9 ANNUAL FINANCIAL REPORT

Annual Financial Report

CONTENTS

KEY	Judgements and estimates	Risks	Climate change 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 the Unitywater Group (the Group) for the financial year ended 30 June 2022. 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:

i. Michael Arnett – Chairman

ii. Mike Williamson (ceased 30 August 2021)

iii. Fiona Waterhouse (ceased 11 November 2021)

iv. Megan Corfield

v. Sarah Zeljko

vi. Chris Hertle (appointed 1 September 2021)

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 2021-22 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 the Group after providing for income tax expense, amounted to $153,132,018 (2021: $130,740,500).

REVIEW OF OPERATIONS

A review of the Group's operations during the financial year and the results of those operations are contained in the Unitywater Annual Report 2021-22.

COVID-19

The economy continues to be impacted by the COVID-19 virus. As a financially responsible statutory body with a robust Statement of Financial Position, Unitywater is equipped to support the community whilst still meeting its current and future financial obligations.

CLIMATE CHANGE

Unitywater has developed a number of plans and is in the process of developing further plans in response to the impact of climate change. Potential impacts on the Group are outlined in Note 1.2.11. Further information can be found in the body of the Annual Report under Climate variability risk within the Risk management and accountability section.

Board Members' Report

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 the Group, the results of those operations, or the state of affairs of the Group, in future financial years other than as outlined in Notes 6.3 and 6.4.

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

The Group'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. The Group 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.

SAFETY COMPLIANCE

Unitywater's operations are subject to Workplace Health and Safety legislation. The Board maintains oversight of key safety risks and obligations and is committed to keeping our people free from harm. Unitywater undertakes key programs of work to address key and emerging risks, and to continuously improve the organisation's safety management system. These programs include improving our safety culture through personal and collaborative responsibility for safety. This extends to our service delivery partners (contractors) where we developed a Collaborative Safety Agreement to drive common standards and improvements. Unitywater is accredited to ISO standard 45001 for management systems of occupational health and safety, with the goal of reducing injuries, diseases and protecting physical and mental health. The organisation does this through the provision of comprehensive health monitoring, health support and employee assistance programs that are delivered in conjunction with external partners. The Board monitors the organisation's health and safety performance including progress on initiatives, emerging risks and incident trends.

PARTICIPATION RETURNS

Participation returns paid or declared by Unitywater during the 2022 financial year were:

	Total amount 2022 $'000	Total amount 2021 $'000
Final participation return	40,403	35,190

Refer to Note 5.2 of the consolidated financial statements for details of participation returns paid or payable.

Board Members' Report

REMUNERATION AND OTHER INTERESTS OF BOARD MEMBERS AND EXECUTIVES

Note 3.3 of the consolidated financial statements provides details of Board members' and executives' remuneration. Between 1 July 2021 and 30 June 2022, 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 Group transactions are outlined in Note 8.3 of the consolidated financial statements.

INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS

Indemnification of Board members of Unitywater

Unitywater has agreed to indemnify Michael Arnett, Megan Corfield, Sarah Zeljko and Chris Hertle, 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* and regulations.

Indemnification of Board members of Unitywater Group and officers appointed to boards and committees

Unitywater has agreed to indemnify any Board members or officers who are nominated by Unitywater's Board to represent Unitywater on boards, directorships and committees to the extent as follows:

i. 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.

ii. Other officers appointed to boards, directorships 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 2022 were:

			Committee meetings					
Board Member	Board meetings		Audit and Risk		People and Culture		Capital Investment and Innovation	
(**A**)ttended / (**E**)ligible	A	E	A	E	A	E	A	E
Michael Arnett – Chairman	11	11	4	4	3	3	6	6
Mike Williamson[1]	1	1	-	-	-	-	1	1
Fiona Waterhouse[1]	3	3	-	-	1	1	2	2
Megan Corfield	11	11	4	4	3	3	-	-
Sarah Zeljko	10	11	4	4	3	3	-	-
Chris Hertle[1]	10	10	-	-	-	-	5	5

[1] *As outlined at the beginning of the report, a number of Board Members were appointed or ceased to serve during the year. The eligible meetings above represent the number held while the Board Member was in office and eligible to attend.*

ROUNDING OF AMOUNTS

Amounts in the consolidated financial statements and Board members’ report have been rounded to the nearest thousand dollars, unless otherwise stated.

Michael Arnett

Chairman
Unitywater
17 August 2022
Caboolture, Queensland

Consolidated Statement of Profit or Loss

for the year ended 30 June 2022

	Notes	2022 $'000	2021[1] $'000
Revenue			
Utility charges	2.1	582,174	581,200
Developer contributions	2.2	148,652	113,410
Other revenue	2.3	27,499	29,055
Total revenue		**758,325**	**723,665**
Expenses			
Bulk water purchases	2.4	(203,695)	(204,560)
Supplies and services	2.5	(92,735)	(94,580)
Employee expenses	3.1	(75,700)	(76,064)
Depreciation and amortisation	4.1, 4.2, 4.3	(97,277)	(89,052)
Borrowing costs	5.8	(59,200)	(64,693)
Other expenses	2.6	(11,020)	(7,997)
Total expenses		**(539,627)**	**(536,946)**
Profit before income tax expense		**218,698**	**186,719**
Income tax expense	7.1	(65,566)	(55,979)
Profit for the year		**153,132**	**130,740**

[1] *Comparatives restated (see Note 1.2.8).*

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

Consolidated Statement of Financial Position

as at 30 June 2022

	Notes	2022 $'000	2021[1] $'000
Current assets			
Cash and cash equivalents	5.3	133,739	135,173
Trade and other receivables	5.4	142,607	140,436
Other assets	8.1	9,213	8,869
Total current assets		**285,559**	**284,478**
Non-current assets			
Trade and other receivables	5.4	1,369	1,233
Property, plant and equipment	4.1	3,999,293	3,847,397
Intangible assets	4.2	18,093	19,214
Right of use assets	4.3	7,038	6,024
Other assets	8.1	10,063	10,924
Total non-current assets		**4,035,856**	**3,884,792**
Total assets		**4,321,415**	**4,169,270**
Current liabilities			
Trade and other payables	5.6	107,719	103,748
Contract liabilities	5.5	43,274	31,495
Employee benefits provision	3.4	22,342	21,019
Lease liabilities	5.7	2,332	2,258
Other liabilities	8.2	995	1,062
Total current liabilities		**176,662**	**159,582**
Non-current liabilities			
Contract liabilities	5.5	-	1,000
Employee benefits provision	3.4	1,697	1,832
Lease liabilities	5.7	5,347	4,727
Borrowings	5.8	1,557,652	1,557,652
Deferred tax liabilities	7.1	223,245	200,394
Other liabilities	8.2	582	582
Total non-current liabilities		**1,788,523**	**1,766,187**
Total liabilities		**1,965,185**	**1,925,769**
Net assets		**2,356,230**	**2,243,501**
Equity			
Contributed equity	5.2	1,434,782	1,434,782
Retained earnings		921,448	808,719
Total equity		**2,356,230**	**2,243,501**

[1] *Comparatives restated (see Note 1.2.8).*

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	Retained earnings $'000	Contributed equity $'000	Total $'000
Balance at 30 June 2020[1]		**713,169**	**1,434,782**	**2,147,951**
Total distribution to participants	5.2	(35,190)	-	(35,190)
Profit for the year[1]		130,740	-	130,740
Balance at 30 June 2021[1]		**808,719**	**1,434,782**	**2,243,501**
Total distribution to participants	5.2	(40,403)	-	(40,403)
Profit for the year		153,132	-	153,132
Balance at 30 June 2022		**921,448**	**1,434,782**	**2,356,230**

[1] Comparatives restated (see Note 1.2.8).

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

for the year ended 30 June 2022

	Notes	2022 Inflow / (Outflow) $'000	2021[1] Inflow / (Outflow) $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		608,785	631,651
Developer contributions		76,127	61,857
Government grants and subsidies		3,704	3,583
Interest received		1,091	906
Goods and services tax refunded (net)		23,949	21,983
Payments to suppliers (inclusive of GST)		(328,893)	(316,369)
Payments to employees		(74,513)	(75,227)
Borrowing costs		(60,452)	(65,951)
Income tax payments		(48,718)	(37,227)
Net cash inflow from operating activities	5.3	**201,080**	**225,206**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		758	836
Payments for property, plant and equipment and intangibles		(165,981)	(146,234)
Payments for investments in associates		-	(6,320)
Net cash outflow from investing activities		**(165,223)**	**(151,718)**
Cash flows from financing activities			
Proceeds from borrowings		60,296	95,821
Repayments of lease liabilities		(2,532)	(2,462)
Repayments of borrowings		(60,296)	(95,821)
Participation return payments		(34,759)	(38,015)
Net cash outflow from financing activities		**(37,291)**	**(40,477)**
Net increase / (decrease) in cash and cash equivalents		(1,434)	33,011
Cash and cash equivalents at the beginning of the year		135,173	102,162
Cash and cash equivalents at the end of the year	5.3	**133,739**	**135,173**

[1] *Comparatives restated (see Note 1.2.8).*

The Consolidated 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 5.2 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 Basis of consolidation

The Group financial statements comprise the audited general purpose financial statements of Unitywater and the subsidiaries it controls (see Note 8.4), for the year ended 30 June 2022. Each member of the Group uses the same reporting period and accounting policies. All material intra-group transactions and balances are eliminated on consolidation. Subsidiaries are consolidated from the date control commences, to the date it ceases.

1.2.2 Statement of compliance

The consolidated financial statements are general purpose financial statements which 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 consolidated financial statements were authorised for issue by the Board on 17 August 2022. Board members have the power to amend and reissue the financial statements.

1 About this financial report

1.2 BASIS OF PREPARATION

1.2.3 Measurement basis

These consolidated financial statements have been prepared on an historical cost basis.

Estimation of 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 2.2, 4.1, 4.4 and 6.1.

1.2.4 Classification as Current or Non-current

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

In addition, cash or cash equivalents, and liabilities which the Group does not have the unconditional right to defer settlement 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 consolidated 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 Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated 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 About this financial report

1.2 BASIS OF PREPARATION

1.2.7 Going concern

The consolidated financial statements have been prepared on a going concern basis in accordance with AASB 101 *Presentation of Financial Statements*. The Group considered the effect of climate related risks and COVID-19 and noted that there is no impact on the Group's ability to continue as a going concern.

1.2.8 Changes in significant accounting policies

During the year, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing cloud computing arrangements (CCA's) in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented in Note 4.2.

The change in policy has been retrospectively applied and comparative financial information has been restated, as follows:

		30 June 2021		
	Notes	As previously reported $'000	Adjustment $'000	Restated $'000
Consolidated Statement of Profit or Loss:				
Other revenue[1]	2.3	29,220	(165)	29,055
Total revenue		**723,830**	**165**	**723,995**
Supplies and services[1]	2.5	(84,801)	(9,779)	(94,580)
Employee expenses	3.1	(73,033)	(3,031)	(76,064)
Depreciation and amortisation	4.1,4.2,4.3	(90,830)	1,778	(89,052)
Total expenses		**(525,914)**	**(11,032)**	**(536,946)**
Profit before income tax expense		**197,916**	**(11,197)**	**186,719**
Income tax expense	7.1	(59,338)	3,359	(55,979)
Profit for the year		**138,578**	**(7,838)**	**130,740**

[1] *Includes remapping adjustments made in the current year.*

1 About this financial report

1.2 BASIS OF PREPARATION

1.2.8 Changes in significant accounting policies

	Notes	30 June 2021 As previously reported $'000	Adjustment $'000	Restated $'000
Consolidated Statement of Financial Position:				
Current assets				
Other assets[1]	8.1	8,720	149	8,869
Total current assets		**284,329**	**149**	**284,478**
Non-current assets				
Intangible assets[2]	4.2	44,130	(24,916)	19,214
Other assets	8.1	10,239	685	10,924
Total non-current assets		**3,909,023**	**(24,231)**	**3,884,792**
Total assets		**4,193,352**	**(24,082)**	**4,169,270**
Current liabilities				
Trade and other payables	5.6	103,741	7	103,748
Total current liabilities		**159,575**	**7**	**159,582**
Non-current liabilities				
Deferred tax liability	7.1	207,621	(7,227)	200,394
Total non-current liabilities		**1,773,414**	**(7,227)**	**1,766,187**
Total liabilities		**1,932,989**	**(7,220)**	**1,925,769**
Net assets		**2,260,363**	**(16,862)**	**2,243,501**
Equity				
Retained earnings[3]		825,581	(16,862)	808,719
Total equity		**2,260,363**	**(16,862)**	**2,243,501**

[1] *Includes remapping adjustments made in the current year.*

[2] *The adjustment includes $13,788,680 related to intangibles as at 30 June 2020, plus $12,905,383 related to additions for the year ended 30 June 2021, less a reduction of $1,778,045 related to amortisation for the year ended 30 June 2021.*

[3] *The adjustment includes $9,023,799 related to retained earnings as at 30 June 2020, and $7,838,085 related to profit for the year ended 30 June 2021.*

1 About this financial report

1.2 BASIS OF PREPARATION

1.2.8 Changes in significant accounting policies

		30 June 2021		
	Notes	As previously reported $'000	Adjustment $'000	Restated $'000
Consolidated Statement of Cash Flows:				
Payments to suppliers (inclusive of GST) [1]		(304,771)	(11,598)	(316,369)
Payments to employees		(73,067)	(2,160)	(75,227)
Net cash inflow from operating activities	**5.3**	**238,964**	**(13,758)**	**225,206**
Payments for property, plant and equipment and intangibles[1]		(160,060)	13,826	(146,234)
Payments for investments in associates[1]		(6,274)	(46)	(6,320)
Net cash outflow from investing activities		**(165,498)**	**13,780**	**(151,718)**
Proceeds from lease liabilities[1]		22	(22)	-
Net cash outflow from financing activities		**(40,455)**	**(22)**	**(40,477)**

[1] *Includes remapping adjustments made in the current year.*

1 About this financial report

1.2 BASIS OF PREPARATION

1.2.9 Comparatives

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

1.2.10 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 consolidated financial statements are described in the following notes:

Note 1.2	Basis of preparation – Estimation of fair value
Note 2.1	Utility charges – Estimation of consumption
Note 2.2	Developer contributions – Fair value estimation of developer contributions (donated assets)
Note 2.4	Bulk water purchases – Estimation of consumption
Note 3.4	Employee benefits provision – Leave provision estimations
Note 4.1	Property, plant and equipment – Fair value estimation of donated property, plant and equipment
Note 4.1	Property, plant and equipment – Estimated useful lives of property, plant and equipment
Note 4.2	Intangible assets – Estimated useful lives of intangible assets
Note 4.3	Right of use assets – Estimation of cost of right of use assets
Note 4.4	Impairment – Estimation of fair value of non-current assets
Note 5.4	Trade and other receivables – Receivables expected credit loss estimation
Note 5.7	Lease liabilities – Judgement and estimation regarding lease liabilities
Note 6.3	Contingencies – Judgement regarding legal claims
Note 7.1	Income tax – Deferred tax estimate

1 About this financial report

1.2 BASIS OF PREPARATION

1.2.11 Climate change

Unitywater continues to develop its assessment of the emerging climate-related risks and opportunities that impact the business. Risks include climate extremes such as floods, droughts, heatwaves, bushfires and tidal inundation.

Unitywater assesses the potential impact of the physical risks of climate change in line with Unitywater's Risk Management Framework, through the development of critical plans, including the Drought Management Plan, Emergency Response Plan, Business Continuity Plan, and Water Matters Plan. In limited circumstances, where proposed responses to risks identified in the critical plans are sufficiently mature, they have been incorporated into the forecast cash flows of Unitywater's assets.

Unitywater has established a Sustainability Pathway which focuses on the development of overarching sustainability goals and strategies to reduce our energy consumption and carbon footprint, and to improve the health of our waterways. During the year, Unitywater has commenced development of a detailed Sustainability Plan to achieve the goals outlined in the Sustainability Pathway.

If new risks are identified as part of ongoing climate-related assessment, Unitywater will continue to monitor and assess the impacts as they relate to financial results and the carrying values of assets and liabilities.

1.2.12 COVID-19

COVID-19 has continued to impact some organisations this year, either directly or indirectly. Unitywater is reviewing and assessing the ongoing situation, impacts on financial performance, financial position and cash flows, and responding accordingly. However, at this point in time it has not had a significant impact on Unitywater's financial position and performance to date.

2 Our performance

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

2.1 UTILITY CHARGES

	2022 $'000	2021 $'000
Revenue from contracts with customers		
Water access charges	111,139	107,189
Water volumetric charges	233,626	234,685
Sewerage access charges	202,955	200,511
Sewerage volumetric charges	34,454	38,815
Total utility charges	**582,174**	**581,200**

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.

2.2 DEVELOPER CONTRIBUTIONS

	2022 $'000	2021 $'000
Revenue from contracts with customers		
Developer contributions – donated assets	78,325	54,723
Developer contributions – cash	70,327	58,687
Total developer contributions	**148,652**	**113,410**

Unitywater finances part of its capital works infrastructure program through non-refundable 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 5.5 Contract liabilities).

Fair value 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.

2 Our performance

2.3 OTHER REVENUE

	2022 $'000	2021[1] $'000
Revenue from contracts with customers		
Fees and charges	8,318	9,643
Private works	11,097	12,366
Other	506	335
	19,921	22,344
Other revenue		
Grants and subsidies	3,704	3,583
Lease revenue	2,294	2,027
Interest	1,129	878
Other	451	223
	7,578	6,711
Total other revenue	**27,499**	**29,055**

[1] *Comparatives restated (see Note 1.2.8).*

2.4 BULK WATER PURCHASES

	2022 $'000	2021 $'000
Bulk water purchases	203,695	204,560
Total bulk water purchases	**203,695**	**204,560**

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 Minister for Regional Development and Manufacturing and the Minister for Water.

Estimation of consumption – Unitywater estimates bulk water consumption where 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 bulk water price.

2 Our performance

2.5 SUPPLIES AND SERVICES

	2022 $'000	2021[1] $'000
Materials and services	90,954	93,385
Consultants and legal fees	1,781	1,195
Total supplies and services	**92,735**	**94,580**

[1] *Comparatives restated (see Note 1.2.8).*

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.

2.6 OTHER EXPENSES

	2022 $'000	2021 $'000
Insurance	1,903	1,615
Audit fees (internal and external)[1]	1,091	690
Adjustment of expected credit losses	(11)	(30)
Indirect tax expenses	2,385	2,306
Loss on disposal of property, plant and equipment	4,345	2,807
Other	1,307	609
Total other expenses	**11,020**	**7,997**

[1] *Total external audit fees quoted by the Queensland Audit Office (QAO) relating to the 2022 consolidated financial statements are estimated to be $280,000 (2021: $251,130). Additional costs of $80,000 regarding 2021 were also recognised in 2022. There are no non-audit services included in this amount.*

2 Our performance

2.7 FINANCIAL SUSTAINABILITY

2.7.1 Financial sustainability ratios

The Group 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:

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

ii. Capital replenishment ratio – Capital expenditure on construction or 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.

iii. 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 consolidated results have been disclosed for the current and comparative year as below:

	2022	2021[1]
Financial sustainability metrics		
Operating ratio	29%	26%
Capital replenishment ratio	2.6 x	2.3 x
Debt to revenue ratio	2.1 x	2.2 x

[1] *Comparatives restated as a result of a change in accounting policy (see Note 1.2.8).*

3 Our team

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

3.1 EMPLOYEE EXPENSES

	Notes	2022 $'000	2021[1] $'000
Employee benefits			
Salaries and wages		80,905	79,660
Employer superannuation contribution	3.2	8,416	7,743
Other employee benefits		613	588
		89,934	87,991
Employee related expenses			
Payroll tax		4,360	4,181
Workers compensation premium		789	878
Training		1,561	815
Recruitment		678	440
Other employee expenses		793	596
		8,181	6,910
Less allocations to capital expenditure		(22,415)	(18,837)
Total employee expenses		**75,700**	**76,064**

[1] *Comparatives restated (see Note 1.2.8).*

Employee expenses include costs related to employment. Other employee benefits include directors' fees and redundancy payments. Other employee 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 over the life of the asset.

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:

	2022	2021
Number of employees	681	690

3 Our team

3.2 SUPERANNUATION

Unitywater contributes to the Local Government Investment Australia Superannuation Scheme (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.

LGIAsuper acquired Suncorp's superannuation business, Suncorp Portfolio Services Ltd (SPSL) during 2022. In addition, LGIAsuper rebranded as Brighter Super from 1 July 2022.

Local Government Investment Australia 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 pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the entity level.

Any amount by which the scheme is over or under funded may affect future contribution rate obligations, but has not been recognised as an asset or liability of Unitywater.

Unitywater may 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 as required under Superannuation Prudential Standard 160 was undertaken as at 1 July 2021. The actuary indicated that "At the valuation date of 1 July 2021 the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. 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.

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

The next triennial actuarial review is not due until 1 July 2024.

3 Our team

3.2 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:

	Notes	2022 $'000	2021 $'000
Superannuation plan			
Regional Defined Benefit Fund – LGIAsuper		369	416
Accumulation Benefit Fund – LGIAsuper		4,733	4,702
Other defined contribution funds		3,314	2,625
Total superannuation contributions	3.1	**8,416**	**7,743**

3.3 KEY MANAGEMENT PERSONNEL

3.3.1 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:

	2022 $	2021 $
Remuneration		
Michael Arnett	136,451	112,370
Jim Soorley	-	31,228
Sharon Doyle	-	15,898
Mike Williamson	10,945	65,149
Fiona Waterhouse	21,714	63,179
Megan Corfield	68,154	48,728
Sarah Zeljko	68,154	48,728
Chris Hertle	55,335	-
Total board members' remuneration	**360,753**	**385,280**

3 Our team

3.3 KEY MANAGEMENT PERSONNEL

3.3.2 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 the Group during the year. Further information can be found in the body of the Annual Report under the section relating to Our Structure – Our Executive Leadership Team.

Position	Responsibilities
Chief Executive Officer	Accountable to the Board for the overall management and operation of the Group as well as ensuring the successful delivery of the Group's strategic direction.
Chief Financial Officer	Responsible for managing corporate strategy, new business investment strategy, 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, pumping stations 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, business resilience, risk management and legal and governance.

3 Our team

3.3 KEY MANAGEMENT PERSONNEL

3.3.3 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:

i. Short-term employee benefits:

- Monetary benefits which 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.
- Non-monetary benefits which relate to allocated parking spaces provided for the executive team.

ii. Post-employment benefits which consist of superannuation contributions.

iii. Long term employee benefits which represent long service leave entitlements paid and provided for.

iv. Termination benefits which consist of additional payments made on termination of employment, such as severance packages.

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 and documented 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.

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.

3 Our team

3.3 KEY MANAGEMENT PERSONNEL

3.3.3 Remuneration for key executive management personnel

Remuneration for key executive management personnel comprises the following components:

1 July 2021 - 30 June 2022

Position	Short term benefits		Post employment benefits[1]	Long term employment benefits	Termination benefits	Total remuneration
	Monetary	Non-monetary				
	$	$	$	$	$	$
Chief Executive Officer (1 July 2021 - 18 February 2022)	308,465	3,511	17,676	(11,541)	105,754	423,865
Acting Chief Executive Officer (19 February 2022 - 30 June 2022)	189,642	1,989	8,333	3,665	-	203,629
Chief Financial Officer (1 July 2021 - 18 February 2022)	280,948	3,511	16,034	8,785	-	309,278
Acting Chief Financial Officer (19 February 2022 - 30 June 2022)	110,065	1,989	10,783	2,167	-	125,004
Executive Manager Sustainable Infrastructure Solutions (1 July 2021 - 28 October 2021)	114,808	1,808	11,784	(11,585)	25,699	142,514
Acting Executive Manager Sustainable Infrastructure Solutions (29 October 2021 - 20 February 2022)	84,615	1,733	3,980	5,767	-	96,095
Executive Manager Sustainable Infrastructure Solutions (21 February 2022 - 30 June 2022)	130,582	1,959	9,002	1,108	-	142,651
Executive Manager Customer Delivery	325,766	5,500	24,058	9,466	-	364,790
Executive Manager Customer and Community	353,268	5,500	24,087	6,225	-	389,080
Executive Manager People, Culture and Safety	324,258	5,500	27,985	11,721	-	369,464
Total remuneration	**2,222,417**	**33,000**	**153,722**	**25,778**	**131,453**	**2,566,370**

[1]*Post employment benefits includes year end accruals*

1 July 2020 - 30 June 2021

Position	Short term benefits		Post employment benefits	Long term employment benefits	Total remuneration
	Monetary	Non-monetary			
	$	$	$	$	$
Chief Executive Officer	501,504	5,500	20,994	30,229	558,227
Chief Financial Officer	364,120	5,500	20,904	20,714	411,238
Executive Manager Sustainable Infrastructure Solutions	309,826	5,500	20,722	4,956	341,004
Executive Manager Customer Delivery	306,663	5,500	21,694	4,311	338,168
Executive Manager Customer and Community	274,160	5,500	21,392	18,002	319,054
Executive Manager People, Culture and Safety	292,388	5,500	20,904	11,992	330,784
Total remuneration	**2,048,661**	**33,000**	**126,610**	**90,204**	**2,298,475**

3 Our team

3.3 KEY MANAGEMENT PERSONNEL

3.3.4 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 when performance reviews are completed and endorsed by the People and Culture Committee and approved by the Board. Payment of performance bonuses occurs in the year following actual performance. Performance bonuses were paid this financial year by 1st December 2021.

The aggregate performance bonuses paid to key executive management personnel are as follows:

	2022 $	2021 $
Performance payments paid	283,598	-

3.4 EMPLOYEE BENEFITS PROVISION

	2022 $'000	2021 $'000
Current		
Accrued salaries and wages	2,950	2,449
Annual leave liability	7,063	6,677
Long service leave liability	12,164	11,744
Leave in lieu liability	165	149
Total current employee benefits provision	**22,342**	**21,019**
Non-current		
Long service leave liability	1,697	1,832
Total non-current employee benefits provision	**1,697**	**1,832**

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.

3 Our team

3.4 EMPLOYEE BENEFITS PROVISION

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 payment eligibility 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, staff retention and periods of service.

Leave provision estimations – Expected future payments relating to such leave are compiled using average oncost rates, uplifted using the Consumer Price Index (CPI), then discounted using the corporate bond market yield at the reporting date and adjusted for historical retention rates where appropriate.

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.

4 Our assets

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

4.1 PROPERTY, PLANT AND EQUIPMENT

4.1.1 Movement in carrying amounts

	Land $'000	Buildings $'000	Infrastructure $'000	Plant and equipment $'000	Work in progress $'000	Total $'000
Cost	53,857	16,786	4,152,648	69,591	166,761	4,459,643
Less accumulated depreciation[1]	-	(2,352)	(695,601)	(28,587)	-	(726,540)
Net book value at 1 July 2020	**53,857**	**14,434**	**3,457,047**	**41,004**	**166,761**	**3,733,103**
Additions	-	-	-	-	144,922	144,922
Transfers from investment property	5	-	-	-	-	5
Transfers from work in progress	872	625	143,097	5,145	(149,739)	-
Donated assets	-	4	57,458	56	-	57,518
Disposals	-	-	(2,669)	(974)	-	(3,643)
Depreciation						
Depreciation expensed	-	(277)	(78,119)	(5,432)	-	(83,828)
Depreciation capitalised	-	(42)	(42)	(596)	-	(680)
Net book value at 30 June 2021	**54,734**	**14,744**	**3,576,772**	**39,203**	**161,944**	**3,847,397**
Cost	54,734	17,458	4,342,662	68,822	161,944	4,645,620
Less accumulated depreciation[1]	-	(2,714)	(765,890)	(29,619)	-	(798,223)
Net book value at 1 July 2021	**54,734**	**14,744**	**3,576,772**	**39,203**	**161,944**	**3,847,397**
Additions	-	-	-	-	174,050	174,050
Transfer to assets held for sale	(128)	-	-	-	-	(128)
Transfers between classes	-	(264)	264	-	-	-
Transfers from work in progress	1,036	96	161,774	6,352	(169,258)	-
Donated assets	-	-	77,063	-	-	77,063
Disposals	-	-	(4,051)	(1,052)	-	(5,103)
Depreciation						
Depreciation expensed	-	(279)	(87,564)	(5,387)	-	(93,230)
Depreciation capitalised	-	(44)	(43)	(669)	-	(756)
Net book value at 30 June 2022	**55,642**	**14,253**	**3,724,215**	**38,447**	**166,736**	**3,999,293**
Cost	55,642	17,290	4,573,961	71,835	166,736	4,885,464
Less accumulated depreciation[1]	-	(3,037)	(849,746)	(33,388)	-	(886,171)
Net book value at 30 June 2022	**55,642**	**14,253**	**3,724,215**	**38,447**	**166,736**	**3,999,293**

[1] *Including accumulated impairment losses/reversals.*

4 Our assets

4.1 PROPERTY, PLANT AND EQUIPMENT

4.1.1 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.

4 Our assets

4.1 PROPERTY, PLANT AND EQUIPMENT

4.1.1 Movement in carrying amounts

Fair value 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.

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

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 Consolidated Statement of Profit or Loss.

4 Our assets

4.2 INTANGIBLE ASSETS

4.2.1 Movement in carrying amounts

	Software [1] $'000	Work in progress[1] $'000	Total[1] $'000
Cost	53,832	2,814	56,646
Accumulated amortisation	(38,545)	-	(38,545)
Net book value at 1 July 2020	**15,287**	**2,814**	**18,101**
Additions	-	5,288	5,288
Transfers from work in progress	5,769	(5,769)	-
Amortisation	(4,175)	-	(4,175)
Net book value at 30 June 2021	**16,881**	**2,333**	**19,214**
Cost	57,457	2,333	59,790
Accumulated amortisation	(40,576)	-	(40,576)
Net book value at 30 June 2021	**16,881**	**2,333**	**19,214**
Additions	-	1,893	1,893
Disposals	(5)	-	(5)
Amortisation	(3,009)	-	(3,009)
Net book value at 30 June 2022	**13,867**	**4,226**	**18,093**
Cost	57,452	4,226	61,678
Accumulated amortisation	(43,585)	-	(43,585)
Net book value at 30 June 2022	**13,867**	**4,226**	**18,093**

[1] *Comparatives restated (see Note 1.2.8).*

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. **Software**

Costs associated with the development, implementation or enhancement of on-premise systems and software are capitalised where they meet the definition of and recognition criteria for an intangible asset. 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. These costs are then amortised over the useful life of the software on a straight-line basis.

ii. **Cloud computing arrangements (CCA's)**

Costs associated with CCA's (which provide the Group with the right to access the cloud providers application software over the contract period) are recognised as an operating expense when the services are received i.e. either at a point in time or over the term of the contract depending on whether the promises set out in the CCA arrangement are separable from other promises within the arrangement. Previously some costs had been capitalised and amortised over the useful life of the software.

4 Our assets

4.2 INTANGIBLE ASSETS

4.2.1 Movement in carrying amounts

iii. Amortisation

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

The estimated useful lives for intangible assets are:
Software 3 - 20 years

4.3 RIGHT OF USE ASSETS

4.3.1 Movement in carrying amounts

	Land $'000	Buildings $'000	Total $'000
Cost	193	21,556	21,749
Less accumulated depreciation	(31)	(13,540)	(13,571)
Net book value at 1 July 2020	**162**	**8,016**	**8,178**
Reassessments[1]	-	22	22
Depreciation			
Depreciation expensed	(4)	(1,045)	(1,049)
Depreciation capitalised	-	(1,127)	(1,127)
Net book value at 30 June 2021	**158**	**5,866**	**6,024**
Cost	193	21,578	21,771
Less accumulated depreciation	(35)	(15,712)	(15,747)
Net book value at 30 June 2021	**158**	**5,866**	**6,024**
Reassessments[1]	8	3,218	3,226
Depreciation			
Depreciation expensed	(5)	(1,033)	(1,038)
Depreciation capitalised	-	(1,174)	(1,174)
Net book value at 30 June 2022	**161**	**6,877**	**7,038**
Cost	201	24,796	24,997
Less accumulated depreciation	(40)	(17,919)	(17,959)
Net book value at 30 June 2022	**161**	**6,877**	**7,038**

[1] *CPI adjustments and lease extensions 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 Consolidated Statement of Profit or Loss), such right of use assets are capitalised at cost on the commencement date of the lease.

4 Our assets

4.3 RIGHT OF USE ASSETS

4.3.1 Movement in carrying amounts

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 5.7 Lease liabilities for details of the financing of these assets.

4.4 IMPAIRMENT

4.4.1 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.

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 – 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 carrying amount.

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.

Impacts of growth in Unitywater's service region (which drives developer contributions - cash and assets) were assessed against long-term inflation expectations in the impairment review.

Unitywater's review of asset valuation in 2022 concluded that the fair value range remains supportive of the assets' carrying value and hence no impairment is indicated. There are no material indicators of impairment at the time the financial statements were authorised for issue.

Based on this review, no impairment (2021: $Nil) was recognised in relation to property, plant and equipment, intangibles and right of use assets in the Consolidated Statement of Profit or Loss.

5 Our funding

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

5.1 CAPITAL MANAGEMENT

Unitywater Group 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.

Unitywater's capital comprises contributed equity, retained earnings and net debt.

	Notes	Parent 2022 $'000	Parent 2021[1] $'000
Contributed equity	5.2	1,434,782	1,434,782
Retained earnings		922,464	808,959
Total equity		2,357,246	2,243,741
Borrowings	5.8	1,557,652	1,557,652
Less: cash and cash equivalents	5.3	(133,739)	(135,173)
Net debt		1,423,913	1,422,479
Net capital		**3,781,159**	**3,666,220**
Gearing ratio		**38%**	**39%**

[1] Comparatives restated as a result of a change in accounting policy (see Note 1.2.8).

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.

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

	Parent 2022	Parent 2021[1]
Key credit metrics		
EBITDA[2] interest coverage >= 2.5	21.2	20.0
EBIT[3] interest coverage >=1.75	12.1	12.1
Funds from operations interest coverage >= 2.25	16.6	16.7
Net debt to fixed assets <= 60%	7%	7%

[1]Comparatives restated as a result of a change in accounting policy (see Note 1.2.8).

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

[3] Earnings before interest and tax.

Unitywater is in compliance with the facility covenants. Its implied credit rating, as determined by QTC, is BBB+. 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 (cash and donated assets).

5 Our funding

5.2 EQUITY

5.2.1 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:

		2022 $'000	2021 $'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**

5.2.2 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 Group. The Participation Agreement specifies the participants' rights to participate in a distribution of profits of Unitywater Group 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 Group must give to the participants an estimate of Unitywater Group's net profit for the financial year; and 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 Group (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.

The following participation returns have been paid or are payable at 30 June 2022:

	2022 $'000	2021 $'000
In accordance with the Participation Agreement, an interim participation return was declared on 21 January 2022 and paid on 15 February 2022	19,934	20,365
The Board declared the full year participation return on 28 June 2022	20,469	14,825
Total participation return paid/payable	**40,403**	**35,190**
Moreton Bay Regional Council	23,531	20,495
Sunshine Coast Council	15,155	13,199
Noosa Council	1,717	1,496
Total	**40,403**	**35,190**

5 Our funding

5.3 CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank and on hand	133,739	135,173
Total cash and cash equivalents in the Consolidated Statement of Cash Flows	**133,739**	**135,173**

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.

5.3.1 Reconciliation of cash flows from operating activities

	2022 $'000	2021[1] $'000
Cash flows from operating activities		
Profit for the year	153,132	130,740
Non-cash items included in operating result:		
Depreciation and amortisation	97,277	89,052
Loss on disposal of property, plant and equipment	4,345	2,807
Donated assets	(77,063)	(57,518)
Share of loss from investments in associates	798	46
Credit losses on trade and other receivables	(11)	(30)
Changes in assets and liabilities:		
Decrease / (Increase) in trade and other receivables	(2,296)	24,470
Increase in inventories held for use	(381)	(1,093)
Decrease / (Increase) in prepayments	228	(478)
(Decrease) / Increase in trade and other payables	(9,700)	17,337
Increase in contract liabilities	10,779	7,452
Increase in employee benefits provision	1,188	28
Decrease in other liabilities	(67)	(282)
Increase in deferred tax liabilities	22,851	12,675
Net cash inflow from operating activities	**201,080**	**225,206**

[1] *Comparatives restated (see Note 1.2.8).*

5 Our funding

5.4 TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Current		
Trade debtors and accrued receivables	139,273	137,556
Less: expected credit losses	(488)	(559)
	138,785	136,997
GST receivables	3,767	3,342
Other receivables	55	97
Total current	**142,607**	**140,436**
Non-current		
Other receivables	1,369	1,233
Total non-current	**1,369**	**1,233**
Total trade and other receivables	**143,976**	**141,669**

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 5.5). Other receivables are due in accordance with their contractual terms.

Trade debtors are generally interest-bearing once they become due.

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.

5 Our funding

5.4 TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Movement in expected credit losses		
Opening balance	559	621
Decrease in provision	(71)	(62)
Closing balance	**488**	**559**

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				
2022				
Accrued receivables	0.02%	95,410	16	95,394
Current billed	0.01%	38,184	5	38,179
Past due 0-30 days	0.08%	4,802	4	4,798
Past due 31-60 days	0.35%	1,136	4	1,132
Past due 61-90 days	0.64%	782	5	777
More than 91 days	10.94%	4,150	454	3,696
Total trade and other receivables		**144,464**	**488**	**143,976**
2021				
Accrued receivables	0.02%	93,251	16	93,235
Current billed	0.02%	37,074	6	37,068
Past due 0-30 days	0.08%	4,798	4	4,794
Past due 31-60 days	0.35%	2,308	8	2,300
Past due 61-90 days	0.69%	871	6	865
More than 91 days	13.22%	3,926	519	3,407
Total trade and other receivables		**142,228**	**559**	**141,669**

5 Our funding

5.5 CONTRACT LIABILITIES

	2022 $'000	2021 $'000
Opening balance	32,495	25,043
Previously deferred revenue recognised during the period	(22,644)	(14,872)
Additional revenue deferred during the period	34,610	24,499
Refunds of balances previously deferred	(1,187)	(2,175)
Closing balance	**43,274**	**32,495**
Current	43,274	31,495
Non-current	-	1,000
Total contract liabilities	**43,274**	**32,495**

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 (see Note 2.2 for details). 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.

5.6 TRADE AND OTHER PAYABLES

	2022 $'000	2021[1] $'000
Current		
Trade creditors	21,328	21,474
Participation return payable	20,469	14,825
Interest payable	14,727	15,928
Accrued expenses	45,273	39,777
Income tax payable	2,992	8,995
Other	2,930	2,749
Total trade and other payables	**107,719**	**103,748**

[1] Comparatives restated (see Note 1.2.8).

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. Generally, amounts owing are unsecured and are settled on 30-day terms or as contractually/legally required.

5 Our funding

5.7 LEASE LIABILITIES

	2022 $'000	2021 $'000
Lease liabilities		
Current	2,332	2,258
Non-current	5,347	4,727
Total lease liabilities	**7,679**	**6,985**

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 2022 was $2,748,886 (2021: $2,677,536).

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 4.3 Right of use assets for details of the assets covered by these leases.

5.8 BORROWINGS

5.8.1 Borrowing costs

	2022 $'000	2021 $'000
Interest on loans	59,095	64,566
Interest on lease liabilities	105	152
Other interest	-	(25)
Total borrowing costs	**59,200**	**64,693**

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 directly fund capital projects in 2022 (2021: $Nil).

5 Our funding

5.8 BORROWINGS

5.8.2 Composition of borrowings

	2022 $'000	2021 $'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 6.1. There have been no defaults or breaches of the loan agreements during the 2022 financial year (2021: 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 6.1 along with Unitywater's other financial liabilities.

The weighted average interest rate on borrowings for the year is 3.79% (2021: 4.13%). Interest payments are made quarterly in arrears. For 2022, the rates ranged from 2.89% to 4.10% (2021: 3.03% to 4.51%).

5 Our funding

5.8 BORROWINGS

5.8.2 Composition of borrowings

Sensitivity analysis for variable rate instruments

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

		Interest rate risk			
		-1%		+1%	
	Net carrying amounts $'000	Profit $'000	Equity $'000	Profit $'000	Equity $'000
2022					
Financial assets	133,730	(1,337)	(1,337)	1,337	1,337
Financial liabilities	(1,557,652)	799	799	(784)	(784)
Sensitivity (net)	**(1,423,922)**	**(538)**	**(538)**	**553**	**553**
2021					
Financial assets	135,117	(1,351)	(1,351)	1,351	1,351
Financial liabilities	(1,557,652)	808	808	(785)	(785)
Sensitivity (net)	**(1,422,535)**	**(543)**	**(543)**	**566**	**566**

5.8.3 Financing arrangements at balance date

	2022 $'000	2021 $'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	724	740
Working capital	50,000	49,998
Total facilities not used	**50,774**	**50,788**

6 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.

6.1 FINANCIAL RISK FRAMEWORK

6.1.1 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
Investments in associates	Cost	Cost plus/minus profits/losses
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

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.

6.1.2 Categorisation of financial instruments

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

Category	Notes	2022 $'000	2021[1] $'000
Financial assets			
Cash and cash equivalents	5.3	133,739	135,173
Trade and other receivables	5.4	140,209	138,327
Other assets	8.1	5,476	6,274
Total financial assets		**279,424**	**279,774**
Financial liabilities			
Trade and other payables	5.6	107,719	103,748
Lease liabilities	5.7	7,679	6,985
Borrowings	5.8	1,557,652	1,557,652
Total financial liabilities		**1,673,050**	**1,668,385**

[1] *Comparatives restated (see Note 1.2.8).*

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.

6 Our financial risks

6.1 FINANCIAL RISK FRAMEWORK

6.1.3 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 the Group.

Risk exposure

The activities of Unitywater Group expose it to a variety of financial risks as set out below.

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

Unitywater Group is exposed to credit risk through its customers, investments with the Queensland Treasury Corporation (QTC) and deposits held with banks. It uses ageing analysis to measure this risk (see Note 5.4).

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.

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 2022 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 5.3 and 5.4).

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 Consolidated Statement of Financial Position.

6 Our financial risks

6.1 FINANCIAL RISK FRAMEWORK

6.1.3 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. It uses maturity analysis to measure this risk (see below).

Unitywater manages its exposure to liquidity risk due to unexpected volatility in cash flows, by maintaining sufficient cash deposits as well as short and long-term borrowing facilities.

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
	$'000	<1 year $'000	1-5 years $'000	>5 years $'000	$'000
2022					
Trade and other payables	107,719	107,719	-	-	107,719
PLG loans	1,160,652	46,803	186,169	1,451,412	1,684,384
QTC borrowings	397,000	11,365	45,339	397,000	453,704
Lease liabilities	7,679	2,812	5,438	295	8,545
Total financial liabilities	**1,673,050**	**168,699**	**236,946**	**1,848,707**	**2,254,352**
2021[1]					
Trade and other payables	103,748	103,748	-	-	103,748
PLG loans	1,160,652	48,776	190,347	1,505,525	1,744,648
QTC borrowings	397,000	11,464	45,815	397,000	454,279
Lease liabilities	6,985	2,706	4,719	291	7,716
Total financial liabilities	**1,668,385**	**166,694**	**240,881**	**1,902,816**	**2,310,391**

[1] *Comparatives restated (see Note 1.2.8).*

6 Our financial risks

6.1 FINANCIAL RISK FRAMEWORK

6.1.3 Financial risk management

Market risk – Unitywater's market risk is primarily in relation to interest rate risk. This is the risk that a value of a financial instrument or cash flow associated with the instrument will fluctuate due to changes in market interest rates.

Unitywater is exposed to interest rate risk through its borrowings from QTC and Participating Councils, investment with QTC and cash deposited in interest-bearing accounts. It uses sensitivity analysis to measure this risk (see Note 5.8).

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

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.

6.1.4 Fair value

Unitywater Group 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
2022		
Participating Councils		
Subordinated loans	1,160,652	1,124,367
QTC borrowings		
Portfolio linked loan	397,000	376,541
Total borrowings	**1,557,652**	**1,500,908**
2021		
Participating Councils		
Subordinated loans	1,160,652	1,410,921
QTC borrowings		
Portfolio linked loan	397,000	428,257
Total borrowings	**1,557,652**	**1,839,178**

6 Our financial risks

6.2 COMMITMENTS

6.2.1 Leases as lessor

Finance leases

Leases in which Unitywater Group transfers substantially all of the risks and rewards of ownership to another party are classified as finance leases. Unitywater Group 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. In this respect, Unitywater leases commercial property to businesses as well as other sites to telecommunication carriers for installation and operation of mobile telecommunication facilities. Commitments to Unitywater under non-cancellable operating leases at reporting date are receivable as follows:

	2022 $'000	2021 $'000
Within one year	1,635	1,721
Between one and five years	4,896	4,335
More than five years	13,427	4,502
Total commitments – leases as a lessor	**19,958**	**10,558**

6.2.2 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:

	2022 $'000	2021[1] $'000
Property, plant and equipment		
Within one year	77,422	37,445
One year and no later than five years	65,629	11,610
More than five years	461	-
Total commitments	**143,512**	**49,055**
Intangibles		
Within one year	354	56
One year and no later than five years	114	4
Total commitments	**468**	**60**

[1] Comparatives restated as a result of a change in accounting policy (see Note 1.2.8). The restatement resulted in a reduction to Intangibles due within one year of $1,262,986.

6.3 CONTINGENCIES

Legal claims

Judgement regarding legal claims – There is currently a dispute with a Unitywater contractor in relation to a design and construct contract. Both parties are seeking compensation. Unitywater has filed a legal claim in July 2022. Unitywater does not admit liability.

6.4 SUBSEQUENT EVENTS

In July 2022, Unitywater filed a legal claim against a contractor in relation to a design and construct contract, see Note 6.3. There have been no other subsequent events to date that may significantly affect the operations of Unitywater or materially impact the consolidated financial statements.

7 Our tax

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

7.1 INCOME TAX

7.1.1 Income tax expense

Unitywater Group is subject to the Local Government Tax Equivalents Regime (LGTER). Under the LGTER, Unitywater Group 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) on the Consolidated Statement of Profit or Loss 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 Consolidated Statement of Profit or Loss, 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 Group's liability for current tax expense is calculated using tax rates enacted at balance date.

The Group has formed an income tax consolidated group consisting of Headworks Australia Pty Ltd, Unitywater Properties Pty Ltd and their subsidiaries (see Note 8.4 for details). Unitywater is the head entity of the tax consolidated group.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly owned entities in the case of a default by the parent entity, Unitywater.

The Group has also entered into a tax funding agreement under which the wholly-owned entities fully compensate Unitywater for any current tax payable assumed and are compensated by Unitywater for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Unitywater under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon payment by the parent entity of those liabilities and are subject to the parent entity providing to the wholly owned entities satisfactory evidence of that payment. The wholly owned entities shall promptly pay to the parent entity that contribution amount and the parent entity shall promptly pay to the relevant wholly owned entities, amounts receivable by them under the funding arrangement.

7 Our tax

7.1 INCOME TAX

7.1.1 Income tax expense

	2022 $'000	2021[1] $'000
Income tax expense recognised in consolidated profit or loss		
Current tax expense		
Current income tax charge	42,715	43,217
Adjustments for current income tax of prior years	-	87
Current tax expense	42,715	43,304
Deferred tax expense		
Deferred income tax charge	22,851	12,675
Adjustments for current income tax of prior years	-	-
Deferred tax expense	22,851	12,675
Total income tax expense	**65,566**	**55,979**
Reconciliation of effective tax rate		
Consolidated profit before income tax expense	218,698	186,719
Income tax expense at 30%	65,610	56,016
Cancellation of carried forward losses upon forming a tax consolidated group	36	-
Non-deductible expenses	11	33
Change in unrecognised temporary differences subject to initial recognition exemption	(91)	(70)
Income tax expense	**65,566**	**55,979**

[1] Comparatives restated (see Note 1.2.8).

7 Our tax

7.1 INCOME TAX

7.1.2 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 Group.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 $'000	2021[1] $'000	2022 $'000	2021[1] $'000	2022 $'000	2021[1] $'000
Property, plant and equipment	-	-	(217,303)	(196,252)	(217,303)	(196,252)
Right of use assets	-	-	(2,112)	(1,807)	(2,112)	(1,807)
Prepayments	-	-	(251)	(40)	(251)	(40)
Employee benefits	6,419	6,137	-	-	6,419	6,137
Other provisions and accruals	196	348	-	-	196	348
Lease liabilities	2,478	2,270	-	-	2,478	2,270
Accrued revenue	-	-	(387)	(374)	(387)	(374)
Other items	465	134	(12,750)	(10,810)	(12,285)	(10,676)
Tax asset/(liability)	9,558	8,889	(232,803)	(209,283)	(223,245)	(200,394)
Set off	(9,558)	(8,889)	9,558	8,889	-	-
Net tax liability	**-**	**-**	**(223,245)**	**(200,394)**	**(223,245)**	**(200,394)**

[1] *Comparatives restated (see Note 1.2.8).*

7 Our tax

7.1 INCOME TAX

7.1.3 Movements in deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2022 $'000	2021[1] $'000	2022 $'000	2021[1] $'000	2022 $'000	2021[1] $'000
Opening balance	8,889	8,647	(209,283)	(200,234)	(200,394)	(191,587)
Adjustment on change in accounting policy SaaS	-	-	-	3,868	-	3,868
Restated opening balance	8,889	8,647	(209,283)	(196,366)	(200,394)	(187,719)
Current year's income tax equivalent expense	669	242	(23,520)	(12,917)	(22,851)	(12,675)
Closing balance	**9,558**	**8,889**	**(232,803)**	**(209,283)**	**(223,245)**	**(200,394)**

[1] Comparatives restated (see Note 1.2.8).

7.1.4 Unrecognised deferred tax liabilities

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

	Liabilities	
	2022 $'000	2021 $'000
Depreciating assets transferred from Councils on 1 July 2010	(10)	(51)
Employee provisions transferred from Councils on 1 July 2010	(81)	(19)
Tax liability	**(91)**	**(70)**

As part of the restructure of the water entities, the Sunshine Coast and Moreton Bay Regional Councils transferred assets and employee leave provisions to Unitywater on 1 July 2010. The requirements of the initial recognition exceptions in relation to these assets and liabilities were satisfied such that any temporary differences arising on the acquisition of the transferred assets and leave balances were not recognised; and no temporary differences are recognised in the current period, or future periods in relation to these assets and leave balances.

8 Other

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

8.1 OTHER ASSETS

	2022 $'000	2021[1] $'000
Current		
Prepayments	5,438	5,603
Inventories held for use (cost)	3,647	3,266
Non-current assets held for sale	128	-
Total other current assets	**9,213**	**8,869**
Non-current		
Prepayments	622	685
Investments in associates	5,476	6,274
Investment property	3,965	3,965
Total other non-current assets	**10,063**	**10,924**

[1] *Comparatives restated (see Note 1.2.8).*

An amount of $2,903,357 (2021: $3,883,898) of inventory was recognised as an expense during the year.

8.2 OTHER LIABILITIES

	2022 $'000	2021 $'000
Current		
Unearned revenue	880	932
Security deposits and retentions	115	118
Other payables	-	12
Total other current liabilities	**995**	**1,062**
Non-current		
Provision for restoration	582	582
Total other non-current liabilities	**582**	**582**

8 Other

8.3 RELATED PARTIES

8.3.1 Transactions and balances with Participating Councils

	Moreton Bay Regional Council		Sunshine Coast Council		Noosa Council		Total	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Revenue								
Utility charges	5,673	6,480	4,822	4,454	809	943	11,304	11,877
Developer contributions	474	(2,743)	-	256	-	-	474	(2,487)
Other revenue	2,107	2,131	1,203	707	613	326	3,923	3,164
	8,254	**5,868**	**6,025**	**5,417**	**1,422**	**1,269**	**15,701**	**12,554**
Expenses								
Supplies and services	78	137	79	583	9	126	166	846
Interest on loans	27,758	30,534	17,810	19,592	2,018	2,219	47,586	52,345
Taxation equivalents	26,214	26,479	16,884	17,054	1,913	1,932	45,011	45,465
Participation returns	23,531	20,495	15,155	13,199	1,717	1,496	40,403	35,190
	77,581	**77,645**	**49,928**	**50,428**	**5,657**	**5,773**	**133,166**	**133,846**
Amounts receivable								
Utility charges	682	777	576	681	109	105	1,367	1,563
Other receivables	345	58	109	69	172	1	626	128
	1,027	**835**	**685**	**750**	**281**	**106**	**1,993**	**1,691**
Contract liabilities								
Revenue deferred during the period	168	402	43	-	43	-	254	402
	168	**402**	**43**	**-**	**43**	**-**	**254**	**402**
Amounts payable								
Interest payable	6,940	7,633	4,453	4,898	504	555	11,897	13,086
Supplies and services	2	-	-	-	-	-	2	-
Taxation equivalents	3,079	6,497	1,983	4,184	225	474	5,287	11,155
Participation returns	11,921	8,634	7,678	5,561	870	630	20,469	14,825
	21,942	**22,764**	**14,114**	**14,643**	**1,599**	**1,659**	**37,655**	**39,066**
Borrowings								
Loans	677,025	677,025	434,409	434,409	49,218	49,218	1,160,652	1,160,652
	677,025	**677,025**	**434,409**	**434,409**	**49,218**	**49,218**	**1,160,652**	**1,160,652**

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

8 Other

8.3 RELATED PARTIES

8.3.2 Transactions with associate entities

Associate	Nature of payments	2022 $'000	2021 $'000
Pipe Management Australia Pty Ltd	Revenue from lease of property	64	68
Pipe Management Australia Pty Ltd	Maintenance of water and sewerage assets	2,329	979
Pipe AI Pty Ltd	Software services	120	-

8.3.3 Key management personnel transactions

A number of the Board members and executive management personnel 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, in line with Unitywater's Conflict of Interest Policy.

8.4 GROUP STRUCTURE

The Unitywater Group consists of the following Australian incorporated entities:

Name of entity	Principal activity	Interest held by the Group 2022	Interest held by the Group 2021
Northern SEQ Distributor-Retailer Authority trading as Unitywater	Water and sewerage services		
Unitywater Properties Pty Ltd[1]	Property investment	100%	100%
Unitywater Properties No.2 Pty Ltd[1]	Property investment	100%	0%
Headworks Australia Pty Ltd[1]	Holding company	100%	100%
WTCC Pty Ltd[1]	Water and sewerage services	100%	0%
Pipe AI Pty Ltd[2]	Software services	30%	30%
Utility Management Group Pty Ltd[2]	Holding company	24%	24%
Pipe Management Australia Pty Ltd[2]	Water and sewerage services	24%	24%
IC Pipes Pty Ltd[2]	Water and sewerage services	24%	24%
UMG Assets Pty Ltd[2]	Water and sewerage services	24%	24%

[1] *Consolidated subsidiary*
[2] *Equity accounted associate*

All the above entities have fully paid up ordinary share capital. Ownership interests are a direct reflection of voting rights. Unitywater supports its subsidiaries to ensure they can meet their obligations when they fall due.

8 Other

8.5 NEW AND REVISED ACCOUNTING STANDARDS

At the date of authorisation of the financial report, the following Australian accounting standards and interpretations which could potentially have an impact on Unitywater Group's Financial Statements have been issued but were not yet effective as at 30 June 2022. None of these have been early adopted and their impacts on the consolidated financial statements are not expected to be material. All other Australian accounting standards and interpretations with future effective dates are not applicable.

Standard/Interpretation	Application date for Unitywater
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*	1 July 2022
AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*	1 July 2022
AASB 2021-7a *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 And Editorial Corrections*	1 July 2022
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 July 2023
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 July 2023
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 July 2023
AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*	1 July 2023
AASB 2021-7b *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 And Editorial Corrections*	1 July 2023
AASB 2021-7c *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 And Editorial Corrections*	1 July 2025

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

Management Certificate
for the year ended 30 June 2022

Unitywater

Certificate of Unitywater Group for the year ended 30 June 2022

These general purpose consolidated 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:

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

ii. the consolidated financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Unitywater Group for the financial year ended 30 June 2022 and of the financial position of the Group 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.

Michael Arnett	Pauline Thomson
BCom, LLB	BBus (Ace), FCPA, GAICD
Chairman	Chief Financial Officer
Signature	Signature
Date: 17 August 2022	Date: 17 August 2022

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Board of Northern SEQ Distributor-Retailer Authority trading as Unitywater

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Northern SEQ Distributor-Retailer Authority and its controlled entities (the group).

In my opinion, the financial report:

a) gives a true and fair view of the group's financial position as at 30 June 2022, and its financial performance and cash flows for the year then ended; and

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated 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 group 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 group 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 group'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 group 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 group'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 group.
- Conclude on the appropriateness of the group'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 group'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 group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2022:

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 group's transactions and account balances to enable the preparation of a true and fair financial report.

18 August 2022

Vaughan Stemmett
as delegate of the Auditor-General

Queensland Audit Office
Brisbane