerage future of the Sunshine Coast by linking up several major projects in a mega-commissioning. In a four-day co-ordinated integration exercise, our teams permanently redirected sewage flows from the growth hotspots of Mountain Creek, Sippy Downs and southern parts of Maroochydore through a new pipeline to the Kawana STP for treatment. The exercise also commissioned two upgraded pumping stations fitted with innovative pressure solutions that protect the sewerage network from bursts and spills.

COMMISSIONING STARTED TO UPGRADE REDCLIFFE STP

The \$36 million renewal and upgrade of the Redcliffe STP will improve its standard of treatment, reduce our odour impacts on the local community and reduce environmental impacts. Commissioning of the renewal of the STP progressed through the year and it is performing well against Unitywater's environmental licence and other measures; for example, reduced odour emissions. During the year we completed construction of the aerobic digester panel tanks and began the commissioning of the aerobic and anaerobic digesters. This will result in improved quality of biosolids from the plant, increasing the potential for their use in agriculture.

MAROOCHYDORE STP REFURBISHMENTS

Unitywater's Maroochydore STP benefited from refurbishments and upgrades worth \$9 million over the year, resulting in reduced odour and noise and improved safety and reliability of treatment processes. Projects completed included the refurbishments of the primary digester and sedimentation tanks, upgrades to the raw sludge pump station and the service water pump station, and the installation of a bypass conveyor.

Growing new business

For Unitywater to continue keeping its prices low for our customers, we are looking for new income beyond traditional water supply and sewerage services.

WAMURAN IRRIGATION SCHEME

The agricultural district of Wamuran holds some exciting prospects for the use of recycled water. Following an open market process in 2019, Unitywater has been working with the successful tenderer, exploring the viability of a pipeline to deliver a reliable source of Class A recycled water to the district.

For the Wamuran Irrigation Scheme to be viable over the long term, we need to be sure that we can consistently produce enough water of the desired quality for use on edible crops. Our preliminary investigations into the potential supply and demand show that, based on current volumes received and treated at South Caboolture STP, we could deliver up to 2.6 gigalitres of Class A water per year.

LANDING OPPORTUNITIES FOR REVENUE GROWTH

The development of a nine-lot subdivision in Maroochydore is now complete, with four lots already sold and the remaining lots being offered for build-to-lease opportunities. We continue to work with councils, businesses and developers to transform Unitywater-owned land that isn't required for our operations in order to maximise returns and offset future costs to serve.

STRATEGIC PARTNERSHIPS TO DIVERSIFY REVENUE STREAMS

Unitywater is building strategic partnerships to help us drive down the cost of delivering core water and sewerage services while diversifying revenue streams. These partnerships may also provide Unitywater the opportunity to support and assist utilities across the country.

Better business

To achieve higher productivity, lower costs and an optimal customer experience, we need better analysis, insights and decision-making.

ACCREDITATION AND CERTIFICATION SYSTEM

Unitywater's Accreditation and Certification system ensures we deliver fast turnaround times for development applications and receive high quality assets. Launched in July 2017, the system continued to receive positive support from the development industry. At the end of 2019-20, one in five, or 20% of assessments across our water and sewerage network were being processed through the system. These can be undertaken by 34 accredited entities, 44 major connection certifiers, 12 minor connection certifiers and 35 construction certifiers.

DETECTING LEAKS HELPS CONTROL COSTS

Water lost in leaks and bursts across our extensive network is a direct cost to our business. Controlling and reducing water leaks helps keep our prices as low as possible for our customers and saves water during times of water scarcity. During the year we carried out active leak detection on approximately 1,500km of water mains, finding and preventing the loss of \$3 million worth of bulk water. Unitywater's leak detection program continues to show very good results, and has reduced our water losses by 9.4% since 2017-18.

Better together

Maintaining the safety and wellbeing of our people remains our highest priority as we continue to invest in their future.

Our approach to workforce planning focuses on building the capability of our people, systems and processes.

Our strategic workforce frameworks support streamlined processes and a culture of flexible working arrangements, and we invest in developing our leaders in line with our strategic priorities.

Ensuring our workplace is inclusive and our workforce reflects the diversity of our community, we implement programs to attract, develop, challenge and retain our people and build the skills needed for the jobs of the future.

In line with the emphasis of our overarching corporate strategic direction, we are developing a workforce plan that will secure the capabilities we will need to deliver positive outcomes for our customers and the environment.

MATURITY IN INCLUSION AND DIVERSITY

Unitywater's Proudly Inclusive strategy continues to strengthen our commitment to diversity and inclusion. Our focus on inclusion within our culture program is helping to further strengthen inclusive behaviours. Particular areas of emphasis are generational renewal, emerging career opportunities, and workforce diversity in key technical and trade careers.

KEEPING OUR PEOPLE SAFE FROM HARM

Unitywater takes a whole-of-organisation approach to incident management and this year delivered an enhanced incident reporting platform. It allows improved insights about incidents that are now helping us to implement new prevention programs before issues occur.

People working alone often face higher risks to their safety, so we are trialling a new mobile app that supports them and minimises risk.

Through the year we established onsite clinics to drive improvements in health monitoring. This was an accessible and convenient way for our people to undertake a health check during COVID-19 restrictions, and was attended by 310 team members. A total of 334 people also took up the offer of flu vaccinations, 45% more than the previous year.

CREATING BETTER TOGETHER

Based on the findings from comprehensive surveys of our workplace culture, we created and launched Creating Better Together, a cultural transformation program. The baseline surveys attracted high participation and, when combined with safety focus groups, allowed us to better understand our current culture, particularly in relation to safety. Strengthening our approach to culture through safe behaviours is the focus in the first phase of the program.

Better together Cont.

RECOGNISING AND APPLAUDING PERFORMANCE AND BEHAVIOURS

Because Unitywater's values are at the heart of our organisational culture, we highlight and celebrate them with our Proudly Unitywater Recognition Awards. During the year we recognised 52 of our people for bringing our core values to life.

Our annual people awards showcase and applaud outstanding achievements by individuals and teams across Unitywater. This year the event was live-streamed to all sites for the first time due to COVID-19 restrictions. Fifty-four awards were presented across nine categories.

PROVIDING REGIONAL CAREER OPPORTUNITIES

Unitywater is a major employer across our service region, providing a wide variety of career opportunities in an essential service. During the year we welcomed 52 new team members into permanent roles, including six mechanical fitters, five electricians, 10 assistant and treatment plant operators to support a program of transition as long-serving staff retire, as well as seven digital and technology specialists. We also extended our permanent and locally based Contact Centre team, providing job security to 22 Customer Service Officers.

ATTRACTING AND RETAINING OUR FUTURE WORKFORCE

We understand the importance of attracting and retaining the workers of the future.

Each year we award a Unitywater Engineering Scholarship and a Bright Future Scholarship to outstanding students at the University of the Sunshine Coast.

Our summer vacation program provides 12 weeks of paid, real-world, work experience to university students. This year, three of our 13 vacation program students were already benefiting from a Unitywater scholarship.

Our annual graduate intake for 2020 added nine recruits across the engineering disciplines to our Graduate Development Program. Recruitment for 2021 began in May, targeting digital technology as well as engineering disciplines.

APPRENTICESHIP PROGRAM

This year, we welcomed two female apprentices to Unitywater who are working as part of our Mechanical and Electrical team. They will undertake a four-year Certificate III in Engineering - Mechanical Trade (Maintenance) Fitting and/or Turning.

Risk management and accountability

Our business-wide approach to identifying, prioritising and managing risks underpins Unitywater's commitment to good management and corporate governance.

Unitywater aligns our approach to risk management with the framework outlined in ISO 1000-2009 Risk Management – principles and guidelines.

CLIMATE RISK

The ongoing impact of climate variation exposes Unitywater to a variety of risks relating to both the operation of our assets and the security of water supply. We have undertaken a range of programs and activities to prepare for climate change and to ensure we are able to continue to perform our functions. These include:

- › analysis of the 100-year inundation and water levels to identify Unitywater assets which may be affected by flood and rising sea levels
- › commencement of adaptive infrastructure planning
- › development of critical plans including Drought Management Plan, Emergency Response Plan, Business Continuity Plan, Total Water Cycle Management Plan and Leakage Management Plan.

Unitywater's financial plans reflect forecast expenditure required to respond to climate change as well and the impact of a reduction in customer demand.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (see page 33 for details) is responsible for helping the Board to fulfil its corporate governance responsibilities and ensure due care, diligence and skill are applied in Unitywater's risk management and auditing activities.

The Audit and Risk Committee observes the terms of the Audit and Risk Committee Charter and the Audit Committee Guidelines: Improving Accountability and Performance issued by Queensland Treasury. The Committee's role is to oversee the financial management, internal controls, risk management, compliance and work health and safety. It receives and considers reports and recommendations from the external (Queensland Audit Office) and internal auditors.

During the reporting period Unitywater implemented an Enterprise Risk Management (ERM) database system along with an updated Risk Management Policy and Framework. The ERM database establishes a single source of truth for risk across all aspects of the organisation and is used to generate quarterly Audit and Risk Committee reporting. A network of Risk Champions across the business have been trained and licensed to operate the ERM system to ensure proactive monitoring and reporting of risk.

Risk management and accountability Cont.

INTERNAL AUDIT

Unitywater has an internal audit function to provide assurance to the Board that our financial and operational controls manage our risks, achieve our objectives and that we operate in an efficient, effective and ethical manner. Internal audit is undertaken by independent auditors who work to an annual strategic plan that has been approved by the Audit and Risk Committee and which aligns with the Internal Audit Charter and the Treasury's Audit Committee Guidelines. In 2019-20 the internal auditors successfully completed audits identified in the annual plan.

CODE OF CONDUCT

Unitywater's Code of Conduct aligns to the ethics principles and ethics values in the *Public Sector Ethics Act 1994*. Code of Conduct training is provided to all new starters and retraining done every two years.

HUMAN RIGHTS

Unitywater undertook a thorough review of our policies and procedures based on the *Human Rights Act 2019*. Training programs and information sessions were held across the business and new protocols made available to guide key decision makers. Since 1 January Unitywater's major contracts include *Human Rights Act 2019* requirements. Non-compliances are reported to the Board on a quarterly basis as part of our compliance reporting. At 30 June Unitywater had received no Human Rights complaints.

CONSULTANCIES AND OVERSEAS TRAVEL

Details of spending on consultants and overseas travel undertaken by Unitywater representatives can be accessed at the Queensland Government Open Data website www.data.qld.gov.au

INFORMATION SYSTEMS AND RECORD KEEPING

Unitywater makes and keeps full and accurate records of its activities in accordance with the standards and policies issued by the Queensland State Archives.

Our record keeping is informed by the *Public Records Act 2002*, Records Governance Policy 2018 and Records Governance Policy Implementation Guideline 2018.

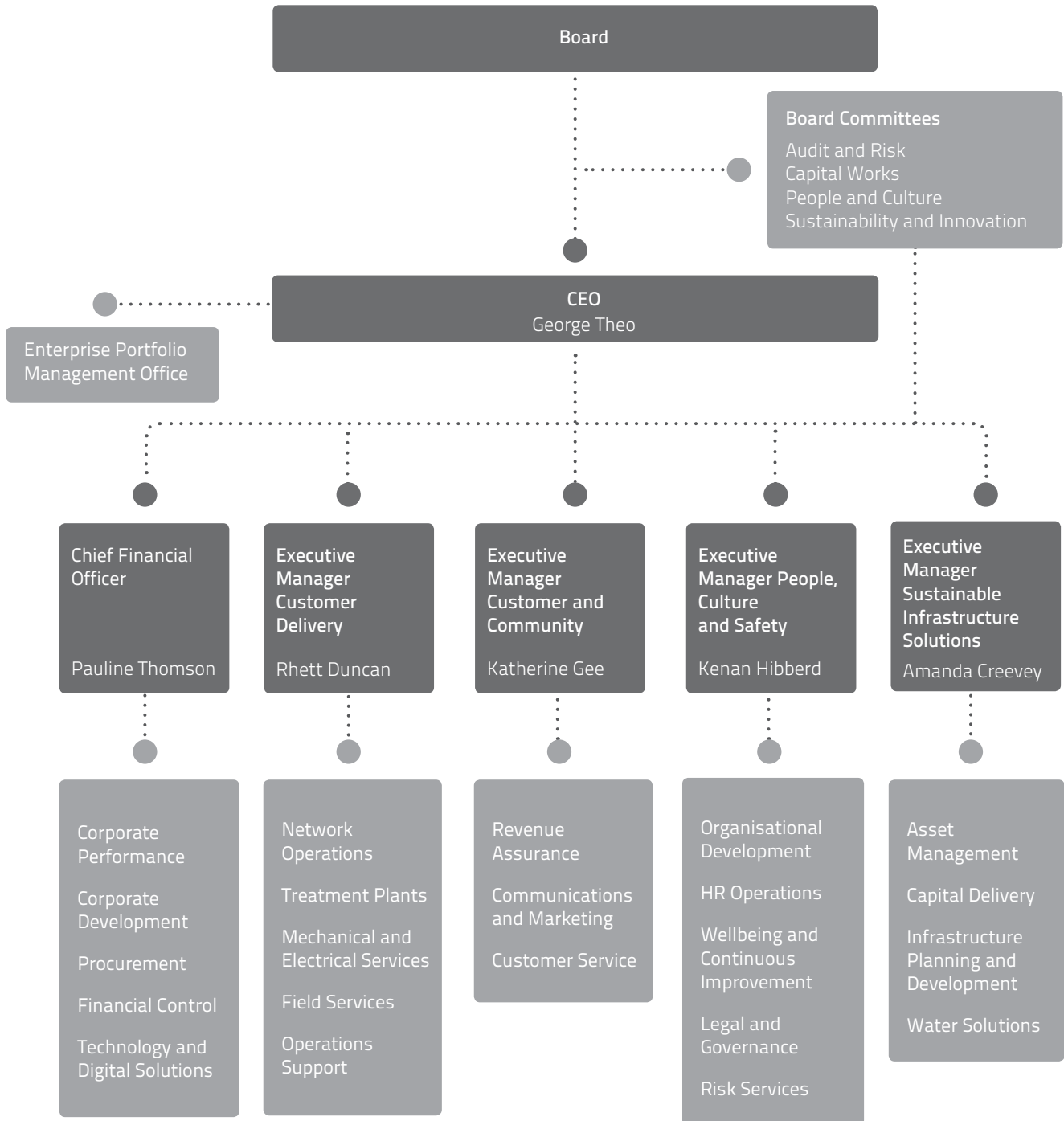
We are continuing to digitise Unitywater's legacy physical records as part of our records management program. Every record we create is managed digitally across its life cycle.

Our record-keeping policies and procedures include how we dispose of records at the end of their life. How we identify and securely destroy records in regular disposal programs is documented and done in line with the *Public Records Act 2002* and approved retention and disposal schedules.

Unitywater's information systems are maintained, supported and monitored for system performance and any potential security breaches. Appropriate protocols are in place to manage unforeseen incidents.

Our organisational structure

AS AT 30 JUNE 2020



Our Board

Unitywater's independent skills-based Board guides our Executive Leadership Team to fulfil its vision to be a sustainable water and sewerage service provider that creates value for its customers and returns value for its stakeholders.

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

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

JIM SOORLEY AM

BA (Psych), MA (Org Psych)

Chairman

Jim was Lord Mayor of Brisbane from 1991 to 2003. He has been the Chairman of Unitywater for 10 years. Jim is also the Chair of CS Energy.

SHARON DOYLE

LLB (Hons), BIT (Dist), Grad Dip Bus Admin, GAICD

Sharon is the Executive Chair of InterFinancial, a corporate finance advisory and mergers and acquisitions firm. Sharon is also a non-executive Director of TechnologyOne, Australia's largest enterprise software-as-a-service company and one of Australia's top 150 ASX-listed companies. Sharon has held leadership roles in Mincom Limited and Allens Linklaters.

MICHAEL ARNETT

BCom, LLB

(From 1 September 2019)

Michael has significant experience in the corporate, commercial, mining and natural resources (including water), banking, finance and securities sectors. He was a previously a Board member of Unitywater (from 2009 to 2012) and of Seqwater (from 2012 to 2019). Michael is a Board member of, amongst others, NRW Holdings Limited and Queensland Energy Resources Limited.

MIKE WILLIAMSON

FAICD

Mike brings to Unitywater more than 30 years' experience in the fields of water and sewage management, waste minimisation, resource recovery, engineering and project management. He has held positions as Managing Director of CH2M Australia and as Managing Partner of global consulting firm Environmental Resources Management (ERM). From 2001 until 2015 he was Chairman of the Oil Stewardship Advisory Council and he has held Board positions with Keep Australia Beautiful and Special Olympics NSW. Mike is also non-executive Chair of ECOllaboration Ltd, a not-for-profit company, based on the Sunshine Coast, providing ecological and environmental services and environmental education. Mike is a qualified marine and mechanical engineer and is a Fellow of the Australian Institute of Company Directors.

Our Board Cont.

FIONA WATERHOUSE

B Mfg Mgt, Dip Env Studies, Cert Business, GAICD

Fiona is CEO of bioenergy developer Utilitas Group, one of the pioneers of the emerging industrial bio-products market in Australia. A production engineer by trade, Fiona has owned and advised industrial and technology-related business for the past 20 years. The Business Sustainability Roadmap that she developed as part of her role in the Queensland Environment Department between 2000 and 2003 was recognised as a sustainable development milestone for Queensland.

BARRY CASSON

MAICD

(To 30 September 2019)

Barry has more than 40 years' experience initially in chartered accounting before moving into corporate finance roles and executive management. His roles have predominantly been as an executive finance director in the mining sector, although his background also includes property development and agribusiness, more recently in the role of consultant.

BOARD MEETING ATTENDANCE 2019-20

Board Member	Eligible to attend	Meetings attended
Jim Soorley	11	11
Sharon Doyle	11	11
Mike Williamson	11	11
Fiona Waterhouse	11	11
Michael Arnett	8	8
Barry Casson	3	3

Our Board Cont.

BOARD COMMITTEES 2019-20

A number of committees aid the Board in the execution of its duties.

Committee	Scope of activities	Members	Eligible to attend	Meetings attended
Audit and Risk Committee	The Audit and Risk Committee helps the Board to fulfil its corporate governance responsibilities by reviewing Unitywater's safety reports, risk management reports and annual financial reports. In addition, it provides oversight and direction with respect to internal control systems, insurance, and audit and regulatory compliance processes.	Barry Casson (as Chair)	1	1
		Michael Arnett (as Chair)	3	3
		Sharon Doyle	4	4
		Fiona Waterhouse	4	4
Capital Works Committee	The Capital Works Committee reviews, oversees and reports to the Board on the appropriateness of Unitywater's capital works practices for projects above \$5 million. Its role includes a detailed review of the annual program of capital works and associated budget.	Mike Williamson (Chair)	9	9
		Jim Soorley	9	9
		Michael Arnett	6	6
People and Culture Committee	The People and Culture Committee supports the Board by conducting detailed examination of Unitywater's annual corporate objectives and the remuneration framework for all our team members. It also assists the Board to meet its decision-making obligations under the incentive framework for senior team members.	Sharon Doyle (Chair)	4	4
		Jim Soorley	4	4
		Michael Arnett	2	2
		Barry Casson	2	2
Sustainability and Innovation Committee	The Sustainability and Innovation Committee provides direction on environment and sustainability and strategies for innovation and commercialisation that contribute to cost reduction.	Fiona Waterhouse (Chair)	4	4
		Jim Soorley	4	4
		Mike Williamson	4	4

Executive Leadership Team

The Executive Leadership Team, headed by the Chief Executive Officer, leads the daily operation of Unitywater and delivers on corporate objectives.

The team is firmly focused on achieving strategic goals, improving customer service, achieving operational efficiencies and providing high quality, affordable and sustainable sewerage and water supply services.

GEORGE THEO

MBA (Bus), BEng (Civil), FIEAust, CPEng, NER APEC Engineer
IntPE (Aus), Assoc. Dip Municipal Eng, GAICD

CHIEF EXECUTIVE OFFICER

George brings more than 30 years' experience to Unitywater and a wealth of knowledge of the water industry through previous roles with global consulting company GHD, Brisbane Water (now Urban Utilities) and City West Water, Victoria. George was Unitywater's Chief Operating Officer prior to taking up the position of CEO.

PAULINE THOMSON

BBus (Acc), FCPA, GAICD

CHIEF FINANCIAL OFFICER

Pauline is a Certified Practising Accountant and brings more than 25 years' experience in retail, distribution and transmission entities across the energy and water sectors. Her leadership experience includes leading teams in a range of senior commercial, finance and regulatory roles.

KENAN HIBBERD

BCom, FAHRI

EXECUTIVE MANAGER

PEOPLE, CULTURE AND SAFETY

Kenan has more than 25 years' experience in human resources and safety in both the public and private sectors. He has held senior management positions in national and international organisations in the industrial services, engineering, logistics and health sectors.

AMANDA CREEVEY

BA, Dip People Leadership, Dip Public Safety

EXECUTIVE MANAGER

SUSTAINABLE INFRASTRUCTURE SOLUTIONS

Amanda has 20 years' experience leading teams to deliver results and sustainable organisational change. She has held roles previously in the defence and transport sectors, with a focus on security intelligence, enterprise risk, project/program and portfolio management for capital works. A former officer in the Australian Army, Amanda is passionate about business transformation and capability development.

Executive Leadership Team Cont.

RHETT DUNCAN

BEng (Civil), MBA

EXECUTIVE MANAGER

CUSTOMER DELIVERY

(FROM 15 JULY 2019)

Rhett has more than 15 years' leadership experience at executive and general management levels. He is responsible for Unitywater's safe and efficient operation of the water supply and sewerage systems to provide reliable services to customers.

Rhett has previously worked in waste management, transport infrastructure and construction materials and led teams in challenging and changing business environments.

MARTINE WATSON

Grad Cert Bus Admin, FIML, AAICD

ACTING EXECUTIVE MANAGER

CUSTOMER DELIVERY

(TO 15 JULY 2019)

Martine is a strategic and transformational leader with extensive experience managing large technical teams within the energy, water and mining industries. She has qualifications in electrical engineering, psychology and business and has previously held roles at BHP Billiton, Cairns Water, Queensland Urban Utilities and Powerlink. She has a proven track record of achievements in change, growth and operational delivery of essential services.

KATHERINE GEE

BBus (Acc), LLB, CA, GAICD

EXECUTIVE MANAGER

CUSTOMER AND COMMUNITY

Throughout her extensive experience in both the private and public sector, Katherine has gained deep insight into the needs of customers and the community. Her roles in telecommunications, local government and the water industry have included implementing major customer management systems, transforming customer experience and delivering organisational change.

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KEY Judgements and estimates  Risks  COVID-19 impacts 

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:

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

Insurance premiums

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

Board Members' Report

BOARD MEMBERS' MEETINGS

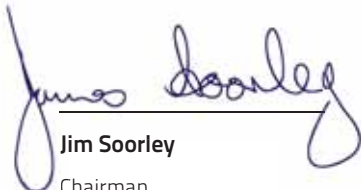
The numbers of meetings of Unitywater's Board members and each Board committee held and attended by each Board member during the year ended 30 June 2020 were:

Board Member	Board meetings	Committee 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

¹Michael 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:

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

Position	Short term benefits		Post-employment benefits ³	Long term employment benefits ⁴	Termination benefits ⁵	Total remuneration
	Monetary ¹	Non-monetary ²				
	\$	\$	\$	\$	\$	\$
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		Post-employment benefits ³	Long term employment benefits ⁴	Termination benefits ⁵	Total remuneration
	Monetary ¹	Non-monetary ²				
	\$	\$	\$	\$	\$	\$
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%

¹Earnings before interest, tax, depreciation and amortisation.

²Earnings 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.

	Net carrying amounts \$'000	Interest rate risk			
		-1%		+1%	
		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

¹Depending 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 Equivalent Regime (LGTER). Under the LGTER Unitywater is required to make income tax equivalent payments to the Participating Councils in accordance with the requirements of its Participation Agreement.

Income tax equivalent expense (referred to as income tax expense) comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, less any instalments paid and any adjustment to tax payable in respect of the previous year. Taxable income differs from profit before tax reported in the profit or loss statement, as it excludes items of income and expense that are taxable or deductible in other years, and also excludes any items that will never be taxable or deductible. Unitywater's liability for current tax expense is calculated using tax rates enacted at balance date.

	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)

¹During 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	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 Maroochy Pty Ltd is a wholly owned subsidiary of Sunshine Coast Council and is also a related party of Unitywater. Transactions between Unitywater and SunCentral Maroochy 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 <i>Service Concession Arrangements: Grantors</i>	1 July 2020
AASB 2018-6 <i>Amendments to Australian Accounting Standards – Definition of a Business</i>	1 July 2020
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 July 2020
AASB 2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 July 2020
AASB 2019-3 <i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform</i>	1 July 2020
AASB 2019-4 <i>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</i>	1 July 2020
AASB 2019-5 <i>Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards not yet Issued in Australia</i>	1 July 2020
AASB 2019-7 <i>Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates GAAP/GFS Reconciliations</i>	1 July 2020
AASB 2019-2 <i>Amendments to Australian Accounting Standards – Implementation of AASB 1059</i>	1 July 2020
AASB 17 <i>Insurance Contracts (Appendix D)</i>	1 July 2021
AASB 2020-2 <i>Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i>	1 July 2021
AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)</i>	1 July 2021
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 July 2022
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 July 2022
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments</i>	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

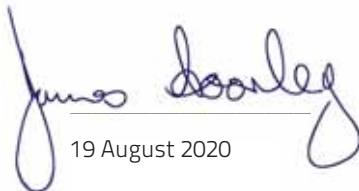
These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in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

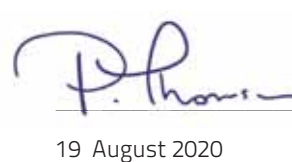
George Theo
MBA (Bus), BEng (Civil), CPEng,
Ass Dip Mun (Eng), MIEAust, GAICD
Chief Executive Officer



19 August 2020

Pauline Thomson
BBus (Acc), FCPA, GAICD

Chief Financial Officer



19 August 2020

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.

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.

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.



Vaughan Stemmett
as delegate of the Auditor-General

20 August 2020

Queensland Audit Office
Brisbane

Letter to the Minister



Ground Floor
33 King Street
Caboolture QLD 4510
PO Box 953
Caboolture QLD 4510
1300 086 489
unitywater.com

Hon Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy
1 William Street
Brisbane Qld 4000

Dear Minister

I am pleased to submit for presentation to the Parliament the Annual Report 2019-2020 and financial statements for Unitywater.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

A checklist outlining the annual reporting requirements can be found at page 97 of this annual report.

Yours sincerely

Jim Soorley
Chairman
2 September 2020

Summary of compliance

	SUMMARY OF REQUIREMENT	BASIS FOR REQUIREMENT	ANNUAL REPORT REFERENCE
Letter of compliance	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7	Page 96
Accessibility	Table of contents	ARRs – section 9.1	Page 3
	Glossary	ARRs – section 9.1	Page 99
	Public availability	ARRs – section 9.2	Page 2
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3	Page 2
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4	Page 2
	Information licensing	<i>QGEA – Information Licensing</i> ARRs – section 9.5	N/A
General information	Introductory information	ARRs – section 10.1	Page 6
	Agency role and main functions	ARRs – section 10.2	Page 6
	Operating environment	ARRs – section 10.3	Page 6, 7
Non-financial performance	Government's objectives for the community	ARRs – section 11.1	Page 6
	Other whole-of-government plans/specific initiatives	ARRs – section 11.2	N/A
	Agency objectives and performance indicators	ARRs – section 11.3	Page 7-9, 12-14, 18-27
	Agency service areas and service standards	ARRs – section 11.4	Page 6, 8, 9
Financial performance	Summary of financial performance	ARRs – section 12.1	Page 11
Governance – management and structure	Organisational structure	ARRs – section 13.1	Page 30
	Executive management	ARRs – section 13.2	Page 34
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3	N/A
	<i>Public Sector Ethics Act 1994</i>	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4	Page 28
	Human rights	<i>Human Rights Act 2019</i> ARRs – section 13.5	Page 29
	Queensland public service values	ARRs – section 13.6	Page 4, 5

Summary of compliance

	SUMMARY OF REQUIREMENT	BASIS FOR REQUIREMENT	ANNUAL REPORT REFERENCE
Governance – risk management and accountability	Risk management	ARRs – section 14.1	Page 28, 33
	Audit committee	ARRs – section 14.2	Page 28, 33
	Internal audit	ARRs – section 14.3	Page 29
	External scrutiny	ARRs – section 14.4	Page 29
	Information systems and record keeping	ARRs – section 14.5	Page 29
Governance – human resources	Strategic workforce planning and performance	ARRs – section 15.1	Page 15-17, 26-27
	Early retirement, redundancy and retrenchment	<i>Directive No.04/18 Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2	N/A
Open Data	Statement advising publication of information	ARRs – section 16	Page 29
	Consultancies	ARRs – section 33.1	Page 29
	Overseas travel	ARRs – section 33.2	Page 29
	Queensland Language Services Policy	ARRs – section 33.3	N/A
Financial statements	Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	Page 92
	Independent Auditor's report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	Page 93
Definitions	FAA	<i>Financial Accountability Act 2009</i>	
	FPMS	<i>Financial and Performance Management Standard 2019</i>	
	ARRs	<i>Annual report requirements for Queensland Government agencies</i>	
	N/A	<i>Not applicable</i>	





Glossary

TERM	MEANING
Certified Agreement	The Unitywater Enterprise Bargaining Agreement that was certified by the Queensland Industrial Relations Commission
CEO	Chief Executive Officer
EDRMS	Electronic Document and Record-keeping Management System
EWOQ	Energy and Water Ombudsman Queensland
GL	Gigalitre, which is 1 billion litres
GPS	Global Positioning System
ICT	Information and Communications Technology
Infiltration	Groundwater entering underground infrastructure via cracks and faulty joints
Inflow	Rainwater entering the sewerage network via defective or inappropriate plumbing of stormwater to the sewer
IPA	Information Privacy Act
ISO	International standards developed by the International Organization for Standardization to ensure that products and services are safe, reliable and of good quality
ML	Megalitre, which is 1 million litres
Participation Agreement	Sets out the rights of our participating councils and Unitywater's obligations to these councils
Participating councils	The Moreton Bay Regional Council, Sunshine Coast Council and Noosa Council, with whom Unitywater has a Participation Agreement
QCA	Queensland Competition Authority
R&D	Research and development
RTI	Right to Information Act
Sewage	Waste discharged from sinks, drains, toilets and appliances such as dishwashers and washing machines
Sewerage	The infrastructure network used to receive, store, transport and treat sewage
SEQ	South East Queensland
STP	Sewage treatment plant



Unitywater

Serving you today,
investing in tomorrow.

-
-  unitywater.com
 -  **1300 086 489**
Emergencies and Faults 24 hours
Customer Service: 8am - 5pm,
Mon - Fri (except public holidays)
 -  Unitywater, PO Box 953, Caboolture QLD 4510
 -  Customer Service Counters 8.30am - 4.30pm,
Mon - Fri (except public holidays)
8-10 Maud Street, Maroochydore QLD 4558
33 King Street, Caboolture QLD 4510

Unitywater has certification to
OH&S AS/NZS 4801:2001 Reg No 500000079
Environmental ISO 14001:2015 Reg No 500000079
Quality ISO 9001:2015 Reg No 500000079
Food Safety ISO 22000:2018 Reg No 500000079

