

South Australian Water Corporation Annual Report

For the year ending 30 June 2011

Letter of Transmittal

30 September 2011

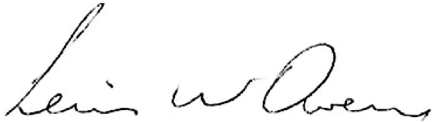
The Honourable Paul Caica MP
Minister for Water
Parliament House
North Terrace
Adelaide SA 5000

Dear Minister

On behalf of the Board of SA Water I have pleasure in presenting the Corporation's Annual Report for the year ended 30 June 2011.

The report is submitted for your information and presentation to Parliament, in accordance with Section 33 of the *Public Corporations Act 1993*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lewis W. Owens', written in a cursive style.

Lewis W. Owens
Chairman

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Our Organisation

The South Australian Water Corporation is wholly owned by the Government of South Australia and provides water and wastewater services to more than 1.5 million people across the State.

Our history can be traced back to 1856, when the Waterworks and Drainage Commission was established. This later became the Engineering and Water Supply Department (E&WS). SA Water was established by the *South Australian Water Corporation Act 1994*, and came into being on 1 July 1995.

SA Water is responsible to the Minister for Water, the Honourable Paul Caica MP, who is also Minister for Environment and Conservation and Minister for the River Murray.

The Minister appoints the members of the Board and an independent observer may attend all Board meetings. The current independent observer is Linda Hart from the Department of Treasury and Finance.

We have relationships with a number of government agencies, working most closely with the following:

- Department of the Premier and Cabinet
- Department of Treasury and Finance
- Department for Water
- Department of Environment and Natural Resources
- Department of Health
- Environment Protection Authority.

Our vision is “Water for growth, development and quality of life for all South Australians” and our key functions include:

- Water and wastewater quality, transport and treatment;
- Constructing, managing, maintaining and operating water and wastewater networks;
- Water quality research and development;
- Project management;
- Engineering;
- Asset management;
- Customer service;
- Information systems.

We have more than 1500 employees who work across the State in many different roles and in New South Wales and Victoria, where we operate and maintain locks and weirs and the Lake Victoria storage.

Overall we are one of the State’s largest employers and our head office, in the capital of Adelaide, is in Victoria Square.

Our Reports

SA Water's 2010-11 Annual Report incorporates information about our financial year performance, plans for the future and progress against a number of sustainability indicators. We also publish a separate Drinking Water Quality Report.

To ensure our reports are relevant to our stakeholders, we refer to numerous sources including:

- South Australia's Strategic Plan (www.stateplan.sa.gov.au);
- *Water for Good* strategy;
- SA Water's strategic map, policies and plans;
- Feedback on past reports;
- Industry and peer reports.

Our stakeholders include:

- Our customers – residential, non-residential (including commercial, agricultural, industrial);
- The Government of South Australia: including the Minister for Water, the Honourable Paul Caica MP, Treasurer, the Honourable Jack Snelling MP, other Ministers and government agencies;
- Metropolitan, rural and remote communities of South Australia;
- Our employees;
- Contractors and suppliers.

You can find further information and download our current and past reports from the SA Water website: www.sawater.com.au. Feedback is welcome: please email customerservice@sawater.com.au or phone us on 1300 650 950.

Highlights from 2010-11

Topic/Activity/Project	Page
Profit before tax of \$258 million achieved	63
Major review under way of SA Water Strategic Plan	17
Water consumption remains below target after easing of restrictions	23
\$11.5 million in household water efficiency rebates approved	24
More than 18 500 students attend SA Water learning programs	24
Water efficiency focus continues for large industrial customers	25
Groundbreaking new test developed for <i>cryptosporidium</i>	29
New 10-year alliance contract begins for Adelaide's water and wastewater operations and maintenance	31
Major works continue on Adelaide Desalination Plant	32
Trenchless technology 'world first' for major water main renewal	35
Work starts to connect Adelaide's northern and southern water networks	34
Major recycled water scheme launched in residential area	35
205 SA Water scholarships awarded	50
New leadership training programs rolled out	51
Single classification structure endorsed by employees	52
Greenhouse gas reduction targets achieved	39
Excellent results from revegetation project	41
Reconciliation Action Plan launched	53

A message from our Chairman

I am thrilled at my recent appointment to the SA Water Board, and at the opportunity to work with my fellow Directors, management, staff and the South Australian Government to continue to improve the services SA Water delivers to its customers across the State.

This report outlines the wide variety of challenges faced by SA Water in the past year, and describes the Corporation's performance and results. Water supply has been a major challenge across the State for many years, and SA Water - along with other government and private agencies - has been tackling these challenges with energy, innovation and passion. Water security has been forefront in these initiatives and, with the commissioning of the Adelaide Desalination Plant, some comfort can now be taken about long term supply.

However, all of these initiatives have come at a cost, and SA Water is conscious of the need to manage its expenditure and to demonstrate it is using best practices across its operations, with a focus on cost-effectiveness.

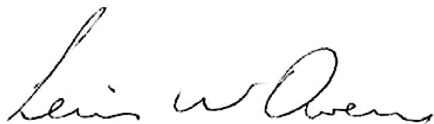
The planned move to independent price regulation presents SA Water with the opportunity to focus its skills and energies on cost management, just as it has in recent years been focussed on water security.

The Board is committed to working with all of our stakeholders to ensure SA Water is a safe, efficient, cost-effective and technically competent organisation that meets South Australia's water and sewerage requirements.

We were saddened and disappointed by the death of a contractor working at the desalination plant site during the past year, and extend our sympathies to his family. This tragic incident underlines the importance of all players in the water industry – operators, contractors and suppliers – making safety their number one priority at all times.

I would like to thank the former Chairman, Philip Pledge, and Director, Dr Graham Allison, for their long and outstanding contributions to SA Water, and acknowledge their many achievements over the past decade. I look forward to learning from my fellow Directors all of their insights into this complex business, and working with them to continue the fine service that has characterised SA Water in recent times. I thank them for their contribution to the excellent outcomes achieved in the past year. I would also like to welcome former Minister for Water Security, the Honourable Karlene Maywald, who brings a wealth of knowledge about water resources to the Board.

I congratulate management and staff on their achievements, and thank them for their ongoing enthusiasm and commitment.



Lewis W. Owens
Chairman

A message from our Chief Executive

For a number of years SA Water has invested considerable effort in responding to the challenges of prolonged drought - including a significant capital works program to secure our water future and a tough water restrictions regime.

In 2010-11, with good rains providing some respite, we have refocussed our efforts on planning for the future.

The landscape is about to change for us. New legislation and economic regulation are on the horizon. While we must continue to deliver the day-to-day services our customers expect, we also need to keep an eye to the future and ensure our business is resilient enough to address emerging challenges and embrace opportunities that arise.

To ensure we are fit for the future we have started work on a new strategic plan for the business. This plan will be underpinned by a series of strategies that will show how we can continue to deliver services today, while planning for a successful, sustainable and even more customer-focussed future.

Initiatives are already under way across the business to address a number of trends and issues facing SA Water. However, the strategic plan will further address areas such as maintaining an effective and efficient workforce, understanding and responding to our customers, and exemplary management of new water sources, in particular the desalinated water from our new plant and the recycled water from the projects in which we are engaged.

The plan will aim to have SA Water playing a more active role in designing and planning water and wastewater services in the urban environment, particularly as the Government's 30-Year Plan for Greater Adelaide includes growth in outer urban regions.

Importantly, it will consider what we must do to respond to climate change challenges and the adaptation strategies we need to have in place to ensure we can minimise impacts on our customers and our business in the future.

This annual report provides more details of the strategic planning approach (see page 17) and I look forward to providing an update on progress in next year's report.

Alignment with our customers

In early 2011, a new organisation structure was announced that better aligns our business to our stakeholders and ensures a more strategic focus on capital investment, asset management and business efficiency, allowing us to respond to the requirements of regulation.

While these changes to the business were under way, our people forged ahead, delivering significant projects for the State and managing daily interactions with our customers. In 2010-11, more than 405 000 phone calls were answered by our Customer Service Centre and visits to the SA Water website increased by about 250 000 to almost 1.3 million.

A major highlight of 2010-11 was preparing for the start of a new alliance contract covering our metropolitan area. Launched on 1 July 2011, the alliance with Allwater will oversee the operations of our metropolitan water and wastewater networks for more than two thirds of our customers.

The alliance model is designed to deliver the best value to the community through higher standards of customer service, efficiency improvements and greater levels of contract transparency.

This is a new way of operating for us and I applaud the efforts of staff and alliance partners in ensuring a smooth transition from our existing contract to the new arrangements. We also

entered into a new contractual relationship for the delivery of a significant part of our extensive capital program. More details of these relationships can be found in this report (see page 31).

We also continued to deliver two of the State's largest infrastructure projects - the Adelaide Desalination Plant and a project to connect our northern and southern metropolitan water supplies. The North South Interconnection System project requires a number of pipeline construction fronts and new infrastructure across many suburbs of Adelaide.

Communities have played a major role in shaping the design and approach to new pumping stations and pipeline routes for this project, which aims to ensure greater flexibility in our management of the metropolitan water supply. It is pleasing that the year ended with pipes being laid in a number of locations and planning well advanced for those aspects of the project still to commence. More information about our projects can be found starting on page 32.

Our workforce

With employees delivering services and projects across the State, we strive for a culture that puts safety first. In 2010-11, we saw an increase in our lost time injury frequency rate and have renewed our focus on reducing workforce risks in 2011-12.

Workforce diversity has also continued to be a key focus in 2010-11, with a range of initiatives in progress to increase the number of women at SA Water in areas such as information technology and senior or middle management, and to achieve our indigenous employment targets.

We also recognised the role SA Water plays in building and maintaining mutually beneficial relationships with Aboriginal and Torres Strait Islander people, producing our first Reconciliation Action Plan. In three key areas of relationships, respect and opportunities, the plan outlines further activities SA Water will undertake to support our commitment to closing the gaps that exist between Aboriginal and Torres Strait Islander people and other Australians.

Financial performance

In 2010-11, we achieved a profit before tax of \$258 million. While this was approximately \$13 million less than last year, it was significantly above the budget estimate of \$166 million

There was an 8% growth in our revenue that helped fund investment in water security projects. Our capital expenditure was about \$196 million below budget. The project underspends were largely timing related, representing a delayed cost rather than a saving.

Acknowledgements

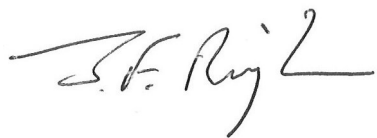
In my previous roles at SA Water and in the short time I have been Chief Executive, I have been impressed by the passion, skills and expertise of our people. Our employees make an enormous contribution to the South Australian community and I would like to acknowledge their efforts in the past year.

I would also like to recognise the Board and Senior Management Team who have provided excellent advice, guidance and support.

In particular, I would like to pay tribute to former Chief Executive Anne Howe who retired at the end of 2010 after 10 years at the helm of SA Water. Anne steered us through significant challenges and change and I would like to acknowledge her contributions to SA Water and the South Australian public sector.

Early in the financial year Annabel Digance resigned from the Board of SA Water. At the end of the financial year we also farewelled two long-time members of the Board: Chairman Philip Pledge and Director, Dr Graham Allison. Annabel, Philip and Graham provided exemplary advice and great support to SA Water during the past decade.

As we move towards a new era, I am excited by the opportunities ahead and look forward to working with the Government, the Board, our people and our customers to deliver smart water solutions for the future.

A handwritten signature in black ink, appearing to read 'J. Ringham', with a stylized flourish at the end.

John Ringham
Chief Executive

Organisation Chart – as at 30 June 2011



Director Profiles

The SA Water Board comprises six non-executive directors and SA Water's Chief Executive and oversees the operations of SA Water on behalf of the South Australian Government.

In July 2010, Annabel Digance resigned from the Board of SA Water and, in April 2011, the Honourable Karlene Maywald was appointed to fill the vacancy created by her resignation.

In July 2011, Minister for Water, the Honourable Paul Caica MP, announced further changes to the SA Water Board, including the appointment of a new Chairman, Mr Lew Owens. Mr Owens was appointed for a term of three years, replacing Philip Pledge who had been Chairman since 2002.

Dr Graham Allison, who had served on the board since 2001, also stepped down. At the time of compiling this report this position remained vacant. Directors Catherine Cooper, Sybella Blencowe and the Honourable Frank Blevins were all reappointed.

Profiles of the new Chairman and all directors serving in 2010-11 are included below.

Lewis Owens

BE (Hons), BA, MSc

Chairman of the Board from July 2011

Lew is a Reconciliation Ambassador in SA, with a particular interest in indigenous employment initiatives. He is Chair of the SA Country Trust, Chair of the University of Adelaide Business School Advisory Board, a director of Petratherm Ltd and Regional Arts Australia Ltd, a member of the Resources and Energy Sector Infrastructure Council and a member of the City of Marion Audit Committee. He is also a member of the Australian Institute of Company Directors and the Australian Institute of Energy.

Lew was Chairman of the Essential Services Commission of SA (2002 to 2005), responsible for regulating the State's electricity and gas industries, intra-state and Darwin railways and ports and urban water pricing. He was CEO of WorkCover Corporation and Funds SA in the 1990s and later CEO of ETSA (2005 to 2010). Lew has served as an associate Commissioner on the Australian Competition and Consumer Commission Energy Committee and was also the SA Independent Industry Regulator for the State's electricity industry.

Philip Pledge

BEC, FCA

Chairman of the Board from March 2002 to June 2011

Philip was a Partner of Ernst and Young from its formation in 1989 until his retirement in 2001, and served as the National Chairman of Ernst and Young from 1992 to 1994. From January 1996 to September 1998 he was Chairman of SA's TAB, as well as President of the SA State Council of the Institute of Company Directors from October 1996 until 1998. He is currently a director of the Financial Planning Association of Australia and chairman of the Clean Technology Innovation Centre Advisory Committee.

Dr Graham Allison

FTSE, BSc (Hons), PhD (Chem)

Non-Executive Director from July 2001 to June 2011

Graham has many years of involvement with hydrology in Australia and overseas. He has been involved with many water and environment related organisations. These include Cooperative Research Centres for Waste Management and Pollution Control, Catchment Hydrology and Freshwater Ecology. Prior to his current consulting role, he was Chief of the CSIRO Division of Water Resources, a national research body.

Hon Frank Blevins**Non-Executive Director since December 2002**

Frank was elected to the SA Legislative Council in 1975 and to the House of Assembly in 1985. He served the State as Deputy Premier and across a range of Ministerial portfolios including Treasury, Mineral Resources, Transport and Agriculture and Fisheries for ten of his twenty two years in Parliament. Having held senior government Ministries over many years, Frank brings valuable knowledge and experience, particularly in the field of economics and finance. Frank chairs the Board's Audit Committee.

Sybella Blencowe**BA, MTP, LLB, GDLP****Non-Executive Director since July 2008**

Sybella has over 20 years experience in private legal practice in environment, planning, property, local government law and commercial litigation both as a partner in commercial law firms as a partner and in her own specialist firm. She has served on government business enterprise boards and Ministerial Advisory Committees including as Chair of the South Australian Forestry Corporation, director of SAGRIC International Pty Ltd, Chair of the Abalone Fisheries Management Committee and Deputy Presiding Member of the Natural Resources Management Council. She was also Presiding Member of the City of Marion Development Assessment Panel and a specialist member of the City of Adelaide and Port Adelaide Enfield Development Assessment Panels. Sybella is a member of the Board's Asset Management Committee, Audit Committee and Human Resources Committee.

Catherine Cooper**LLB, GDLP****Non-Executive Director since July 2008**

Combining a legal and business background, Catherine has strong expertise in areas including strategic planning, project management, business re-engineering, corporate governance and change management. She has extensive executive management experience across a broad industry base that includes Fosters Brewing Group, Elders Ltd and Bendigo Bank. At a board level, Catherine has had wide involvement as both Chairperson and Director for a number of organisations, including Minda Inc, Repatriation General Hospital, Dairy Authority of SA and Fisheries Council of SA. Catherine is a member of the Board's Audit Committee.

Hon Karlene Maywald**Non-Executive Director since April 2011**

With a background in the Riverland district, Karlene has extensive experience in water policy and reform. She also has substantial experience in high level strategic planning, major infrastructure planning and investment, change management and governance. From 1997 to 2010 Karlene was Member for Chaffey in the South Australian Parliament. From 2004 she was a Cabinet member holding various portfolios including Consumer Affairs, Regional Development, Small Business, Science and Information Economy, Water Security and the River Murray. Karlene is currently a director of Maywald Consultants Pty Ltd, and member of the Murray Darling Basin Authority Testing Committee, Sturt Fleurieu Gpet Management Committee, and the Australian Research Council Project Steering Committee – Green Growth in Australia.

Annabel Digance

MMgt (Health Services), Grad Dip Counselling, BNursing

Non-Executive Director from August 2004 to July 2010

Annabel has extensive board experience in both the public and private sectors. Previously she has held senior positions in the public sector, predominantly in health. Practiced in public policy, Annabel has a balance of sound strategic and evaluation principles in financial, business and human resource management and practices. Annabel is also a successful business owner. She is a board member of Australian Central Credit Union.

More information about the SA Water Board can be found on page 73.

Senior Management Team Profiles

John Ringham, Chief Executive (from December 2010)

BSc (Hons) Civil Eng, Diploma in Geotechnics (UK), MBA. C. Eng.

John has almost 40 years experience in the water industry and was appointed to the role of Chief Executive in December 2010. Prior to joining SA Water in 2000 as Head of Operations, John was General Manager of Network Services for United Utilities in the UK and held numerous senior roles in UK water utilities. He is a Director and Deputy Chair of WaterAid Australia.

John replaced Anne Howe who served as Chief Executive from March 2001 until her retirement in December 2010.

Rob Dowling, Head of Operations

B Comm, MBA

Rob worked as a human resources manager and industrial relations specialist in the automotive industry, and had several years experience as a production manager at Holden Ltd's Vehicle Manufacturing Operations at Elizabeth, SA. Rob was SA Water's Regional Manager Northern Region, and then Head of Regional Operations, before moving to his current position. Rob is responsible for water and wastewater networks and treatment operations across metropolitan and regional SA, reservoir operations, major pumping, River Murray operations and corporate security and emergency management. Rob is the inaugural Chair of the Allwater Alliance Leadership Team.

Geoff Henstock, Head of Governance

Geoff has been employed in the water and electricity industries for more than 30 years and been involved in corporate governance for over 15 years, including in a senior corporate governance role at Sydney Water. Geoff is our Corporation Secretary and is an experienced company director, serving with property development, finance, agribusiness and engineering companies.

Dr John Howard, Head of Water, Quality and Environment

BSc (Hons), PhD (UK)

John has over 25 years experience in water quality, and water resources and environmental management, including roles in the UK and South Africa. Joining SA Water as its Principal Water Quality Scientist in 1998, John was subsequently appointed General Manager of the Australian Water Quality Centre before moving to his current role in August 2005. John has played a key role in the establishment of Water Quality Research Australia, of which he is a Director, and he chairs the Scientific Advisory Committee. John is also a Director of the Australian Water Association and a member of the Allwater Alliance Leadership Team.

Danielle Jiranek, Head of People and Culture

BA (Psych), Hons Psych, Registered Psychologist

Danielle has more than 20 years experience in all aspects of Human Resource Management and Organisational Development and has worked in this capacity in Australia, New Zealand and the USA. She has worked for several multinational corporations including TMP Worldwide as an organisational psychologist, and was a Director and part owner of Locher Human Resources prior to joining SA Water. She is a recognised leader in the HR field in SA, has held positions on the Australian Human Resources Institute Committee and is a member of the Centre for Human Resources Advisory Group (UniSA). Danielle joined SA Water in 2010 as Manager Organisational Development and was appointed to her current role in April 2011.

Bev McQuade, Chief Information Officer

Bev has over 25 years experience working with information technology in large corporations. She has worked for ANZ Bank in a global role, managing information systems for the retail bank and held an executive level position with ANZ Bank for many years. She spent over 15 years working for the finance and insurance sector in Melbourne. She previously held a range of senior positions in Adelaide, primarily in the insurance sector. She was part of the team that established SGIC Health as a business in South Australia and was involved in the establishment of the Medicare program while working for the Health Insurance Commission. Bev joined SA Water in 2008.

**Peter Mendo, Chief Financial Officer
B Comm, FCPA**

Peter has held senior financial management roles in the mining, engineering, health and food industries, with CRA, Joy Technologies (USA), FH Faulding and Balfours. He is a Fellow with CPA and a member of the Group of 100, a body comprising Australia's senior finance executives. Peter is also an alternate member of the SA Government Financing Authority Advisory Board and a member of the SA Government Financing Authority Audit Committee.

**Roger Perry, Head of Strategy, Planning & Regulation
BEng, MBA, Dip PM**

Roger is a water industry specialist with almost thirty years experience, much of it gained at Melbourne Water, Victoria. Roger's areas of expertise include sewerage system design, construction management, water operations, asset management and strategic and corporate planning. Prior positions at SA Water include General Manager Bulk Water, General Manager Operations and Head of Planning & Infrastructure.

**Jeremy Randell, Head of Infrastructure Management & Delivery
BEng (Hons), MBA, Dip Log Mgt**

Jeremy has a commercial background in civil engineering, heavy construction, contract mining, transport and logistics. His career with three publicly listed companies prior to SA Water included Project Manager and Development Manager with John Holland Construction in Indonesia and WA until the mid 1980s; Manager Business Development and Manager Industrial Services with Brambles in WA and Sydney respectively until the mid-1990s; and Group General Manager Plant and Technology with Macmahon Holdings in SA until 2000. Jeremy's previous positions during his 11-year career with SA Water include Head of Economic Development and Procurement, Head of Business Services, Head of Operations and Head of Metropolitan Operations.

**Neil White, Head of Customer Services
B Comm**

Neil has a background in sales and marketing with large consumer oriented companies including Unilever, Safcol, Kingfisher Holdings and Sunbeam Foods. His international experience includes responsibility for a number of Safcol companies throughout South East Asia and a role as General Manager of Group Operations for Kingfisher Holdings (based in Thailand). On return to Australia, Neil became CEO of Sunbeam Foods in Mildura before joining SA Water as General Manager Retail. As well as his responsibilities for customer service he is also on the Allwater Alliance Leadership Team. Neil is also President of Autism SA.

Planning for the Future

Getting ready for economic regulation

Through *Water for Good*, the South Australia government communicated its commitment to introducing economic regulation for the water industry in South Australia. In response, the Minister for Water tabled a draft *Water Industry Bill* in November 2010 for public comment.

This was followed in December 2010 by a statement of issues released by the Essential Services Commission of South Australia (ESCOSA) seeking public feedback on the regulatory arrangements that will need to be developed for the water and sewerage industry in South Australia.

The *Water Industry Bill* includes provision for independent regulation of water and sewerage pricing, ensuring the safety and quality of services, ongoing technical regulation and for a report on third party access. When passed, the new legislation will replace the current *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936*. SA Water has been supporting other Government agencies in their roles to develop the legislation and the broader regulatory framework.

To ensure it is prepared for the introduction of economic regulation, SA Water has commenced evaluating its internal processes to ensure they will be compliant with future regulatory obligations. This work will continue during 2011-12, as the detail of the regulatory framework becomes clearer.

Strategic planning review and update

In recent years the demands on SA Water have grown. With increasing challenges and changes across the water sector and within our State, and growing expectations from our customers, robust plans need to be in place to ensure a sustainable and resilient future.

Recognising this, a process commenced in 2010 to review and update SA Water's strategic plan and the priorities for the organisation. The review highlighted a number of opportunities to enhance strategic activities within SA Water, and is being supported by an engagement process that ensures SA Water's staff and key stakeholders actively contribute towards developing strategies for success now and into the future.

The updated plan - to be launched in mid-2012 - will be our roadmap for the future. It will articulate the strategies required to deliver successful stakeholder outcomes. The strategic plan will be supported by a framework that provides staff with a critical line of sight between their respective contributions and SA Water's strategic outcomes.

The sections of this annual report are aligned to the existing one-page strategic map under the five pillars of: Customer Service & Water Quality; System Performance; Sustainable Future; People & Culture; Commercial Success. Each chapter identifies how we have performed against our 2010-11 targets.

Water for Good - Progress Update

SA Water is the lead agency on 13 of the current actions in the State Government's *Water for Good* plan to guarantee South Australia's future water security to 2050.

We are also involved in many of the 94 actions outlined in the plan to secure water supplies. Several of these have already been achieved.

The following table shows the status of the 13 actions for which we are the lead agency.

Action	Progress to 30 June 2011
Action 6: Construct a major desalination plant powered by renewable energy to supply Greater Adelaide with 'first water' by December 2010, 50 billion litres per annum by mid 2011, and 100 billion litres per annum by the end of 2012.	Construction on the Adelaide Desalination Project, south of Adelaide, continued in 2010-11 with the plant on track to meet full capacity by the end of 2012. The first production of desalinated water from the 50 billion litres per annum plant occurred in July 2011. Refer to page 32 for an overview of the Adelaide Desalination Project.
Action 7: Additional water sources including desalinated seawater will supplement the Eyre Peninsula water resources, subject to site and environmental investigations.	The Eyre Peninsula Long Term Plan, launched in December 2008, included a recommendation to investigate desalination as a preferred water security option for the region. Two preferred areas have been selected for further detailed assessment and further consultation is being undertaken. It is anticipated this work will be completed by the end of 2011.
Action 8: Complete the investigation for the design of and need for, interconnection works between Adelaide's southern and northern water supply systems.	The North South Interconnection System Project will allow the transfer of large volumes of water between Adelaide's southern and northern supply systems. Following Cabinet and Public Works Committee approval in late 2010, the investigations have been completed and work has commenced. Refer to page 34 for more information on the project.
Action 9: By 2010, finalise a Statewide desalination policy to guide future desalination plant proposals, including the identification of additional suitable sites in case they are needed in the future.	Following the formation of the Department for Water, the leadership of this action is under review.
Action 10: Investigate the viability of constructing groundwater desalination plants for regional townships where water quality (i.e. salinity) has been identified as an issue. This will enable improvements to these water supplies by 2025 at the latest.	SA Water is working to determine the most appropriate solution for improving water quality for Hawker. We are consulting with the Department for Water on planning a long-term monitoring program and have started additional hydrogeological investigations. Other towns are programmed for investigation after 2016.

Action	Progress to 30 June 2011
<p>Action 22: Complete wastewater recycling projects, including Glenelg to Park Lands (GAP), Blakeview (housing development), Southern Urban Reuse Project (SURP) by 2013.</p>	<p>The SURP scheme was commissioned in May 2011. The GAP scheme was completed four months ahead of schedule and is delivering water to the Adelaide City Council for the Park Lands. A steering group comprising representatives of SA Water and the Land Management Corporation is undertaking detailed investigations at Blakeview (Playford North) and establishing necessary commercial arrangements.</p>
<p>Action 27: Develop the Urban Landscape Program to provide South Australians with the knowledge, tools and incentives to develop appropriate water-wise gardens and landscapes by the end of 2011.</p>	<p>Water-wise garden web tool development has been completed, with the site launched in March 2011. The tool can be accessed via the SA Water website (www.sawater.com.au).</p>
<p>Action 28: By 2010, require SA Water customers using more than 25 ML a year to complete a water efficiency plan.</p>	<p>A new electronic toolkit has been developed and released to 48 customers in this category to provide them with a guide to water efficiency planning and to automatically generate a water efficiency report and action plan for their business needs.</p>
<p>Action 29: Include leak detection in the water auditing process of the Business Water Saver Program.</p>	<p>Development of a pilot leak detection program is continuing.</p>
<p>Action 35: Maintain permanent water conservation measures when new sources of water come on line and water restrictions can be lifted.</p>	<p>Water Wise Measures now apply pursuant to the Waterworks Regulations 1996. The regulations were amended (effective from 1 December 2010) to implement new permanent measures to coincide with the lifting of variable water restrictions for most areas of the State. The variable restrictions for the Eyre Peninsula were revoked from 3 April 2011, reverting that region to permanent measures also.</p>
<p>Action 36: Extend delivery of irrigation efficiency programs, such as the Irrigated Public Open Space (IPOS) program, to all local councils and schools. Incorporate the identification of opportunities to substitute mains water used for community purposes with fit for purpose water (e.g. recycled rainwater and stormwater).</p>	<p>This outcome has been achieved, with IPOS permits issued to more than 90% of the State's schools and councils. More than 200 site inspections were undertaken at school ovals, council open space and sporting clubs. We also presented information about irrigation efficiency to councils, the Department of Education & Children's Services, school and sporting bodies, and workshops were conducted by the Local Government Association. The remaining 10% have been assessed as not requiring a permit under current criteria.</p>

Action	Progress to 30 June 2011
<p>Action 38: Continue SA Water's program of leak detection and repair in its metropolitan and major country town networks and report annually on progress.</p>	<p>An \$8 million, three-year project to locate and repair leaks throughout the Adelaide metropolitan area has been completed. Repairs to fix leaks with an estimated recovery of 0.5 GL per annum were undertaken in the repair phase. The leak detection phase in Mount Gambier has also been completed. The repair phase is to continue through 2011.</p>
<p>Action 57: As a last resort, build a temporary weir at Pomanda Island, to protect the water supply to the 1.2 million people currently receiving it from the River Murray below Lock 1. The temporary weir would only be constructed if inflows remain at critically low levels and agreed triggers for acidification or salinity were activated and cannot otherwise be prevented.</p>	<p>Increased flows have reduced the previously identified risks and construction of a weir at Pomanda Island is now considered unnecessary. The South Australian Government continues to monitor the situation.</p>

Customer Service and Water Quality

Performance summary					
<i>We will deliver quality water services and be responsive to our customers needs</i>	Indicator	20010-11 Target	20010-11 Result	2011-12 Target	Target for 2015
Desired outcomes <ul style="list-style-type: none"> • Leadership in water quality • Improved levels of service • Increased customer satisfaction 	Achieve Australian Drinking Water Guidelines compliance - Metro	100%	100%*	99.9%	99.9%
	Achieve Australian Drinking Water Guidelines compliance - Country	99.8%	99.5%	99.8%	99.8%
	Water Quality Management Index	77%	72%	78%	81%
	Incident Response Index	80%	81%	82%	84%
	Compliance with Water and Sewer Services targets:				
	Metro	95%	100%	95%	95%
	Country	95%	99%	95%	95%
	Compliance with Customer Contact targets	100%	40%	100%	100%
Compliance with New Connections targets	100%	77%	95%	95%	
Customer Satisfaction Index	8.2	7.3	8.2	8.2	

Our water quality performance against Australian Drinking Water Quality Guidelines was slightly below target for our country systems largely due to poor River Murray water quality stemming from the Queensland floodwaters. (**There were actually three non-conforming samples in the metropolitan systems. However, due to the number of tests carried out, this result equates to only 0.02% and therefore is not reflected in the rounded figures above.*)

Our Water Quality Management Index measures our performance in four areas, including management of aesthetic water quality. We were below target due to the extremely challenging conditions of the River Murray source water as a result of the flood events.

We were 1% above target for our Incident Response Index. This index is a composite of our effort in relation to incident response including recording, reporting and implementing preventive actions.

Results were favourable in the areas of:

- Restoring water supply within targeted timeframes to metropolitan (within five hours) and country (within 12 hours) customers;
- Responding to sewer overflows inside buildings and cleaning up for both metropolitan and regional customers.

We have a range of service standards in relation to customer contact, including call connection times and response times to customer written queries. The average time to answer a customer call was 32 seconds, well above our 20 second target. This was largely due to queries relating to bill payment and training requirements for our new works management systems.

A revised key performance indicator was adopted for new connections during the year which measures us against the time taken from receiving the payment for the project, to project completion. Poor results were recorded immediately after the new KPI was introduced but performance has since improved and the targets are now being achieved.

Customer satisfaction with our overall performance remains high but has decreased in the past year and remains below target.

Links to South Australia's Strategic Plan

This objective supports the State Plan in a number of ways, in particular through contributing to the following targets:

T1.7 Performance in the public sector – customer and client satisfaction with government services. Increase the satisfaction of South Australians with government services by 10% by 2010, maintaining or exceeding that level thereafter.

T4.6 Commercialisation of research. Increase gross revenues received by SA-based research institutions from licences, options, royalty arrangements, assignments, licensed technology and patents by 2010.

T4.7 Business innovation. The proportion of SA businesses innovating to exceed 50% in 2010 and 60% in 2014.

T4.9 Public expenditure. By 2010, public expenditure on research and development, as a proportion of GSP, to match or exceed average investment compared to other Australian states.

SA Water Customer Council

Our Customer Council makes valuable contributions to help us understand our customers' needs and expectations by providing advice and feedback.

The Council met six times in 2010-11 and key topics for consideration included the new *Water Industry Bill*, the Essential Services Commission of SA (ESCOSA) Regulatory Issues Paper, trade waste charges, water recycling projects, water restrictions, customer rebates, research and energy management.

The Council members represent a range of South Australian business, industry, environment, consumer and regional and metropolitan community peak bodies.

Customer satisfaction survey

SA Water has conducted annual satisfaction research for the past 10 years, surveying residential and business customers, and those who have made recent contact with our call centre. The survey measures satisfaction with SA Water as a service provider evaluating attributes including reliability, responsiveness and water quality.

While the research findings indicate high levels of satisfaction with the services delivered, the most recent results show a decline in the overall satisfaction rating. The following table shows

how this rating - measured on a scale from 0 (very dissatisfied) to 10 (very satisfied) - has tracked over the past 5 years:

	2007	2008	2009	2010	2011
Households	8.2	8	8	8	7.3
Businesses	8.3	7.8	7.8	7.8	7.1
Those who have had recent contact with SA Water	8.3	8.3	8	7.7	8.0

A review of our research is under way to identify the key drivers of customer responses, ways we can develop a better understanding of satisfaction with our performance and awareness of our services. This will allow us to more effectively assess and address issues for our customers.

Customer Service Centre

In 2010-11, our Customer Service Centre responded in person, in writing or by phone to 471 338 enquiries and requests. The total number of phone calls answered was 405 877.

Callers waited 32 seconds on average for their call to be answered by one of our local customer service operators, which was a 1 second reduction from the previous year and 12 seconds over our target of 20 seconds. Email enquiries increased by 41.7% (from 19 887 in 2009-10 to 28 182 in 2010-11). Customers received an initial or complete response to email queries within 24 hours.

Customer complaint handling

In 2010-11, our Customer Service Centre recorded 552 customer complaints, mainly related to quarterly billing, smart bills and water pricing increases. This was 233 less than for the previous year. However, complaints received by our previous metropolitan contractor and other areas of SA Water in 2010-11 are not included in these figures.

Work is under way to develop new processes for capturing and tracking customer feedback across the business to improve our complaints management and reporting. The aim will be to ensure a more consistent and responsive approach to how we respond to customer feedback, including complaints.

Water restrictions

In December 2010, most areas of the State moved from Level 3 Enhanced Water Restrictions to new Water Wise Measures. These measures maintain a focus on sensible and efficient water use.

While water restrictions were eased, water use by SA Water customers still continued to track well below target levels, with just under 200 billion litres used in the year compared to the target of 248 billion litres. In April 2011, Eyre Peninsula water restrictions were also replaced with the new measures.

We continued to visit properties across the State to investigate reports of breaches of the measures and issued friendly reminders and warning notices when we were unable to verify the breach. Statistics for the past five years are detailed in the table below:

	2006-07	2007-08	2008-09	2009-10	2010-11
Site visits	13 533	14 696	14 430	18 210	12 092
Friendly reminder notices	5 301	3 958	1 783	966	345
Warning notices	2 041	189	1 439	665	146
Expiations	7	18	243	118	11

A garden web tool was launched through the SA Water website in March 2011 to support South Australian gardeners in saving water throughout the year.

We also undertook information campaigns to promote the details of the new measures and rebates available to the community, and supported a number of water efficiency initiatives through the South Australian Government's *Water for Good* strategy (see page 18).

WaterWise Communities Program

Since December 2009, the WaterWise Communities Program has provided a platform for South Australian householders, businesses and community groups to share water saving tips and ideas. To the end of June 2011, 3051 householders, 114 businesses and 47 councils across the State were participating in the program.

This ongoing initiative is a partnership between SA Water, the Department for Water and the Local Government Association of South Australia.

H₂OME Rebate Scheme

The H₂OME Rebate Scheme, launched by the South Australian Government in November 2007, continued to provide householders with a range of incentives to purchase products and services to reduce water consumption.

In 2010-11, more than 75 195 rebate applications worth over \$11.5 million were processed. The scheme was scheduled for completion at the end of the 2010-11 year. However, rebates for garden goods, stand alone rainwater tanks and a household retrofit program were extended.

Breakdown of H₂OME Rebates since 1 November 2007:

Rebate	Total issued
Dual flush toilets	11 881
Garden smart items	43 786
Home water audit	76
Hot water re-circulator	5
Rainwater tanks	26 263
Showerhead	29 098
Pool covers/rollers	2 342
Washing machine	123 212
TOTAL	236 663

School education program

The SA Water Brainwave Learning Program - a series of curriculum-based activities and resources for primary and secondary students and teachers - was expanded in 2010-11. Programs included workshops, performing arts, science labs, tours, school visits and professional learning for teachers.

In 2010-11, the Brainwave attracted a total audience of 18 556 students - 11 113 from metropolitan schools and 7 443 from regional areas. Throughout 2010-11 we held a number of successful teacher professional learning sessions, with 243 teachers able to further develop capacity to incorporate water education into everyday teaching.

The program is delivered in collaboration with the Department of Education and Children's Services (DECS) and a DECS consultant teacher, seconded to SA Water, ensures learning experiences are relevant and reflect curriculum trends. Our entire suite of programs and resources in 2010-11 was free of charge with travel reimbursements offered to rural and disadvantaged schools.

Website visits

Visits to the SA Water website increased again in 2010-11 - from 1 043 402 in 2009-10 to 1 291 030. Areas of the site most visited were the water cycle, reservoir levels, River Murray levels, rebates and how to contact SA Water.

Disability Action Plan update

In line with the South Australian Government's policy statement *Promoting Independence: Disability Action Plans for SA*, SA Water developed a draft plan which identified a number of outcome areas.

While some progress has been made against the initial draft plan, including accessibility features in new SA Water buildings, a number of activities have yet to be undertaken. It is our intention to revise the plan in 2011-12.

Water industry development

In 2010-11, we continued supporting the development of the South Australian water industry through our major financial and in-kind contributions to the Water Industry Alliance (WIA). The WIA supports the water sector in the State through encouraging collaboration locally, nationally and internationally to grow business opportunities.

Our ongoing support of water industry development has been complementary to a number of economic development obligations which formed part of our contract with United Water that ended on 30 June 2011. United Water undertook to:

- Lead the development of the SA water industry;
- Achieve a minimum of \$628 million of net exports from South Australia, with a target of net exports of \$1,428 million for the 10 years 1996 to 2005, and;
- Implement its industry development strategy, including performance of its key commitments.

Our assessment concludes those economic development obligations were met over the term of the United Water contract, including cumulative aggregate net exports of \$720.1 million achieved in the first 10 years of the agreement.

Industry water efficiency

We have developed a number of programs, tools and publications to help large industrial water users improve their water efficiency and the quality of wastewater discharged to sewer.

A key focus has been ensuring these customers complete water efficiency plans that identify where they can make water savings in any area of their operations. To the end of June 2011, 100 water efficiency plans had been completed by customers using more than 50 megalitres of water each year.

During the year, the focus shifted to customers using more than 25 megalitres each year - in line with one of the South Australian Government's *Water for Good* strategies (see page 19). A new electronic toolkit has been developed and released to 48 of about 140 customers in this category to provide them with a guide to water efficiency planning and to automatically generate a water efficiency report and action plan for their business needs.

Trade waste

SA Water's trade waste area works to ensure discharges to the wastewater network from our commercial and industrial customers does not adversely affect the condition of sewer assets and that the quality of recycled water is not compromised.

Discharges from about 650 industrial and 6000 commercial customers were monitored or audited in 2010-11. Our target is to achieve 90% compliance with permit conditions for our industrial customers and a result of 92% was achieved for the year.

Our real time sewer monitoring program has continued to be expanded to monitor high risk industrial sites and sewer catchments more broadly. The system provides an early warning of any abnormal discharge or biological and chemical reactions within the sewer. Remote telemetry units provide valuable information for our network operators and asset and planning managers.

Plumbing services and water investigations

Our plumbing services staff continued to provide technical regulation of the plumbing industry through audits and inspections of plumbing installations. In 2010-11 the team:

- Received about 33 000 requests for inspection;
- Conducted about 15 000 on-site inspections;
- Assessed more than 1400 building plans;
- Technically assessed more than 1500 sewer connections;
- Received approximately 55 000 certificates of compliance for plumbing work.

Water investigations staff performed investigations and inspections of fire service installations, land divisions and obstructed water meters, conducted water meter testing, and managed distribution of metered hydrants. The year saw a further increase in investigations related to water theft, stolen water meters and bypassing meters. SA Water works closely with SA Police to resolve these issues.

Land development and connections

The year saw a decline in building activity in both in-fill development and major new developments. In 2010-11 there were:

- 4235 general land development applications, compared to 4395 in 2009-10;
- 284 SA Water agreements issued for major developments, compared to 296 for 2009-10;
- 25 272 connection applications processed, 26% more than 2009-10.

Revenue from development and building activity fell about 6% on the previous year - from about \$70.9 million to \$66.1 million.

Sponsorships and Partnerships

SA Water sponsored a range of community activities in 2010-11. Key sponsorships for the year were:

- **South Australia Botanic Gardens - SA Water Mediterranean Garden:** showcasing sustainable landscapes and promoting water efficient gardening, the Mediterranean Garden offers visitors ideas for plant species suitable for the local climate.
- **Trees for Life – Tree Scheme:** Trees for Life is a not-for-profit community volunteer-based organisation with the aim to revegetate South Australia through community participation. The sponsorship supports revegetation across the State.
- **Australian Water Association (AWA) - OzWater11 Conference:** The AWA is a peak industry body dealing with all water related issues including the impacts of climate change, stressed water resources, water reuse and recycling. This year SA Water sponsored the national OzWater conference held in Adelaide.
- **SA Water VacSwim Program:** an annual community based swimming program providing opportunities for children to develop confidence and competence in the water including basic swimming stroke improvement, water safety and personal survival skills.
- **Credit Union Christmas Pageant:** we provided 40 000 bottles of water to performers and spectators attending this free family event.

A major review of the SA Water sponsorship program is under way.

Water quality performance

Extremely challenging water quality in the River Murray required a significant monitoring and operational response in 2010-11. After prolonged drought and low flows, we were faced with an ongoing period of floodwaters entering the River Murray - one of our critical sources of drinking water supplies to Adelaide and regional towns.

Elevated levels of dissolved organic carbon and the associated treatment challenges for some systems sourcing raw water from the river also impacted our overall performance against water quality targets.

In 2010-11, we achieved 99.94% *E. coli* compliance across all customer taps in our 62 country drinking water supply systems and 99.96% *E. coli* compliance across all customer taps in the six metropolitan drinking water supply systems.

For our metropolitan systems we achieved 100% compliance with Australian Drinking Water Guidelines' health related parameters and 99.5% for our country drinking water supply systems.

For the year, 99.8% of samples collected in country systems met the Australian Drinking Water Guidelines aesthetic value for turbidity. This has improved every year for the past four years and may be attributed to our Country Water Quality Improvement Program.

Detailed results of water quality performances can be found in our drinking water quality reports, available on our website (www.sawater.com.au).

Source water quality management

During 2010-11, we implemented new source water quality management strategies for our reservoirs and the River Murray, and continued with improvements to existing source water quality strategies, including:

- Continuation of cyanobacterial bloom management in Myponga Reservoir by optimising reservoir and water treatment plant management;
- With the advent of floodwaters from the upper River Murray in 2010, enhanced water quality monitoring initiatives were used to track the progress of the floodwaters and potential effects on water quality. This allowed timely operational responses to address any impending water quality issues;
- Continuation of enhanced algal monitoring program covering key locations along the SA reaches of the River Murray in order to provide an early detection of any algae related challenges in the River Murray.

Drinking water quality management

SA Water's drinking water supply systems are managed in accordance with our Drinking Water Quality Management System (DWQMS).

This system is based on the Australian Drinking Water Guidelines Framework for Management of Drinking Water Quality (ADWG 2004), endorsed by the National Health and Medical Research Council, and provides water quality guidelines and values for a structured and systematic approach to managing drinking water quality from catchment to the consumer tap.

We use Aquality - a measurement and evaluation tool developed by the Water Services Association of Australia - to assess our progress against the framework. In 2010-11 we improved our rating by 2.5% from 2009-10 to 87.7%, which is above the target. The increase is mainly due to the improvement in processes and operational procedures.

Water quality improvement

A number of projects were initiated in 2010-11 to improve the quality of water delivered to our customers across the State. These included:

- Replacement bores drilled for Bordertown, Geranium, Melrose, Hawker and Parachilna;
- Pipework modifications in the Woolpunda system to decrease water age in the system and improve water quality;
- Mount Pleasant water treatment plant storage upgrade;
- Changes in system augmentation at Millicent and upgrades to the chlorination system;
- Relay of 6km of main between Kimba and Moseley to replace old pipe that was the cause of aesthetically poor water quality supplying services from that main.

Australian Water Quality Centre (AWQC)

During 2010-11, our Laboratory Services unit supported the business and external customers with improved analytical testing and field sampling services through our leading edge laboratories and equipment in SA Water House.

There was a 25% increase in testing demand, largely as a result of additional testing from significant rain events and expansion of monitoring programs.

A new method was developed within the Organic Chemistry Laboratory for monitoring algal blooms in rivers and reservoirs, providing a faster and more reliable way of screening algal toxins.

Research, development and innovation

SA Water undertakes research, development and innovation activity across the broad spectrum of our business with the stated aim: *“to support and promote innovative ideas which have the potential to contribute towards improved operational activities, risk mitigation and sustainable growth of our business”*.

Water supply, wastewater treatment and associated activities are technology intensive activities. This requires us to:

- Develop new ways to deal with water quality issues, and environmental and public health risks;
- Support infrastructure and capital investment;
- Where appropriate, evaluate, develop and transfer new technologies into operational outcomes.

SA Water is developing research activity to be able to face new challenges and opportunities including the use of recycled water sources, desalination, infrastructure management and managing the potential impacts of climate change.

Promoting our research

SA Water held its annual Research Development and Innovation (RDI) workshop in May 2011, where we showcased our research activities and highlighted current operational challenges and emerging issues. More than 170 guests registered for at least one workshop session, including 48 external representatives from other water utilities, the Department for Water, CSIRO, the Goyder Institute, the Department of Health, Water Quality Research Australia, and three South Australian universities. This reaffirms that there is significant national interest in SA Water's research and development program.

At the workshop we also presented our annual RDI Innovation Award that acknowledges teams that have developed innovative ideas or advanced the research agenda for the benefit of SA Water or the water industry. The 2011 award was presented to our treatment and trade waste

teams for their project “Co-Digestion of Wastewater Sludge with Trade Waste”. The project team evaluated a novel technique called “co-digestion” to deal with industrial trade waste concentrates that are often toxic or difficult to treat when processed as part of the normal sewage stream. This change in treatment process resulted in a reduction in wastewater load to our wastewater treatment plants, saving energy costs in treatment, and reducing the risks to sewer network operations.

National and international work

SA Water’s research into water science, engineering and technology is acclaimed nationally and internationally. Highlights from international collaborations and partnerships this year included:

- Visits from scientists from China’s Research Centre for Eco-Environmental Sciences who worked at our Australian Water Quality Centre;
- A joint science and technology workshop hosted by SA Water in August 2010 with representatives of the Sustainable Environment Research Centre of National Cheng Kung University in Taiwan.

New projects and initiatives

In 2010-11 we had a major advance in the laboratory testing for the water-borne and human infectious pathogen *Cryptosporidium*, which is a contaminant in run-off from catchments after rainfall.

The AWQC operational and research microbiology laboratories developed a novel and groundbreaking new test that can identify the two important types of *Cryptosporidium* that cause disease in people. Known as ‘FISH’ probes - a diagnostic DNA molecular technique - the tests are rapid, highly sensitive and precise and will lead to increased confidence in our monitoring for these organisms.

SA Water continues to achieve significant national RDI success in receiving competitive funding grants for new research projects, many of which are in partnership with external research agencies and universities. In 2010-11 two new grants were received under the Australian Research Council (ARC) Linkage Grants scheme for:

- Multi-scale strategy to manage chloramine decay and nitrification in water distribution systems;
- Impact of natural organic matter and nutrients on water quality: identification of catchment sources and attenuation processes.

Strategic alliances

Our ongoing collaboration with national and international agencies leads to beneficial outcomes for the State. Strategic alliances and new activities in 2010-11 included:

- Support for the SA Water Centre for Water Management and Reuse (CWMR) at the University of South Australia. SA Water is providing support to the Centre until 2014. CWMR has realigned its research themes to provide additional support areas of interest to SA Water;
- Goyder Institute - a South Australian initiative for water research funded by the State Government and CSIRO. The three major SA universities are partners and SA Water is involved as a partner through the participation of researchers from our AWQC.

System Performance

Performance summary					
	Indicator	20010-11 Target	2010-11 Result	20011-12 Target	Target for 2015
<i>We will plan, develop, operate and maintain our infrastructure to consistently meet the needs of our customers and owner</i>	Number of properties with greater than or equal to 3 unplanned water interruptions per year:				
	Metro Country	2 000 830	1 673 529	2 000 830	2 000 830
Desired outcomes • Maintain asset condition • Meet future demand	Number of properties per year with a sewer overflow caused by a sewer mains choke:				
	Inside building Metro	78	77	76	73
	Inside building Country	3	13	3	3
	Outside building Metro	588	388	576	542
	Outside building Country	20	61	18	13
Infrastructure Leakage Index:					
	Metro	<1.5	1.2	<1.5	<1.5
	Country	<2.0	1.3	<2.0	<2.0

For both metropolitan and regional areas, we were once again within target for the number of properties with more than or equal to three unplanned water interruptions per year.

The number of sewer chokes across the State has been reducing in recent years. Initiatives such as our sewer mains cleaning program should see the number of chokes - and sewer overflows into properties - continue to fall over time.

The Infrastructure Leakage Index is a performance indicator of real water loss from the water distribution network and SA Water consistently performs well in relation to other national and international utilities. This year we were again within target for both our metropolitan and regional networks.

Links to South Australia's Strategic Plan

T1.7 – Strategic infrastructure. Match the national average in terms of investment in key economic and social infrastructure.

T3.9 – Sustainable water supply. SA's water resources are managed within sustainable limits by 2018.

T3.11 – River Murray – salinity. SA maintains a positive balance on the Murray-Darling Basin Authority salinity register.

T6.1 – Aboriginal wellbeing. Improve the overall wellbeing of Aboriginal South Australians.

New Metropolitan Service Alliance

A new 10-year alliance contract to oversee the operation and maintenance of Adelaide's water and wastewater systems for 1.1 million customers commenced on 1 July 2011.

Allwater Joint Venture was chosen as the successful alliance partner after a comprehensive procurement process that included a competitive Request for Proposal process with two shortlisted proponents. A risk based assessment of the two bids considered the technical, organisational and commercial capability of the proponents.

Allwater is a joint venture of private companies Transfield Services, Suez Environnement and Degremont, all with extensive experience in the water industry both within Australia and internationally.

SA Water worked closely with Allwater through the first half of 2011 to ensure a smooth transition from the previous contract to the new arrangements.

The new services alliance model brings greater flexibility and transparency to the delivery of treatment and network services to the greater metropolitan area. It will ensure SA Water and Allwater work closely together, collaborating on strategy and sharing skills and expertise.

The remaining functions from the previous Adelaide Water Contract not covered under the Adelaide Services Alliance have been separately contracted out or returned to SA Water.

Functions returning to SA Water include the Call Centre and Strategic Asset Management. Recruitment for these functions has been undertaken in conjunction with Allwater, with many staff being drawn from the previous provider, United Water International.

The management of capital works delivery is now subject to a separately procured Project Management and Procurement contract. On 27 May 2011, KBR was announced as the successful proponent for this five-year contract, following an extensive Request for Proposal process. KBR is a leading international engineering and construction services company, having operated in Australia for 50 years.

Regional Service Delivery

We are committed to delivering quality water and wastewater services to our regional customers across South Australia. As part of this, our regional workforce has targets to ensure any service interruptions and customer complaints are addressed within appropriate timeframes.

In 2010-11, Regional Operations attended to 4 064 service delivery events of which 99% were completed within required timeframes. These events included:

- 448 priority water attendances;
- 1316 water restorations;
- 176 wastewater overflow clean ups;
- 439 wastewater overflow attendances;
- 48 wastewater odour complaints.

Corrective maintenance accounted for about 27% of our regional resource hours in 2010-11 compared to 32% last financial year. Preventative maintenance accounted for 20% of the resource time (up 1% on the previous year) and 99% of preventative maintenance tasks were completed within scheduled timeframes.

A significant upgrade to our Maximo works management system was completed during the year (see page 72). The upgrade will lead to improved operational and asset management decision making, delivering improved customer value.

River Murray Operations

The River Murray was a major focus in 2010-11, with the tail-end of the longest drought on record at the start of the year and the highest flows for nearly 20 years (up 94 000 million litres per day) at the end. In most years the river peaks in the period from November to early January depending on the season. However, this year it did not peak until March - the latest peak flow recorded.

Due to high flows after such a long period of low flows, organic material that had accumulated on the floodplains entered the river, resulting in a severe blackwater event. This provided difficulties for the water treatment plants which required a significant operational response.

In South Australia, the Lower Lakes started the year at unprecedented low levels with corresponding high salinities but finished up the year at full supply levels with the salinity in Lake Alexandrina reducing from over 17 000 EC to about 500 EC.

The high river provided the first opportunity to remove the newly modified navigable passes at all of the locks and weirs operated by SA Water. The project, to improve processes for the navigable pass to be removed on a rising river and reinstated when the river falls when the lock chambers are no longer safe to operate, commenced in 2000. However, the new processes had not been used due to the ongoing low flow conditions in the river. It proved to be highly successful, working faultlessly and changed what was a three-day operation with high OH&S risks into a safe operation that could be completed in a couple of hours.

A number of major projects were undertaken on the River Murray in 2010-11 on behalf of the Murray Darling Basin Authority. These included:

- ***Chowilla environmental regulator:*** \$35 million project to allow controlled flooding of the Chowilla floodplain to support vast wetlands and their flora and fauna, including nationally-listed threatened species. Believed to be one of Australia's biggest environmental remediation efforts, the project is being delivered as part of The Living Murray Program.
- ***Modifications to the River Murray Locks and Weirs (Numbers 1 to 6) and construction of fish passages:*** \$61 million project to improve the operation and improve structural integrity of the navigable passes and provide fish passages as part of an overall Native Fish Strategy to allow migratory fish to travel from the sea to Hume Dam.
- ***Salt Interception Schemes (SIS):*** the Loxton SIS was completed this year and work was well advanced on the Murtho SIS and the first stage of the Pike River SIS. The full suite of schemes will intercept saline water and stop more than 400 tonnes of salt per day from reaching the River Murray.

Adelaide Desalination Project

As part of the State's *Water for Good* plan to secure water for the future, the South Australian Government, through SA Water, is building a seawater desalination plant south of Adelaide. The plant will be used in conjunction with a range of other water security measures including recycling, stormwater reuse and waterwise measures.

The approved project cost is \$1.824 billion and the plant will deliver up to 100 billion litres of water each year - about half of metropolitan Adelaide's current annual water demand. The project is on track for full completion by the end of 2012. Once operational, the use of the plant will be balanced with reservoir capacities and our River Murray licence to ensure customer demand is met in a sustainable and cost-effective manner.

The AdelaideAqua Design and Construct Consortium (comprising Acciona Agua Adelaide, McConnell Dowell and Abigroup Contractors) is responsible for the design and construction of the desalination plant and marine works, with AdelaideAqua Pty Ltd (comprising Acciona Agua Adelaide and TRILITY) responsible for the operation and maintenance of the Adelaide Desalination Plant for a period of 20 years.

Transfer pipeline: an integral part of the project is the Transfer Pipeline System which has been successfully constructed and commissioned. SA Water contracted McConnell Dowell Built Environs Joint Venture to design and construct this package of works which will enable water to be pumped from the desalination plant, through the pipeline to the Happy Valley water filtration plant.

Plant power: in May 2011, the new Lonsdale substation and infrastructure upgrades to a number of high voltage switch rooms and associated dual-redundant transmission lines up to the new substation were completed. This will provide reliable power supplies to the desalination plant and also strengthen the southern supply grid. SA Water contracted ETSA Utilities to deliver these works.

Site safety: in last year's annual report, we reported on the tragic death of one of the workers on the site on 16 July 2010. The investigation into this fatality is still under way and we remain committed to safety as our top priority for the project.

Together with the contractors, a strong safety culture has been embedded on site, resulting in the implementation of various safety measures and initiatives to ensure everyone working on the project feels safe, is able to perform their work safely and go home without harm every day. As at 30 June 2011 the project recorded around 6.9 million hours worked and a Lost Time Injury Frequency Rate (LTIFR) of 1.02.

Plant and marine works: the project's design, procurement and construction works are proceeding well. In 2010-11:

- The second treated water storage tank (25 megalitre capacity) was hydro-tested and made available for operation;
- The first 50 gegalitre per annum desalination plant pre-treatment (ultra-filtration cells) system was commissioned;
- The superduplex pipework for the reverse osmosis stream was successfully hydro-tested;
- Construction of essential components required for first production of drinking water from the 50 gegalitre per annum reverse osmosis plant progressed well;
- A large number of electrical systems and switchgear have been energised;
- Seawater intake and outfall tunnels were safely flooded and seawater intake pumps were operated successfully to lift the seawater up to the process buildings.

Construction works for the 100 gegalitre process buildings are continuing. The temporary pilot plant was successfully dismantled and decommissioned, including the removal of site equipment and pipework on the seabed.

Community and industry engagement: the community continues to be informed and consulted on the project. More than 13 500 people have participated in information sessions. More than 3300 people have been to the temporary visitors' centre on site, which also hosts all site visits for dignitaries.

To the end of the financial year, about 10 000 people had been inducted on the project site and had the opportunity to work in different areas of the project, with about 1400 people on site during the peak of construction. In addition to this, more than 550 local and South Australian companies had been involved in the project. More than 70% of the workforce had been sourced from local companies, giving local people and businesses the opportunity to participate in the State's largest infrastructure project.

Parliamentary Select Committee: in December 2010, a Parliamentary Upper House Select Committee was established to inquire into the management and administration of the project. Several hearings have since been conducted, with SA Water providing evidence to the Select Committee in March 2011.

The environment: SA Water and AdelaideAqua D&C Consortium are committed to meeting the highest standards of environmental compliance during the life of the project. To protect the

environment during construction, initiatives to manage groundwater and the marine dredging processes were implemented.

Revegetation to offset native vegetation and significant tree clearance was completed, along with major revegetation work along the transfer pipeline route and within Happy Valley reservoir reserve.

The Chrysler Road creek bordering the desalination plant site has been rehabilitated and landscaped with 20 000 local indigenous plantings resulting in a dramatic improvement to the quality of the stormwater discharged to the marine environment, with no noticeable plume after major rainfall events. In conjunction with the City of Onkaparinga, an enhanced stormwater basin has been constructed and landscaped with 12 500 local indigenous plants to reduce stormwater runoff into the marine environment.

The Keep South Australia Beautiful (KESAB) clean site partnership has progressed well, with more than 98% of recyclable materials from the site recycled, including 14 257 tonnes of solid waste.

The Adelaide Desalination Plant will be one of the most energy efficient large reverse osmosis desalination plants in Australia. All of the power used in the desalination plant and the transfer pipeline system will be offset with 100% GreenPower accredited renewable energy, generated within South Australia.

Capital projects highlights

In 2010-11, SA Water's overall capital expenditure reached \$693 million, with water, wastewater and related projects under way or completed across the State. The following pages provide a summary of the year's highlights.

North South Interconnection System Project: a range of works to "connect up" Adelaide's northern and southern water supply networks. These works will allow us to move water across one connected system - improving reliability and network flexibility for Adelaide and enabling water from the new Adelaide desalination plant to be distributed throughout the whole water supply network system from 2012.

The \$403 million project was approved by Cabinet and the Public Works Committee in late 2010. With anticipated completion at the end of 2012, major work undertaken in the 10-11 financial year included:

- Working with local communities and stakeholders to deliver acceptable designs for above-ground infrastructure to be constructed in residential areas;
- Significant detailed design work undertaken for various project components;
- Contract awarded and construction under way on first pipeline - the 12 kilometre eastern pipeline - to connect the new pump stations planned for Clapham and Wattle Park;
- Contract award for Operational Monitoring and Control for Infrastructure.

Bird in Hand wastewater treatment plant project: \$60 million upgrade of the plant to improve treated wastewater quality and reduce impacts on the receiving environment of Dawesley Creek, in line with community expectations.

With anticipated completion at the end of 2011, major work undertaken this financial year included construction of treatment train structures, mechanical and electrical installation and construction of recycled water storage.

Southern Urban Reuse Project: this \$62.6 million project - part of Water Proofing the South - has brought recycled water to residential areas to the south of Adelaide. First water was produced in December 2010 and the project was commissioned in May 2011. Construction included:

- 800 million litre earthen storage
- Ultra filtration building, including mechanical and electrical works
- ETSA power supply
- Telecommunication upgrade
- Site civil works
- Reclaimed water pump station
- Feed water storage lagoon
- Filtered water storage lagoons
- Recycled water pump station

The Southern Urban Reuse recycled water management plan was approved by the SA Department of Health and community engagement was undertaken throughout project delivery.

Muller and Regency roads trunk water main renewal: close-fit lining of the 4.83km 90-year-old trunk water main due to the increasing risk of bursts and leakage, completed in February 2011. The project included a number of technically challenging innovations in the use of trenchless technology to line the original pipe. It was a world first due to the close-fit lining technique and insertion of 620 metre pipe lengths through bends of greater than 10 degrees.

Waterfall Gully wastewater system upgrade: upgrade of system comprising 65 customer connections (including residential, light industrial and commercial properties) to address safety and system reliability issues. Completed in June 2011, the project included construction and commissioning of a new above-ground vacuum pumping station, including odour control facilities, and installation of new wastewater collection pits.

Fluoridation of the Mount Gambier water supply: design and construction of a facility to introduce fluoride to Mount Gambier's water supply in line with Australian Drinking Water Guidelines. The project was completed in March 2011.

Millicent Water Supply Upgrade: to supply disinfected water to customers in Millicent via a transfer main connecting the existing elevated tank and three supply bores, and an improved disinfection system at the tank. This upgrade is part of the Country Water Quality Improvement Program. The project was completed in March 2011 and major work included installation of 2.5km transfer main connecting the existing three supply bores to the elevated tank and a disinfection system upgrade with chlorine dosing via a recirculation system including external pumping station.

Christies Beach wastewater treatment plant project: \$272 million project to upgrade the existing wastewater treatment plant to increase its capacity from 30 million litres per day to 45 million litres per day and reduce nitrogen loads to Gulf St Vincent. In 2010-11, construction continued on several fronts and all new buildings were completed.

Supervisory Control, Automation and Data Acquisition (SCADA) – stage two of implementing single standards: \$5 million upgrade of 11 systems to create a standard, centralised SCADA network to be managed and maintained by SA Water (for the Allwater alliance - see page 31).

Aldinga wastewater treatment plant capacity upgrade: \$22.8 million upgrade of existing treatment process to cater for future growth in the region and improve sludge handling. Expected to be completed in August 2011, major work undertaken in the past year included completion of all new structures associated with the upgrade, including inlet works, oxidation ditch and clarifiers, lagoons, DAFT plant and ETSA site power upgrade.

Barker Inlet Stormwater Reuse Scheme: \$8.15 million project to harvest and deliver 300 million litres per year of stormwater for use by industrial, commercial and irrigation customers in the Regency Park area. The project will reduce reliance on water resources from the River Murray and Mount Lofty Ranges, by increasing urban stormwater harvesting and recycling. Construction commenced in June 2011.

Adelaide Airport Stormwater Scheme: project to harvest and deliver 270 million litres per year of stormwater for irrigation to replace potable water used in and around the airport. Planning and development of the scheme is based on an memorandum of understanding between SA Water and Adelaide Airport Limited.

Murray Bridge wastewater treatment plant: a new site is being investigated to address residential encroachment on the existing site and to increase the treatment capacity. A preferred site is likely to be identified in late 2011. Stakeholder engagement is being undertaken to ensure that issues and ideas from property owners, residents and the local council can be considered.

Thebarton Depot Decommissioning: SA Water and its predecessors had occupied the Thebarton site since 1879. With the movement of SA Water staff to our new headquarters in Victoria Square the Thebarton site is being decommissioned - including demolition of the buildings and the remediation of contaminated soil suitable for public open space. The site will be returned to Park Lands and developed into an urban forest.

Kingscote water supply treated storages: \$23 million project to secure water supplies for Kingscote and surrounding areas on Kangaroo Island. Plans include treated water storage, treatment upgrade and a connecting main and pumping station near Kingscote.

Community engagements on projects

In 2010-11 our community engagement program continued to support capital projects and long term planning across the State.

Our focus included the North South Interconnection System Project, Adelaide Desalination Project, Christies Beach wastewater treatment plant upgrade, Kangaroo Island water storage facility, the new Murray Bridge wastewater treatment plant, Upper Spencer Gulf Long Term Plan, the Southern Urban Reuse Project, and Bird in Hand wastewater treatment plant upgrade.

Remote communities

SA Water works with Commonwealth and State agencies, Aboriginal Land Holding Authorities and communities in the provision of water and wastewater services to 18 South Australian Aboriginal communities.

We have project managed capital programs for the communities, with projects valued at \$2.4 million completed this year at Koonibba and Oak Valley. Several other construction projects will be completed over the next 18 months, including:

- \$5.4 million suite of water and wastewater infrastructure improvement projects funded by the Department of Sustainability, Water, Environment, Population and Communities for Amata and Mimili communities;
- \$2.5 million suite of water and wastewater projects funded by the Department of Family and Housing, Community Services and Indigenous Affairs for Kaltjiti and Pukatja communities.

As from 1 July 2011, portfolio responsibility for these activities has transferred to the Minister for Water, with SA Water taking operational responsibility. SA Water will continue to follow a risk analysis approach to guide asset management and annual service delivery including routine preventative maintenance, response to emergency breakdowns, aquifer performance monitoring, operator training, regular water quality and wastewater sampling analysis.

Sustainable Future

Performance summary					
	Indicator	2010-11 Target	2010-11 Result	2011-12 Target	Target for 2015
<i>We will play a leading role in providing a sustainable and secure water supply for the community and minimise our impact on the environment</i>	10 year average consumption:				
	Metro	162.7GL	153.6GL	162.8GL	164.4GL
	Country	84.8GL	81.6GL	85.2GL	87.7GL
	Percentage of water recycled:				
	Metro	34%	22.5%	35%	35%
	Country	28%	20.1%	28%	29%
Desired outcomes • Balance demand with a sustainable water supply • Minimise environmental impact • Move towards 1990 levels of greenhouse gas emissions	Water licence compliance	100%	100%	100%	100%
	EPA licence compliance	100%	100%	100%	100%
	Type 1 and 2 wastewater environmental notifications	96	87	94	88
	Net tonnes of Greenhouse Gas Emitted	405 000t	360 811t	405 000t	389 000t

Rainfall and the continuing efforts of the community to save water kept consumption below target throughout the year.

We did not reach our targets for percentage of wastewater recycled in 2010-11. The wet weather saw both an increase in the amount of treated wastewater (largely due to stormwater intrusion into the sewer network) and a fall in demand for recycled water.

We achieved 100% compliance with all 29 of our licences, in relation to both extraction within allocation and compliance with licence conditions.

Links to South Australia's Strategic Plan

T3.2 – Land biodiversity. By 2010 have five well-established biodiversity corridors aimed at maximising ecological outcomes particularly in the face of climate change.

T3.5 – Greenhouse gas reduction. Achieve the Kyoto target by limiting the State's greenhouse gas emissions to 108% of 1990 levels during 2008-12, as a first step towards reducing emissions by 60% (to 40% of 1990 levels) by 2050.

T3.7 – Ecological footprint. Reduce SA's ecological footprint by 30% by 2050.

T3.8 – Zero waste. Reduce waste to landfill by 25% by 2014.

T3.9 – Sustainable water supply. SA's water resources are managed within sustainable limits by 2018.

T3.12 – Renewable energy. Support the development of renewable energy so that it comprises 20% of the State's electricity production and consumption by 2014.

T3.13 – Energy efficiency – government buildings. Improve the energy efficiency of government buildings by 25% from 2000-01 levels by 2014.

SA Water's Climate Change Strategy

In 2010-11 we have been implementing our Climate Change Strategy focusing on the key areas of:

- Adapting to climate change;
- Reducing greenhouse gas emissions (mitigation);
- Supporting necessary research.

We have engaged many business units across the organisation to enable a collaborative approach, drawing on the expertise of our employees to identify actions to reduce the impact of climate change and establish priorities for the business.

Climate Change Sector Agreement

We have signed a Climate Change Sector Agreement with the South Australian Government. The sector agreement formalises our ongoing commitment to responding to the challenges of climate change by working with our stakeholders and the State Government while continuing to play a leading role in providing sustainable water and wastewater services to the community.

The high level targets of the agreement are:

- For the period 1 January 2008 to 31 December 2012, SA Water will constrain net greenhouse gas emissions to an amount equivalent to the Australian (and overall South Australian) Kyoto target of 108% of 1990 levels;
- From 1 January 2013, SA Water will progressively reduce net greenhouse gas emissions on a linear reduction pathway so that by 31 December 2050, SA Water's emissions will be no greater than 40% of 1990 levels.

The agreement - which can be viewed at www.climatechange.sa.gov.au - also maintains our commitment to contribute to 20% renewable energy use from self-generated and purchased accredited renewable energy.

2010 Greenhouse Gas Inventory

We internally monitor and report total greenhouse gas emissions directly associated with our activities, and a number of significant indirect emissions. We also have an annual mandatory requirement to report our direct emissions and energy use under the Commonwealth Government's National Greenhouse and Energy Reporting System.

We have continually made improvements to the quality of our inventory data, including an independent audit of our reporting procedures and calculations, and installation of a greenhouse gas inventory system to improve accuracy and transparency of data.

Annual Report 2010:

Facility emissions	Scope 1	Scope 2	Scope 3	Total emissions 2010
SA Water corporate and aggregates	6 933	4 800	5 041	16 774
Non-metropolitan water pumping and networks	415	149 319	27 506	177 240
Country wastewater treatment plants (WWTP)	9 759	7 248	3 291	20 299
Metropolitan water treatment and networks	21	18 274	7 518	25 813
Bolivar WWTP	18 883	22 816	4 134	45 833

Facility emissions	Scope 1	Scope 2	Scope 3	Total emissions 2010
Glenelg WWTP	5 647	3 142	1 285	10 073
Christies Beach WWTP	4 709	7 292	6 480	18 481
Aldinga WWTP	529	315	3 151	3 996
Adelaide Desalination Project	7 046	4 329	41 396	52 772
Country outsourced facilities	-	-	13 440	13 440
Chemicals	-	-	14 754	14 754
Gross emissions	53 238	217 085	138 012	408 335
Catchment Buffer Zones and Land Holdings				-7 744
GreenPower and RECS				-39 780
Carbon Offsets				n/a
Equivalent net emissions				360 811

Notes:

1. The inventory is based on calendar year performance and includes some estimates.
2. The inventory is based on facilities to align with the National Greenhouse and Energy Reporting System.
3. Scope 1 emissions refer to direct emissions from fuel burning and fugitive emission sources.
4. Scope 2 emissions acknowledge emissions caused indirectly through the consumption of electricity.
5. Scope 3 emissions acknowledge other indirect emissions cause in relation to SA Water's activities, such as electricity transmission losses, some outsourced activities and emissions embodied in the products and services that SA Water purchases. (While significant scope 3 emissions are reported a number of minor indirect emissions are not quantified).
6. Exclusions: River Murray activities not regarded as being under SA Water operational control and emissions not managed by SA Water (total 6 559 tCO₂-e).
7. SA Water's greenhouse gas reduction performance was better than its net emissions target of 405 000 tonnes CO₂-e due to the lower pumping rates and the purchase of renewable energy to achieve its 20% renewable energy target.

Reducing greenhouse gas emissions

In 2010-11 we continued to achieve our greenhouse gas emissions reduction targets in line with South Australia's Strategic Plan and national and State climate change regulation. Achievements for greenhouse gas reduction included:

- Constraining equivalent net greenhouse gas emissions (2010 calendar year) to within 405 000 tonnes carbon dioxide equivalent (CO₂-e), meeting our Kyoto protocol aligned target;
- Achieving 20% renewable energy use based on renewable electricity produced and used at the Bolivar and Glenelg WWTP sites as well as our additional purchases of accredited GreenPower and Renewable Energy Certificates;
- Monitoring construction of the Adelaide Desalination Plant which included tracking fuels, electricity use and significant materials and components in order to meet mandatory greenhouse reporting requirements;
- 17 109 megawatt hours of renewable energy from wastewater treatment plant biogas was

produced and used during 2010. This continued the notable improvement over the past two years on the production output compared with previous years;

- Maintaining our long standing major pumping efficiency improvements and programs with energy savings of around 12 000 megawatt hours per year;
- Recovering 3816 megawatt hours of electricity through our Hope Valley mini hydroelectric joint venture facility;
- Staff greening initiatives such as internal Environment Awards, workshops and incentives for staff to cycle to work and participation in Earth Hour with all non-emergency SA Water House lighting switched off, including the building logo, for the hour;
- 70 ha of biosequestration plantings at Little Para Reservoir to capture 30 350 tonnes CO₂-e across the total life of the project.

Supporting necessary research

In 2010-11, we collaborated with other government agencies and research organisations to understand existing climate research and identify knowledge gaps to prioritise our research.

Highlights included:

- Several projects looking at climate change mitigation including a life cycle assessment of emissions from chemicals used in the water sector for both water and wastewater treatment;
- Contribution to a Water Services Association of Australia project to develop carbon price forecasting to feed into internal business cases and energy and greenhouse strategies;
- Several climate change adaptation projects, including assessing the potential impacts of climate change on the water quality in Happy Valley Reservoir;
- Participation in the Goyder Institute for Water Research to develop a single set of climate projections for the State to support water resource planning and management.

Land use and management

In the past year, SA Water has built on its commitment to ensure appropriate management of land and natural assets we own. Actions to ensure water quality protection, pest plant and animal control, fire management and biodiversity conservation continued across the State, with a focus on integrating management with other agencies and landholders.

In 2010-11, we:

- Revised the Mount Bold land and fire management plan;
- Developed a land management plan for the Morgan water treatment plant;
- Developed a biodiversity management plan for the Blue Lake at Mount Gambier;
- Devised a new prioritisation methodology to better match management actions to available funding;
- Revised our Public Access and Land Use policies;
- Managed a number of special land use projects, including a memorandum of understanding with the apiary industry to support bee keeping activities within SA Water reserves;
- Led, or partnered on, a number of biodiversity programs.

Fire management

For each of its major landholdings, SA Water has developed fire management plans which identify and prioritise actions to reduce potential threat and impact of bushfires. In 2010-11, we helped protect assets with fuel load reduction works at a number of sites and maintained fire tracks and signage to meet Government Agency Standards. SA Water also continued to work closely with the Country Fire Service (CFS) to ensure that, in the event of a fire, local brigades have knowledge of SA Water reserves and water access points.

In cooperation with the CFS and the Department of Environment and Natural Resources, we conducted six prescribed burns across a number of landholdings. These included exhaustive planning processes, including an environmental impact assessment and operations plan.

Revegetation

In 2010, as part of our carbon biosequestration program, 70 hectares of the Little Para Reservoir Reserve was revegetated using 60 000 local native trees and shrubs. The project aims to deliver multiple benefits to SA Water including:

- Provision of a cost effective offset of some 30 350 tonnes CO₂ at maturity;
- Lasting control of declared weeds;
- A resilient, low maintenance native vegetation land cover;
- Improved gully erosion protection in the reservoir reserve.

In April 2011, the results of a detailed monitoring program revealed excellent seedling survival rates with an average of 90.1 percent survival across the 70 hectares, exceeding the project deliverable of 80 percent survival at age 9 months.

Building on the success of this project, in 2011 SA Water will implement a further 100 hectares of revegetation at Little Para, planting a further 85 000 local native trees and shrubs to capture some 43 385 tonnes CO₂ at maturity.

We have also successfully revegetated with locally indigenous species approximately 10 hectares of former dairy land we purchased at Mobilong and Toora Swamps.

Vegetation clearance

In 2010-11, disturbance to 4 native trees and about 7.67 hectares of native vegetation required assessment and reporting to the Native Vegetation Council.

Under the *Native Vegetation Act 1991*, an achievement of a Significant Environmental Benefit (SEB) is required to offset clearances associated with SA Water projects. To satisfy the SEB requirements for the 2010-11 year approximately 14.51 hectares of on ground works will be undertaken together with payment into the Native Vegetation Fund.

Project / Activity	Native vegetation disturbed (rounded to one decimal place)	Significant environmental benefit
Port Augusta West wastewater treatment plant (WWTP) hardstand	1.0 hectare	Payment into the Native Vegetation Fund
Adelaide Desalination Plant – western batter	0.4 hectares	Payment into the Native Vegetation Fund
Morgan water treatment plant - additional sludge lagoons 9 to 13	3.7 hectares	7.7 hectares proposed to be offset at the Morgan water treatment plant lagoon site
Morgan water treatment plant – emergency overflow	0.3 hectares	1 hectare proposed to be offset at the Morgan water treatment plant lagoon site
North-South Interconnection System Pipeline	0.8 hectares and 3 trees	5.9 hectares of on ground works to undertaken

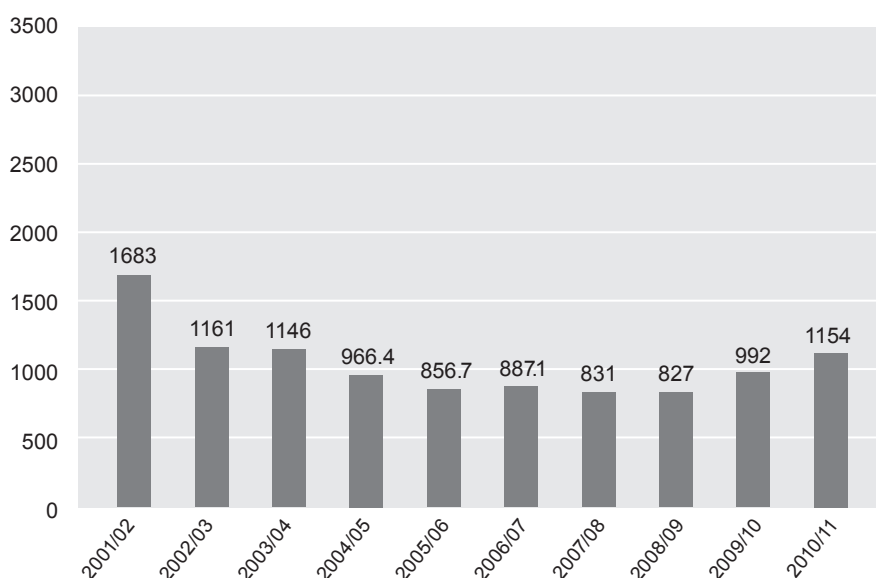
Project / Activity	Native vegetation disturbed (rounded to one decimal place)	Significant environmental benefit
Heathfield - access track	0.1 hectares	SEB exempt under regulation 5(1)(t)
Whyalla WWTP (vehicle parking bay)	0.2 hectares	Payment into the Native Vegetation Fund
Pike salt interception scheme	1.3 hectares	SEB option yet to be determined
Total trees cleared: 4 Total area cleared: 7.7 hectares Total benefits - on ground works: 14.5 hectares		

Volume of water recycled and reused

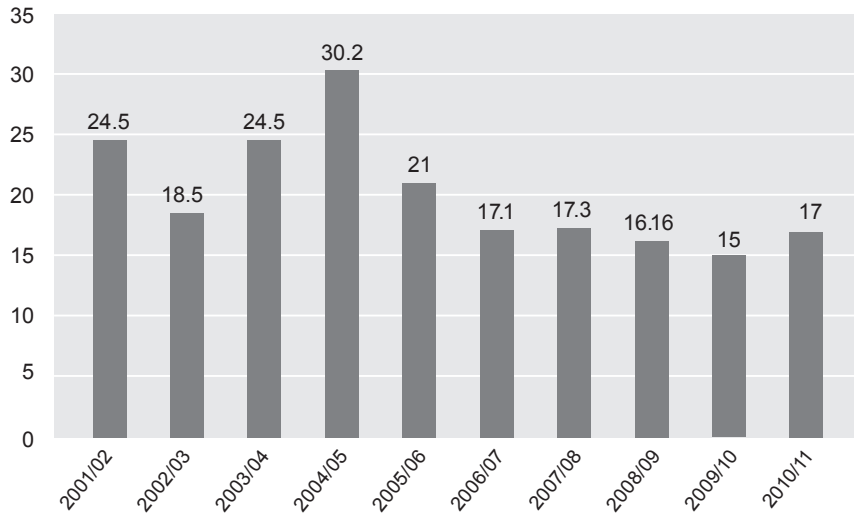
In 2010-11, we recycled about 22.5% of metropolitan treated wastewater, compared to 29.5% in 2009-10. Although the recent completion of a number of reuse projects means we now have greater capacity to recycle treated wastewater, the wet weather throughout the year saw both an increase in the amount of treated wastewater and a fall in demand for recycled water. For the same reasons, treated wastewater reuse in country areas decreased from 25.7% in 2009-10 to 20.1% in 2010-11.

Waste and emissions

Nitrogen in metropolitan wastewater treatment plant discharges
Tonnes per year: 2001-02 to 2010-11



*Phosphorus in country wastewater treatment plant discharges to inland waters
Tonnes per year: 2001-02 to 2010-11*



Materials

Our business requires the use of a range of chemicals each year. The total amounts listed below include both chemicals used at SA Water owned and operated sites, as well as sites that were operated by our metropolitan contractor (United Water in 2010-11).

Type of Chemical	Chemical	Amount in tonnes (unless stated otherwise)		Purpose
		2009-10*	2010-11	
Water and wastewater treatment				
Caustic Soda (30% saturated solution)	NaOH	1 641	3 960	pH correction in water treatment & wastewater treatment odour control
Caustic Soda (50% saturated solution)	NaOH	933	1 299	pH correction in water treatment
Sulphuric Acid	H ₂ SO ₄	220	117	pH correction in water treatment to assist coagulation
Aluminium Sulphate (Alum) – water treatment	Al ₂ O ₃	21 886	33 281	Coagulation of impurities
Aluminium Sulphate (Alum) – wastewater treatment	Al ₂ O ₃	2 938	3 025	Phosphorus reduction by coagulation of impurities

Type of Chemical	Chemical	Amount in tonnes (unless stated otherwise)		Purpose
		2009-10*	2010-11	
Polyelectrolyte (synthetic flocculating aids) – wastewater treatment	Various chemical polymers	83	77	Coagulant aid
Polyelectrolyte (synthetic flocculating aids) (Morgan and Mt Pleasant)	Various chemical polymers	22.1	5.2	Coagulant aid
Copper sulphate	CuSO ₄	178	128	Algae control in reservoirs
Chlorine gas	Cl ₂	1 481	1 662	Water and wastewater disinfection
Anhydrous ammonia	NH ₃	4	7	Combined with chlorine for water disinfection
Bulk aqueous ammonia	NH ₄ OH	118	203	Combined with chlorine for water disinfection
Sodium Hypochlorite	NaOCl	319	539	Water disinfection in networks & wastewater treatment odour control
Oxygen	O ₂	31 499	22 368	Odour minimisation in wastewater systems
Powdered Activated Carbon (PAC) – water treatment	C	51	281	Used for filtration
Powdered Activated Carbon (PAC) – wastewater treatment	C	3	3	Used for filtration
Molasses	Glucose, sucrose, fructose etc.	1 465	1 797	Enhances wastewater treatment by providing energy for beneficial bacteria
Phosphoric Acid	H ₃ PO ₄	0	4	Assists with cleaning of the wastewater treatment plant UV system
Formic acid	HCO ₂ H	14	11	De-scaling equipment in treatment plants

Type of Chemical	Chemical	Amount in tonnes (unless stated otherwise)		Purpose
		2009-10*	2010-11	
Magnesium hydroxide	Mg(OH) ₂	532	536	pH adjustment and odour control of sulphides in wastewater treatment
Ammonium phosphate	(NH ₄) ₃ PO ₄	9 020	9 000	Aids odour control in wastewater treatment plant
Hydrofluosilicic acid (fluoride)	H ₂ SiF ₆	1 020	623	Additive to drinking water for prevention of tooth decay
Lime	CaO	1 490	1 706	pH correction in water treatment
Glycolic acid UN:3265	C ₂ H ₄ O ₃	5 500 L	2 500 L	Acid for dosing salt interception bores to remove iron bacteria growth
Sulphamic acid UN:2967	H ₃ NO ₃ S	43	37	Acid for dosing salt interception bores to remove iron bacteria growth
CB4 Surfactant	N/A	1 875 L	1 500 L	Acid for dosing salt interception bores to remove iron bacteria growth
Sokolan		3.6	9.6	Acid for dosing salt interception bores to remove iron bacteria growth
Sodium Hypochlorite (chlorine-liquid)		1 200 L	900 L	Acid for dosing salt interception bores to remove iron bacteria growth
MSA(Acid) Lutropur UN:2586		7.5	7.2	Acid for dosing salt interception bores to remove iron bacteria growth
Midge control chemicals				
Periodically used to control midge flies at Bolivar Wastewater Treatment Plant				
Bistar (Bifenthrin)	Synthetic pyrethroid	20 L	25 L	Insecticide for control of adult midges

Type of Chemical	Chemical	Amount in tonnes (unless stated otherwise)		Purpose
		2009-10*	2010-11	
Land management chemicals				
Agaal, Agriwet, Wetspray 1000, Wetter 1000	Proprietary	15 L	25 L	Wetting agent to mix with herbicide
Glyphosate, Glyphosate Biactive, Roundup	Glyphosate	3 720 L	7 339.85 L	Herbicide for control of weeds
Trounce Brush Pack	Glyphosate, Metsulfuron methyl	2 kg	0	Herbicide for control of weeds
Ally / Brushoff	Metsulfuron methyl	14.84 kg	25.99 kg	Herbicide for control of weeds
Pulse	Polydimethylsiloxane	192.2 L	513.2 L	Herbicide for control of weeds
Macsread Eucmix	Terbacil, Sulfometuron methyl	4 kg	22.5 kg	Herbicide for control of weeds
Garlon 480, Garlon 600	Triclopyr	142 L	320.5 L	Herbicide for control of weeds
Cislin/ Insectigone	Deltanethrin	30 L	40 L	Insecticide
Prolan 500E		60 L	70 L	Herbicide for control of weeds
Jaguar	Bromoxynil, diflufenican	49 L	49 L	Herbicide
Red Dye		14 L	107 L	Herbicide
Tordon	Picloram	17 L	0	Herbicide
Striker	Diuron	1 L	0	Herbicide
MCPA	Dimethylamine Salt	54 L	54 L	Herbicide for control of weeds
Amine 500	2,4-D Dimethylamine salt	0	12 L	Herbicide
Kamba 200	Dicamba, 2,5-Dichloro-6-Methoxybenzoic Acid	0	30 L	Herbicide
Fusilade	Fluazifop-P-Butyl	0	6.6 L	Herbicide
Grazon DS	Triclopyr butoxyethyl, Picloram	0	132.9 L	Herbicide
Dragnet	Permethrin	1.7 kg	3.5 kg	Pesticide

Type of Chemical	Chemical	Amount in tonnes (unless stated otherwise)		Purpose
		2009-10*	2010-11	
Vigilant	Picloram	0	3.2 kg	Herbicide
Deltamethrin Liquid	Deltamethrin	0	9 kg	Insecticide for bees

* Collection of the 2009-10 data was not fully complete for some chemicals at the time of compiling last year's annual report. The figures have been updated in the table above.

Fines and Sanctions

Licence Compliance

Compliance with Environment Protection Authority (EPA) licence conditions 2010-11:

Measures	Target	Result	Assessment
Metropolitan and country wastewater treatment EPA licences	100%	100%	Achieved target
Abrasive blasting EPA licences	100%	100%	Achieved target
Treated water transfer EPA licence	100%	100%	Achieved target
Production and disposal of listed waste EPA licence	100%	100%	Achieved target
Streaky Bay aquifer storage and recovery EPA licence	100%	100%	Achieved target
Adelaide desalination pilot plant EPA licence	100%	100%	Achieved target
Penneshaw desalination plant new EPA licence	100%	100%	Achieved target
Aldinga managed aquifer recharge new EPA licence	100%	100%	Achieved target

Environment Protection Orders

No Environment Protection Orders were issued to SA Water between 1 July 2010 and 30 June 2011.

Legal actions

An enforcement notice was served on SA Water by the Department of Environment and Natural Resources due to clearance of native vegetation that occurred in September 2010 for the emergency construction of additional sludge lagoons at the Morgan Water Treatment Plant.

Environmental incidents

The unexpected failure of mains and pump stations can sometimes lead to untreated effluent or treated water entering stormwater drains and/or watercourses potentially causing environmental harm.

Environmental incidents of this nature are recorded and reported to the Environment Protection Authority (EPA) according to established protocols. Details of such incidents in recent years compared to 2010-11 are provided in the following tables.

In 2010-11, there was an increased number of incidents relating to wastewater pumping station overflows. This has been the result of electrical failures and infiltration of stormwater into the sewerage networks during storm and heavy rainfall events, causing pumping stations to reach overflow levels.

Environmental incidents that result in emissions to the environment:

Environmental incident type	Result 2007-08	Result 2008-09	Result 2009-10	Result 2010-11
Wastewater overflow incidents (Types 1 and 2)	71	69	60	86
Mains water discharges (unplanned) (Types 1 and 2)	22	24	25	31
Total wastewater overflows and spills entering water courses or stormwater systems	61	58	52	81
Overflows from wastewater pumping stations in Adelaide (including ETSA failures)	6	8	3	18
Overflows from wastewater pumping stations in country (including ETSA failures)	2	6	6	10

Note: the incidents identified above are Type 1 and Type 2 incidents which are reportable to the EPA.

Environmental incidents 2007-08 to 2010-11:

	2007-08	2008-09	2009-10	2010-11
Total Type 1 environmental incidents	16	15	19	18
Total Type 2 environmental incidents	82	72	77	105

Note: total environmental incidents include internal house flooding incidents and water quality incidents associated with country reuse plants, which are not required to be reported to the EPA.

Environmental flows

With the relaxation of water restrictions, preparations have begun to restart the trial release of environmental flows from SA Water's storages in the Western Mount Lofty Ranges.

The trial releases - which were to be up to 15 billion litres per annum - were placed on hold in 2006 due to the drought. Monitoring of the trials will inform the volume of water that SA Water will be required to release each year for environmental purposes as a condition of any future licence to harvest drinking water from the Adelaide Hills.

Separate to these trials, provision of about two million litres of water per day to the Little Para River from Little Para Reservoir continued during the year. The development of a strategy for environmental flow releases from SA Water's storages in other parts of the State has commenced, with a view to adopting a standardised approach.

Greening of Government

The Greening of Government (GoGO) framework was approved by Cabinet in 2006 to provide an implementation framework for agencies to progress greening plans.

We have completed key strategic milestones for the framework including, in 2010-11, implementation of our Green Travel Plan. Activities undertaken in 2010-11 include:

- Ride-to-Work day breakfast (jointly with the Environment Protection Authority);
- Provision of bike safety equipment (reflective vests and lights).

Work also continues on incorporating GoGO principles into the design and upgrade of SA Water facilities.

People and Culture

Performance summary					
	Indicator	2010-11 Target	2010-11 Result	2011-12 Target	Target for 2015
<p><i>We will develop a high achieving culture with a talented and diverse workforce and aspire to a zero harm workplace</i></p> <p>Desired outcomes</p> <ul style="list-style-type: none"> • Move towards zero incidents in the workplace • Increased employee satisfaction • Increased diversity in the workplace 	Significant Injury Frequency Rate	16.4	15.0	16.4	13.4
	Staff Satisfaction Index*	N/A	N/A	75%	77%
	Gender and Diversity				
	Women in Information Services	25%	20%	31%	45%
	Women in senior and middle management	29%	26%	35%	40%
	Professional women in core water business	29%	30%	30%	40%
	Aboriginal employees	1.4%	1.3%	1.6%	2.0%

* Staff Satisfaction Index measured every two years, next measured in 2011-12.

The Corporation achieved a favourable result against the target for Significant Injury Frequency Rate. Our OHS strategy continues to target both lost time and significant injury rates (see page 53).

While we achieved a favourable result for 'professional women in the core water business', we failed to achieve our end of year targets for our other diversity measures. A number of strategies implemented or continued in 2010-11 will assist in moving towards achieving these targets in the future. These include employer branding, special recruitment programs, scholarships and our Aboriginal employment strategies.

Our staff satisfaction survey is conducted every two years. In 2010-11, a number of actions arising from the 2009 survey continued to be implemented to address gaps in staff satisfaction.

Links to South Australia's Strategic Plan

This objective supports the State plan in a number of ways, in particular through contributing to the following targets:

T1.4 – Industrial relations. Achieve the lowest number of working days lost per thousand employees of any state in Australia by 2014.

T1.12 – Employment participation. Increase the employment to population ratio, standardised for age differences, to the Australian average.

T2.11 – Greater safety at work. Achieve the nationally agreed target of 40% reduction in injury by 2012.

T2.12 – Work-life balance. Improve the quality of life of all South Australians through maintenance of a healthy work-life balance.

T3.13 – Energy efficiency – government buildings. Improve the energy efficiency of government buildings by 25% from 2000-01 levels by 2014.

T5.8 – Multiculturalism. Increase the percentage of South Australians who accept cultural diversity as a positive influence in the community.

T6.23 – Women. Have women comprising half of the public sector employees in the executive levels (including chief executives) by 2014.

T6.24 – Aboriginal employees. Increase the participation of Aboriginal people in the SA public sector, spread across all classification and agencies, to 2% by 2010 and maintain or better those levels through to 2014.

Attracting and retaining people

Our five-year Workforce Replenishment Program was developed in 2007 to build on our existing programs and create more than 200 additional training and employment opportunities in targeted areas across SA Water. These positions include medium to long term training roles such as apprenticeships, technical cadetships, graduate placements and a range of traineeships.

Graduate program: in 2010-11, we recruited 10 graduates with a focus on engineering and science, and a greater intake from business and information technology disciplines. Promotional and recruitment activities included career information nights, SA Water tours, school group involvement and university guest lecturers.

Trainees, apprentices and technical cadets: throughout 2010-11, we employed:

- 39 apprentices, with 7 appointed to ongoing positions;
- 14 water industry trainees, with 10 appointed to ongoing positions;
- 11 administration trainees, with 5 winning ongoing roles.

The Technical Cadetship Program has been successfully expanded and in 2010-11 we appointed cadets in fields of laboratory science, electronics and communications engineering. We also prepared recruitment campaigns to employ additional cadets in engineering in regional locations across the State.

Scholarships: the SA Water Scholarship Program offered education opportunities to young South Australians in a range of categories. In 2010-11, we awarded scholarships to 205 recipients through our ongoing scholarship partners: The Smith Family, University of South Australia, University of Adelaide, Flinders University, TAFE SA and Tauondi College.

The program has successfully provided opportunities to students in a wide variety of areas reflective of SA Water's diverse operations, including women in non-traditional roles, Aboriginal and Torres Strait Islander students and those with financial hardships.

Induction program: in 2010-11, we inducted 128 employees across the organisation using SA Water's Corporate Induction Program, which has been designed to support new employees with their transition into the SA Water culture, their new work environment, business systems and work practices.

As part of the program, new employees are surveyed at the end of their first week to gather information about their recruitment, on-boarding and induction experience and any impact these may have had on their transition to SA Water. They are again surveyed at the 3-month mark. In 2010-2011, the results indicated that 94% of our employees strongly agreed or agreed they had made the right decision to join SA Water.

Growing our Capability

Performance management: in 2010-2011, we had 90% of the workforce complete personal development plans to support ongoing career and professional development, and about 95% of our workforce completed performance appraisals.

Documented review of individual performance management:

Employees with:	% Total Workforce
A review within the past 12 months	95%
A review older than 12 months	84%
No review	5%

Note: not all appraisals were completed for 2010-11 at the time of preparing this report.

We have conducted an internal review of our current performance management process, with the results indicating it is timely to refresh our existing process to ensure it is best practice and able to drive business performance.

Leadership development: in the past year, SA Water developed a formalised leadership framework that ensures all of our leaders have the necessary opportunities and development required to be inspiring leaders.

Successes in this area have included:

- A new Leadership Fundamentals program was developed and facilitated for 12 new and existing leaders. This five-day program offers a comprehensive induction to the requirements of being an effective leader at SA Water. All of those who attended rated the program as useful or very useful.
- Frontline Management programs for our frontline leaders were completed in both metropolitan and regional locations. More than 30 participants were involved and the projects generated from these programs added significant value to the corporation.
- A refreshed mid-level management program targeted at the development of our middle managers was sourced and this will be launched later in 2011.
- The High Potential Talent program was also refreshed and has included more intensive interaction between participants and the Senior Management Team. An indicator of the success of this program is that 60% of previous participants have secured promotion or cross-divisional roles in the business.
- The Senior Management Team has participated in individual and team development activities, including strategic planning and individual achievement plans.
- More than 300 individual coaching sessions have been undertaken for approximately 100 SA Water employees. These coaching sessions provide individual and tailored leadership development support to our people leaders.
- The SA Water Induction Fundamentals program has also ensured that all employees are provided with a sound workplace induction and this has also involved many of our leaders in the development and presentation of induction information.
- A key success in 2010-11 was the design and implementation of the Essential Leadership Program. This was a unique and tailored leadership program for our regional leaders. The six-month program provided our regional leaders with an opportunity to practice skills in areas such as safety leadership, difficult conversations, early intervention and performance management. Each participant has also received one-on-one coaching. Feedback from this program has been outstanding.

Training and development: training and development expenditure was as follows:

	Total cost (\$)	Percentage of total salary expenditure
Total training and development expenditure	1 790 038	1.19%
Total leadership and management expenditure	314 380	0.21%

This year, technical training developed a total 158 employees in the following qualifications:

Qualification	Number of Employees
Project Management Diploma	26
Water Operations Certificate 2	12
Water Operations Certificate 3	110
Business Services Certificate 3	5
Training and Assessment Certificate 4	1
Mechanical and Electrical Trades Certificate 3	4

Accredited training packages by classification were as follows:

Classification	Number of people in accredited training packages
APPM1	1
SAW1	4
SAW2	74
SAW3	39
SAW4	22
SAW5	20
SAW6	10
SAW7	7
SAW8	2
SAW9	1

Single classification structure

In December 2010, SA Water employees voted in favour of a new SA Water Enterprise Agreement, inclusive of a new single classification structure for the Corporation. SA Water had previously adopted consistent employment terms and conditions for all of its employees and the single classification structure supports these, replacing 10 previous classification streams.

The new classification structure aims to reduce historical barriers and demarcations, and provides our employees with a more streamlined and logical framework for career development and advancement. It achieves a competitively structured set of remuneration ranges while adhering to the Government wages policy that provides for flexibility when needed for attraction and retention purposes.

The enterprise agreement was approved by Fair Work Australia in February 2011 and became operative from 1 March 2011.

Unions

Our employees have the freedom to choose to be represented by a union. Information about relevant unions is provided to staff and is included as part of our induction process. SA Water employees are currently represented by six different unions. The unions, along with six other employee representatives, participated in the negotiations for the new enterprise agreement and classification structure. Of our total workforce 80% are covered by the enterprise agreement.

Equal employment opportunity programs

SA Water has diversity targets for a number of key groups in our business.

We currently have 21 Aboriginal employees who are undertaking roles in various business functions including technical/laboratory work, information technology, field maintenance and administration and management. There are three Aboriginal employees located at Lake Victoria and Lock 7 in NSW undertaking cultural heritage and land management duties.

During the year, an Aboriginal Recruitment Programs Coordinator was employed.

Significant work was undertaken to develop SA Water's first Reconciliation Action Plan, which was launched in July 2011. The plan formalises SA Water's commitment to building stronger and mutually beneficial relationships between Aboriginal and Torres Strait Islander people and other Australians by identifying clear actions and realistic targets for 2011-12.

An Aboriginal employment strategy is being developed to address the key objectives around Aboriginal and Torres Strait Islander employment and includes targeted initiatives designed to attract, recruit and retain employees.

Through the SA Water Scholarship Program, a relationship has been formed with Tauondi College which provides TAFE level qualifications in a variety of areas to Aboriginal and Torres Strait Islander people. This relationship has been beneficial in realising diversity benefits for SA Water.

Workplace diversity targets are also in place for women within the SA Water workforce. Particular focus has been given to women in Information Services, women in senior and middle management roles and professional women in core water business functions. Further key strategies have been developed for implementation during 2011-12.

A suite of flexible work arrangements continue to be offered to all employees. These are designed to help meet the diverse needs of employees whilst achieving our business and service goals.

Aspire to 'Zero Harm'

SA Water has continued its strategic approach to workplace health and safety by continually achieving targets commensurate to the South Australian Government's *Safety and Wellbeing in the Public Sector Framework 2010-15*.

Our Zero Harm approach, the identification of our major hazards and the development of core programs to minimise risk have provided direction for 2010-11.

In line with the framework and the WorkCover Performance Standards, SA Water has developed a Safety and Injury Management Plan to drive achievement. Our core programs include:

- Isolation of energy (e.g. electricity, gas etc);
- Contractor safety management;
- Confined spaces;
- Rehabilitation and return to work;
- Excavation and trenching.

To support core safety programs, our Leadership Fundamentals training program includes a significant OHS component. An OHS training coordinator has been appointed to ensure quality and consistency of training across SA Water.

OHS&W performance indicators

Key outcome	2008-09 target	2008-09 actual	2009-10 target	2009-10 actual	2010-11 target	2010-11 actual
Significant Injury Frequency Rate	20	10.76	18	14.42	16.40	15.04
Severity rate	6.9	6.08	6.42	15.9	5.62	4.89
Lost Time Injury Frequency Rate	3.6	4.45	3.2	5.77	2.72	6.80

Note: Lost Time Injury Frequency Rate (LTIFR) is the number of lost time injuries per million hours worked. The LTIFR, while higher than target, should be considered with the much lower severity rate suggesting that the LTIs that did occur were less severe.

Workers compensation gross expenditure

Expenditure	2009-10	2010-11 (\$)	Variation (\$ + (-))	% Change + (-)
Income Maintenance	130 577	154 141	+23 564	+18%
Lump Sum Settlements Redemptions – Section 42 Permanent Disability – Section 43	47 838	300 573	+252 735	528%
Medical/Hospital Costs combined	221 979	209 839	-12 140	-5%
Other	114 817	126 642	+11 825	+10%
Total Claims Expenditure	515 211	791 195	+275 984	+53%

Workers compensation costs have increased due to the redemption of long term claims from last year but remain under the budgeted compensation expenditure.

Meeting safety performance targets

	2009-10	2010-11			2012 Target
	Actual	Actual	Notional Quarterly Target	Variation	Numbers or %
1. Workplace Fatalities	0	0	0	0	0
2. New Workplace Injury Claims	55	58	53	5	41
3. New Workplace Injury Claims Frequency Rate*	19.83	20.76	19.58	1.18	18.84
4. Lost Time Injury Frequency Rate*	5.77	6.80	5.69	1.11	5.48
5. New Psychological Injury claims	4	1	4	3	4
6. Rehabilitation and return to work					
• 6.a Early Assessment within 2 days	76.36%	81.03%	80%	1.03%	80%
• 6.b Early Intervention within 5 days	80%	80%	90%	-10%	90%
• 6.c RTW within 5 Business days	57.89%	52.94%	60%	-7.06%	60%
7. Claim Determination					
• 7.a Claims determined in 10 business days	78.85%	83.33%	75%	8.33%	75%
• 7.b Claims still to be determined after 3 months	3.85%	5%	3%	2%	3%
8. Income Maintenance – Payments for Recent injuries¹					
• 8.a 2009-2010 Injuries (at 21 months development)		\$68 506.32	\$61 142.43	\$7 363.90	
• 8.b 2010-2011 Injuries (at 9 months development)		\$27 249.20	\$18 852.31	\$8 396.89	

¹ Based on figures supplied from self insurance management system (SIMS).

* Based on actual SA Water figures.

Early intervention is down by 10% from target. However, strategies are in place to roll out a new early intervention model during the 2011-12 financial year.

OHS&W Notices and Corrective Action Taken

Number of notifiable occurrences pursuant to OHS&W Regulations Division 6.6	3
Number of notifiable injuries pursuant to OHS&W Regulations Division 6.6	2
Number of notices served pursuant to OHS&W Act s35, s39 and s40 (<i>default, improvement and prohibition notices</i>)	2

While the causes of the notifiable occurrences were not consistent, additional controls are in place in the areas of vehicle maintenance and contractor safety management. Two notices, a prohibition notice and an improvement notice, were served for an incident that occurred when an employee lacerated a finger when operating a carp cage at Lock 1.

Accommodation update

Our overall accommodation strategy objectives are, for all employees, to provide safe and healthy working environments that serve to encourage improved productivity, teamwork and collaboration.

Work has continued on our regional accommodation strategy with major highlights being completion of:

- New chlorine workshop at Mount Gambier;
- Major refurbishment of our Happy Valley workshop.

Future works planned include the construction of a new workshop facility at Crystal Brook and redevelopment of the Port Lincoln site.

Energy Efficiency Action Plan

SA Water undertakes significant reporting of its energy use and efficiency under the Commonwealth Government's National Greenhouse and Energy Reporting System. While we are not included as part of the South Australian Government's Energy Efficiency Action Plan (EEAP), we do strive to achieve the objectives the EEAP outlines for energy efficiency and reduction of greenhouse gas emissions. Further details about our greenhouse reporting, and our Climate Change Sector Agreement with the SA Government, see page 38.

Security and emergency management

In 2010-11, 21 security upgrades were completed and commissioned at selected SA Water pumping and chlorine stations, including Strathalbyn chlorine station, Renmark depot and the Upper Wakefield chlorine station. Twelve of these projects commenced during the year and were completed at a cost of \$300 000.

Security assessments were provided for more than 17 major and special projects including the Adelaide Desalination Project and the North-South Interconnection System Project. Assessments and site visits were completed for a further 11 sites and work to upgrade these sites will commence in 2011-12.

Two major security contracts - for electronic security maintenance and guard/patrols - were awarded in 2010-11 to ensure the ongoing safety and security of all SA Water sites. A number of technological upgrades have also supported security efforts, along with a major fencing upgrade at Barossa reservoir.

Security awareness training has been provided throughout the year for SA Water's new partners Allwater and KBR, along with personnel at SA Police.

During the year, SA Water's Emergency Management team, in collaboration with the State Emergency Service (SES) and Technical & Further Education (TAFE), undertook a project to

develop the State's first accredited training course for the emergency sector. With the initial round of places attracting more than 100 enrolments, Certificate 4 in Public Safety (Leadership) will provide the State with improved safety and enhanced resilience capabilities.

Several multi-scenario, desk-top exercises were held during 2010-11 at various SA Water regional sites. The outcomes from these exercises have been used to update our regions' emergency management plans.

Other work included ongoing reviews of all SA Water Emergency Response Plans.

Engineering Functional Service

In 2010-11 we undertook a review of our emergency management area and this included a restructure of the Engineering Functional Service (EFS) delivered by SA Water, as sponsor agency, under the *State Emergency Management Act*.

The EFS has been integrated within our Emergency Management Services Unit whose manager is also the State Controller Engineering.

Functional service agencies perform roles to support both response and recovery activities during an emergency, and contribute to the operation and coordination of the State Emergency Centre. During an emergency, SA Water, as the EFS sponsor, is able to draw upon its large in-house team of engineers to assist with the EFS function as required.

EFS activities undertaken in 2010-11 include:

- Delivery of bottled water to residents following the Stockport floods in December 2010;
- A number of inter-agency emergency exercises;
- The purchase of a Disaster Victim Identification cabinet for the hygienic transportation of bodies;
- Risk assessment and mitigation strategies developed for a number of earthquake hazard plans;
- Work with Engineers Australia and the Local Government Association to create engineer volunteer registers to enable contact with appropriately skilled engineers in the event of a disaster or emergency. Registers have also been compiled to locate heavy plant and machinery within close geographic proximity in event of an emergency.

Employee Statistics

Employee numbers, gender and status

	2006-07	2007-08	2008-09	2009-10	2010-11
Total employees (people)	1 345	1 405	1 505	1 572	1 567
Male	994	1 042	1 105	1 144	1 139
Female	351	363	400	428	428
Total FTEs	1 312.3	1 373.5	1 469.24	1 537.92	1 526.59
Total male	991.0	1 040.6	1 100.7	1 142.15	1 135.50
% male	75.6	75.8	74.92	74.27	74.38
Total female	321.3	332.9	368.54	395.77	391.09
% female	24.5	24.2	25.08	25.73	25.62

Employee numbers, gender and status (continued)

	2006-07	2007-08	2008-09	2009-10	2010-11
Number of people separated from the organisation	117	138	121	134	193
Number of people recruited to the organisation	171	192	218	223	177
Number of people on leave without pay as at 30 June *exceeding 22 days	19	19	15	28	17

Employees by salary bracket

Salary bracket	Male	Female	Total
\$0 - \$50 399	271	127	398
\$50 400 - \$64 099	289	117	406
\$64 100 - \$82 099	255	96	351
\$82 100 - \$103 599	174	49	223
\$103 600+	150	39	189
Total	1 139	428	1 567

Status of employees in current position

FTEs	Ongoing	Short-term Contract	Long-term Contract	Other (Casual)	Total
Male	1 000.20	32.12	103.00	0.18	1 135.50
Female	324.35	35.20	28.20	3.34	391.09
TOTAL	1 324.55	67.32	131.20	3.52	1 526.59
Persons	Ongoing	Short-term Contract	Long-term Contract	Other (Casual)	Total
Male	1 002	33	103	1	1 139
Female	358	36	29	5	428
TOTAL	1 360	69	132	6	1 567

Executives by classification, gender, contract status and rights to ongoing employment

Class	Ongoing		Contract tenured		Contract untenured		Other (casual)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
EX A (SAW10)			1		12	6			13	6
EX B (SAW11)					3				3	
EX C (SAW12)					7	2			7	2
EX D (SAW13)										
EX E (SAW14)					1				1	
EX D					1				1	
EX E						1				1

Note: in 2010-11, SA Water moved to a single classification structure - see page 52 for details. The table above shows the former executive classifications and the revised SA Water level equivalent in brackets.

Percentage of women in ASO (administrative) and PSO (professional) classification group levels

	2010-11
SAW1	37.5%
SAW2	25.2%
SAW3	16.0%
SAW4	38.1%
SAW5	25.1%
SAW6	29.8%
SAW7	27.7%
SAW8	22.9%
SAW9	24.2%
SAW10	30.0%
SAW11	0
SAW12	22.2%
SAW14	0
Trainees	75.0%

Note: as SA Water moved to a single classification structure part way through 2010-11, we can no longer report % of women in ASO (administrative) and PSO (professional) classification group levels. The table above shows percentages based on the new SA Water levels.

Leave management - including average number of days of sick leave and carers leave per full time employee (FTE)

	2006-07	2007-08	2008-09	2009-10	2010-11
Average days taken per FTE employee	6.5	7.8	7.53	7.75	8.21
Sick leave days taken	5.6	6.5	6.42	6.42	6.55
Family carers leave taken	0.7	0.9	0.97	1.08	1.27
Special leave with pay	0.2	0.4	0.14	0.25	0.39

Workforce diversity information

We are exceptionally mindful of the need to protect the privacy of our employees and do not require our staff to volunteer personal information in relation to culture or disability. The following information about Aboriginal peoples employed, cultural diversity and disability is based on information we have been able to gather.

Aboriginal and/or Torres Strait Islander Employees

Salary bracket	Aboriginal staff	Total staff	% Aboriginal	% Target*
\$0 - \$50 399	7	398	1.76%	2%
\$50 400 - \$64 099	11	406	2.71%	2%
\$64 100 - \$82 099	2	351	0.57%	2%
\$82 100 - \$103 599	0	223	0%	2%
\$103 600 +	1	189	0.53%	2%
TOTAL	21	1 567	1.34%	2%

* Target from South Australia's Strategic Plan.

Cultural and linguistic diversity

	Male	Female	Total	% SA Water	% SA Community*
No. of employees born overseas	101	45	146	9.32%	20.3%
No. who speak language other than English at home	117	92	209	13.33%	16.6%

* From ABS Basic Community Profile (SA), 2006 Census.

Number of employees with disabilities*

Male	Female	Total	% SA Water
19	4	23	1.46%

* According to Commonwealth Disability Discrimination Act definition.

No data is recorded for employees with disabilities requiring workplace adaptation.

Employees by age bracket and gender

Age bracket	Male	Female	Total	% of Total	2010 Workforce Benchmark *
15-19	12	8	20	1.28%	6.1%
20-24	74	30	104	6.64%	10.6%
25-29	120	68	188	12.00%	10.5%
30-34	123	75	198	12.63%	9.4%
35-39	108	56	164	10.46%	11.2%
40-44	139	52	191	12.19%	11.1%
45-49	130	51	181	11.55%	12.2%
50-54	144	45	189	12.06%	11.0%
55-59	161	32	193	12.32%	9.2%
60-64	109	11	120	7.66%	6.0%
65+	19	0	19	1.21%	2.9%
TOTAL	1 139	428	1 567	100%	100.0%

*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Super table, South Australia at May 2010.

Voluntary flexible working arrangements

Leave Type	Male	Female	Total	% of all SA Water employees
Purchased Leave	12	13	25	1.59%
Flexitime	903	346	1 249	79.70%

Employees' overseas travel

Number of employees	Destination	Reason for travel	Total cost to SA Water (\$)
1	Orlando - USA	Attend 2010 Rockwell Automation Fair	\$5 603.15
1	Vancouver - Canada	Attend Plastic Pipes XV Conference	\$3 006.56
1	San Diego - USA	2010 ESRI International User Conference	\$5 499.44
1	Manila - Philippines	Attend ADB & Partners Conference (Water Crisis and Choices)	\$1 754.47
1	London - UK	Sustainability Alive Trade Fair	\$9 344.60
1	Roanoke - USA	Undertake project work as part of Water Research Foundation Project	\$3 099.25

Number of employees	Destination	Reason for travel	Total cost to SA Water (\$)
2	Savannah - USA	Present 3 platform papers at a special topic session at the American Water Works Association Water Quality Technology Conference (WQTC)	\$6 921.59
1	Ermatingen - Switzerland	Attend Centre for Alternatives to Animal Testing – Europe (CAAT-EU) workshop on detection methods for aquatic biotoxins	\$3 914.89
1	Boston , USA	Attend the Gordon Kenan Research Seminar Discovery and Risk Management of Harmful Biotoxins and the 2011 Gordon Research Conference on Mycotoxins and Phycotoxins in Waterville, Maine	\$1 468.33
2	Granada - Spain	Attend Second IWA Symposium on Lake and Reservoir Management	\$9 581.78
1	Paris - France	Suez Environnement 5th Technical World Congress as part of SA Water and Allwater delegation	\$3 939.73
1	Idaho - USA	Control Systems Cyber Security Advanced Training. Total cost of travel was \$ funded through a \$5 000 grant from the Attorney-General's Department	\$4 950.64
1	Toronto - Canada	World Conference on Disaster Management	\$3 139.75
4	Madrid, Barcelona, Bilbao, Seville - Spain	Visit to Acciona Agua Pilot Plant; Secondment to Acciona Aqua (in 2010); inspect the MCC's (Motor Control Centre - Electrical Switchboards) and witnessed factory acceptance testing at the Schneider's Spain facility; review process related to the durability of the super duplex piping and fabrication of the reverse osmosis racks and associated pipe work with Acciona and Noncales	\$34 933.17
2	London - United Kingdom	Inspection of Beckton Plant (Acciona project)	\$3 018.31
1	Renne - France	Visit to Schneider facility to study the documentation and processes in order to compare with its Spanish facility	\$2 678.19
1	Trondheim - Norway	Attended International Water Association's Conference in Drinking and Industrial Water Treatment	\$4 585.95
2	Tokyo - Japan	Inspection of Quality Assurance /Quality Control processes for the production of the Adelaide Desalination Plant Reverse Osmosis' membranes at the Reverse Osmosis Membrane Manufacturing facility	\$2 129.88
TOTAL			\$109 629.68

Commercial Success

Performance summary					
<i>We will drive operating and capital efficiency and meet the financial expectations of our owner</i>	Indicator	2010-11 Target	2010-11 Performance	2011-12 Target	Target for 2015
	Net profit before tax	\$166m	\$258m	\$208m	\$370m
Desired outcomes <ul style="list-style-type: none"> • Improved cost efficiency • Efficient capital investment • Move towards a return on assets of 6% 	Capital expenditure	\$889m	\$693m	\$835m	\$311m
	Return on assets	3.0%	3.4%	3.3%	4.3%

Profit for the year decreased by \$13 million compared to 2009-10, although it remained \$92 million (55%) above budget for the year. Major items contributing to the variance include:

- Revenue increasing by 8% mainly as a result of water price increases to fund investment in water security projects;
- Growth in customer numbers;
- Growth in the asset base due to increase in value and additional investment impacting on borrowing costs, depreciation and other expenditure;
- Additional operating and maintenance costs on water and wastewater treatment plants and additional expenditure incurred on major initiatives, including the new Allwater alliance contract and regulation.

Links to South Australia's Strategic Plan

T1.9 – Performance in the public sector – administrative efficiency. Increase the ratio of operational to administrative expenditure in State Government by 2010, and maintain or better that ratio thereafter.

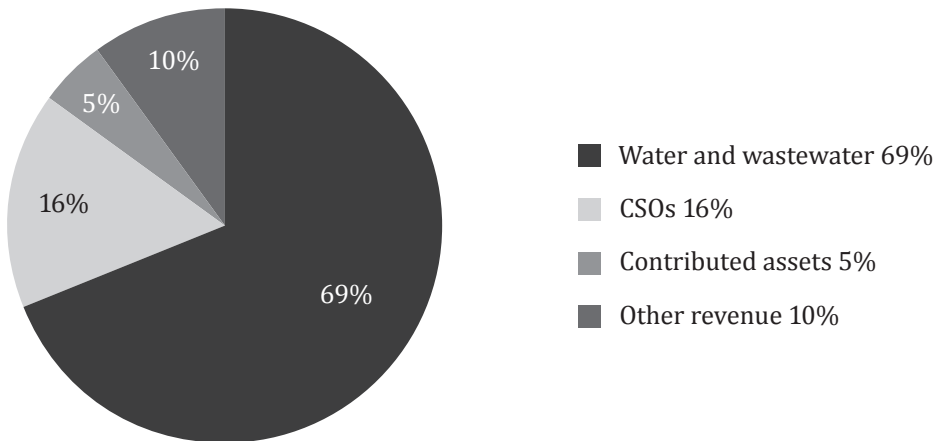
End of year results

In 2010-11, we achieved a profit before tax of \$258 million - about \$13 million less than last year but 55% above budget.

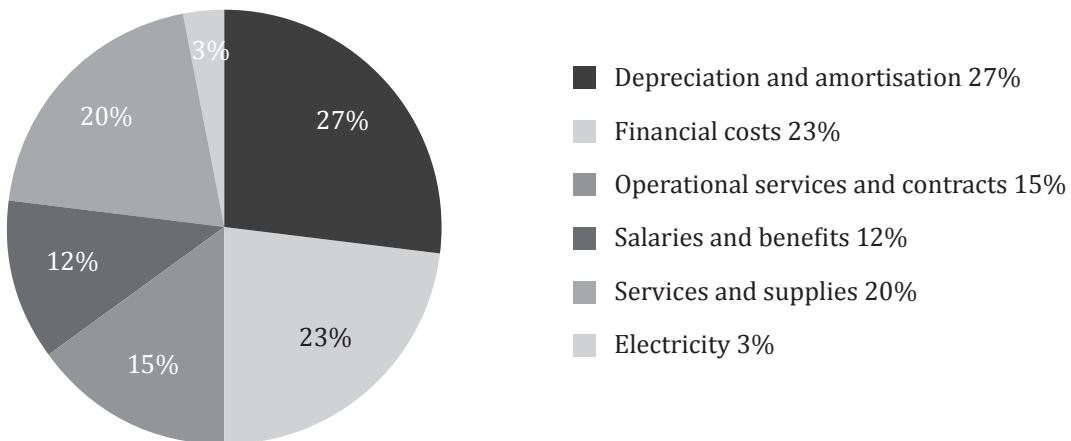
We returned net cash of \$67 million to the South Australian Government consisting of dividend, tax equivalent amounts and CSOs.

Water and wastewater revenue increased to \$799 million from \$688 million in 2009-10, as a result of water price increases to fund investment in water security projects and also due to growth in customer numbers.

Revenue



Expenditure



Water and Sewerage Pricing

The South Australian Government sets prices for water and wastewater services in the context of national guidelines formed by the Council of Australian Governments (COAG). The guidelines ensure prices are reasonable and relative to the costs of providing water and wastewater services.

The State Government announced water and wastewater prices for 2010-11 in December 2010. Across all customers, water bills increased on average by 24.8% from 1 July 2010. The pricing increase contributes to critical investment in South Australia's water infrastructure to ensure water security for the state into the future.

In 2010-11, wastewater charges were increased by 3.4% for metropolitan customers and 3.9% for country customers.

Residential charges for 2010-11 compared to 2009-10

Water	Relevant daily threshold*	Indicative quarterly threshold (91 days)	Year	Water use price
Usage Charge Tier 1	0 to 0.3288kL	0 to 30kL	2009-10	\$0.97/kL
			2010-11	\$1.28/kL
Usage Charge Tier 2	0.3288kL to 1.4247kL	30 to 130kL	2009-10	\$1.88/kL
			2010-11	\$2.48/kL
Usage Charge Tier 3	Above 1.4247kL	Above 130kL	2009-10	\$2.26/kL
			2010-11	\$2.98/kL
Annual Supply Charge			2009-10	\$137.60
			2010-11	\$142.40
Sewerage	Customers		Year	Sewerage Prices
Minimum			2009-10	\$298
			2010-11	\$308
Rate in Dollar	Metropolitan		2009-10	0.1220%
			2010-11	0.1172%
Rate in Dollar	Country		2009-10	0.1374%
			2010-11	0.1337%

Procurement

SA Water's annual spend exceeded \$952 million in 2010-11 and our procurement area continued to play a significant role in ensuring products and services represented value for money and all contracts were managed according to the highest standards.

Our procurement policy objectives are to:

- Comply with relevant legislative requirements, government policies and corporate policies and procedures;
- Optimise commercial outcomes for the benefit of its shareholders, internal and external customers, the environment and the community;
- Be consistent with the South Australian Government's aim to strive for best practice in managing the environmental aspects of its operations.

Contractual arrangements

Contracts finalised in 2010-11 which exceed \$4 million (GST inclusive) and extend beyond a single year are summarised below:

Adelaide Desalination Project

Numerous contracts were awarded for the Adelaide Desalination Project. For further project information see page 32:

- **Removal of excess fill material** - McMahon Services Pty Ltd
Contract was let for the excavation, transport and legal disposal of soil excavated from the construction site area.

- **Laydown area lease** - KAM Investment Properties
SA Water entered into a lease of a four hectare site to provide additional laydown and storage area for the Adelaide Desalination Project.
- **Renewable energy contract** - AGL Energy Limited
AGL was selected as the renewable energy supplier for the Adelaide Desalination Project.
- **Project management services** - Panurgem Pty Ltd
Panurgem was engaged on work including the Transfer Pipeline System, preliminary works and Happy Valley water treatment plant modifications.

North South Interconnection System Project

Numerous contracts were finalised for the North South Interconnection System Project (NSISP). For further project information see page 34:

- **Managing Contractor for network integration and ancillary works package** - John Holland Pty Ltd/LEED Engineering and Construction Joint Venture
To facilitate the delivery of the NSISP, SA Water determined there was a need for a single entity to assist in managing the supply and construction of the network integration and ancillary works. This is a relatively large and complex program of works within the project. The Managing Contractor is required to procure and manage a group of sub-contractors (with SA Water oversight) to deliver the package through multiple technical disciplines, work fronts and time schedules.
- **Operational monitoring & control infrastructure** - SAGE Automation (SA) Pty Ltd
The planned interconnectivity of the NSISP will provide flexibility in the network and give SA Water greater capacity to optimise use of water resources. The project includes operations, monitoring and control systems required to enable the infrastructure to operate within the complex Adelaide metropolitan water treatment and distribution system, and the bulk water transfer system feeding treatment plants.
- **Clapham Pump Station** - Guidera O'Connor Pty Ltd
The Clapham Pump Station Package comprises the detailed design and construction to replace the existing pump station at Clapham. The new pump station of increased capacity will provide the ability to distribute desalinated water across the wider metropolitan area of Adelaide.
- **Supply and delivery of pipe and fittings for the NSISP** - TYCO, Vinidex, Fibrelogic
To mitigate any potential long lead time delays for the supply of pipe and fittings to the NSISP a panel of preferred suppliers for each category of pipe which may be supplied over the term of the NSISP was established.

Other major works

Christies Beach wastewater treatment plant upgrade - to completion - KBR Pty Ltd

The contract was required to ensure the continuance of construction management and design management roles previously administered through the Adelaide Water Contract with United Water to facilitate the delivery of the upgrade works to eventual close out the project in 2013.

Extension and connection schedule of rates contracts for Outer Metro Region:

- Area 1 (Balaklava, Roseworthy, Nuriootpa) - Z Team Constructions Pty Ltd
- Area 2 (Mannum and Murray Bridge) - Eichler Earthmovers Pty Ltd
- Area 3 (Woodside & Port Elliot) - Fleurieu Civil Pty Ltd

The provision of water and wastewater services covering new connections or modifications to existing connections to properties and the extension of water and wastewater mains for new developments. The contracts each run for three years from 1 July 2010.

Electricity Contracts - AGL, Origin Energy

SA Water is one of the largest users of electricity in South Australia with more than 1600 connected sites. The purchase of electricity is critical for our operations and agreements are currently in place with various electricity retailers including AGL and Origin Energy. In addition, SA Water has secured a 20-year contract with AGL to supply the electricity requirements of the Adelaide Desalination Plant.

Customer Services Information System (CSIS) - Hewlett-Packard Aust Pty Ltd (HP)

HP provides support and maintenance services for SA Water’s billing system, CSIS and other business critical applications to SA Water. The current contract has a five-year term, commencing in October 2010.

Use of consultants

The overall total expenditure on all consultancies by SA Water in 2010-11 was \$33 419 874.61.

There were 36 consultancies with expenditure less than \$10 000 in 2010-11. The total expenditure for these consultancies was \$136 979.82.

Consultancies with larger expenditure are listed in the following tables.

Consultancies with expenditure between \$10 000 and \$50 000:	
Aqua-Audit	Country wastewater treatment plant aeration review
Aspect Process Services Pty Ltd	Whyalla water reclamation plant review
CB Richard Ellis	Land acquisition valuation fee
Deloitte Touche Tohmatsu	Grant audit: Glenelg wastewater treatment plant recycled water project; Lower Lakes pipeline; Point Sturt water supply; Hindmarsh Island water supply and project management - reservoirs inlet flow meters
DWS Advanced Business Solutions	Maximo: EAI Development-Biztalk server
Ernst & Young	North South Interconnection Project (NSISP) - advisory on Public Works Committee and Cabinet submission
Ernst & Young	United Water verification audit
Flinders University	Barrages EIS tubeworm study
GHD Pty Ltd	Murray Bridge wastewater treatment plant: piggery reuse scheme - options report
GHD Pty Ltd	South Para Reservoir safety investigation - flood mitigation works
Human Capital International	Metropolitan Adelaide Service Delivery Project - part 1 (2 September 2010)
Kellogg Brown & Root Pty Ltd	Murray Bridge wastewater treatment plant upgrade - site layout study

Consultancies with expenditure between \$10 000 and \$50 000:	
Kellogg Brown & Root Pty Ltd	Murray Bridge wastewater treatment plant - planning study
Masterplan	Planning consultant - Mannum wastewater treatment plant relocation
Parsons Brinckerhoff Aust Pty Ltd	Concept design - Gumeracha wastewater treatment plant - gypsum dosing
Parsons Brinckerhoff Aust Pty Ltd	TPS independent review for large pumps
Parsons Brinckerhoff Aust Pty Ltd	Engineering concept plan - Sellicks Beach sewerage scheme
Parsons Brinckerhoff Aust Pty Ltd	Detail design - Victor Harbor wastewater treatment plant reuse council scheme
Parsons Brinckerhoff Aust Pty Ltd	Dam survey comprehensive inspections
PriceWaterhouseCoopers Public	Duty concession - NSISP
Probity Investigation Consultancy	Financial adequacy assessment
Probity Investigation Consultancy	Probity consultation on financial capacity - North South Interconnection System Project
Raymond Koczac Plumbing Service	Lay connection - Cardinia St Mt Gambier
Sinclair Knight Merz	Engineering options development - Woods Point water supply scheme
Tonkin Consulting	Murray Bridge wastewater treatment plant upgrade
Tonkin Consulting	Loxton salt interception scheme - additional works
Tonkin Engineering	River Murray licence project
URS Australia Pty Ltd	Mulcra Island management works
URS Australia Pty Ltd	Development of web tool for garden design
Wallbridge & Gilbert	Bolivar wastewater treatment plant - Barker Inlet modelling
Wallbridge & Gilbert	Project management - Adelaide Hills sewer rollout program
Water Infrastructure Group	Virginia-Angle Vale reuse extension
Water Quality Research Australia	Management of algae and cyanobacteria
The total expenditure for these consultancies was \$950 101.94.	

Consultancies with expenditure greater than \$50 000:	
Adelaide Research & Innovation	Bolivar wastewater treatment plant clarifier stage 2 engineer testing (Adelaide Uni-ARI)
Alchime Pty Ltd	NSISP - engagement manager
Aquenta Consulting Pty Ltd	Panel contractor team - renew water filtration plant
Aquenta Consulting Pty Ltd	Wastewater treatment plant revaluations 2009-10 and 2010-11
Arup Pty Ltd	Lower Lakes irrigation pipeline - preparation and lodgement of easements
Aurecon Australia Pty Ltd	Project development - Mt Barker wastewater services & Robe augmentation
BTR Excavations Pty Ltd	Metro water extensions and connections - water main relay at - United Water design drawing and site management
Degremont Pty Ltd	Operation and maintenance component of metropolitan alliance contract
Dommar Constructions	Panel contractor team - renew water filtration plant
Edwards Marshall Pty Ltd	United Water Expert Determination
Ernst & Young	NSISP - commercial and procurement advisors
Ernst & Young	NSISP - advisory services post full financial approval
Essential Services Commission	ESCOSA Pricing Review
Evans & Peck Pty Ltd	NSISP - Estimator
GHD Pty Ltd	Panel contractor team - environmental and risk assessment: Murray Bridge receiving wetlands
GHD Pty Ltd	Panel contractor team - stormwater flooding assessment
Infrastructure Transaction Net	Metropolitan Adelaide Service Delivery Project - project management and commercial advice
Kaurna Cultural Services	Aboriginal heritage study
KBR Pty Ltd	Mt Barker - future feasibility plan/wastewater services -options investigations
KBR Pty Ltd	Bird in Hand wastewater treatment plant - nutrient reduction - client engineering
KPMG	Specialist advisors - renewal filtration plant
Lonergan Edwards & Associates	United Water Expert Determination
Maloney Field Services	Land advice and site acquisitions - NSISP
Parsons Brinckerhoff Aust Pty Ltd	Eyre Peninsula water supply upgrade - stage 2 scoping
Parsons Brinckerhoff Aust Pty Ltd	Secondment to Metropolitan Adelaide Service Delivery Project (Project Management and Procurement - Projects Transition Manager)

Consultancies with expenditure greater than \$50 000:	
PriceWaterhouseCoopers	Project management support and process mapping - Metropolitan Adelaide Service Delivery Project
Probity Investigation Consultancy	Perform financial and probity monitoring
PSI Asia Pacific Pty Ltd	Probity advisor - NSISP
PSI Asia Pacific Pty Ltd	Probity advisory services - Metropolitan Adelaide Service Delivery Project
SEM Utilities	Metropolitan third party projects - wastewater
Senwill Civil	Metropolitan water and wastewater extensions and connections
Sinclair Knight Merz	Paskeville liner - covered storages remediation
Thorpe Corporation	Operation and maintenance RFP process and foundation workshops
Tonkin Consulting	Port Augusta East wastewater treatment plant - salinity control
Tonkin Consulting	Greater Adelaide Long Term Plan 2010
Tonkin Consulting	Business continuity infrastructure project
Transfield Services	Operation and maintenance component of Alliance Contract
Trility	Metropolitan Adelaide Service Delivery Project-Operation and Maintenance Alliance Development Agreement
The total expenditure for these consultancies was \$32 332 792.85.	

Accounts payment performance

Particulars	Number of accounts paid	Percentage of accounts paid (by number)	Value of accounts paid (\$A)	Percentage of accounts paid (by value)
Paid by due date	105 265	96.47%	1 101 580 407	94.83%
Paid late, within 30 days of due date	2 684	2.46%	47 701 712	4.11%
Paid more than 30 days from due date	1 164	1.07%	12 327 604	1.06%

SA Water paid 96.47% of invoices within 30 days of the receipt of GST compliant invoices against a target of 90%, an improvement on the 2009-10 result of 89.26%.

Energy efficiency opportunities

The Australian Government's Energy Efficiency Opportunities program requires large energy-using businesses to assess their energy use to identify cost effective opportunities for improving energy efficiency.

Participation is mandatory for corporations using more than 0.5 petajoules (PJ) of energy per annum. At least 80% of a corporation's total energy use must be assessed within a five year assessment cycle and the assessments must meet the minimum standards of a prescribed assessment framework.

Our key energy using activities undergoing detailed energy assessments are water transmission, water distribution, and wastewater treatment, recycling and disposal.

Our water transmission activity was assessed in 2008, our wastewater treatment, recycling and disposal activity was assessed in 2009 and our water distribution activity was assessed in 2011. The completed assessments have identified a total of 49 energy saving opportunities for implementation.

A public report was released in December 2010 providing an update on the progress of opportunities from the water transmission assessment and the wastewater treatment, recycling and disposal assessment.

This report meets our obligations under the *Energy Efficiency Opportunities Act* and Regulations and has been accepted by the Department of Resources Energy and Tourism. It is available on our website (www.sawater.com.au).

Information Services

To support our customers and ensure our staff are well equipped to deliver efficient services we require excellent performance from information technology (IT) across the business.

Our Information Services (IS) Group has three key areas of focus: maturing the information services capability; maintaining IT operations, application support and records management; and delivery of the IS capital program.

Our IS Infrastructure

In the past year we have worked to upgrade and rebuild the foundations of our information and communications technology to meet SA Water's future needs.

This has involved establishing two new data centres to cater for production, load balancing and service continuity. The new centres have provided flexibility and ensured IS projects can be delivered with confidence and minimal to no disruptions to our employees and customers.

We have also improved network capability for both metropolitan and regional sites. IT initiatives deployed to our regions will lead to greater workforce mobility and enable regional staff to more quickly and easily collaborate across the State and access and share information.

The IS Group has also been involved in the re-platforming of the Metropolitan Operational Supervisory Control, Automation and Data Acquisition (SCADA) network to the TS1000 standard. SCADA systems are used across the State to monitor and control a range of water and wastewater networks, sites and systems and this work, with our Major Systems area, included a new server and desktop solutions that will eventually be deployed to all SA Water/Allwater managed water treatment sites.

Our Business Program & Project Delivery

In 2010-2011, a large number of IS projects were successfully implemented adding value to the SA Water business. Below are some key projects delivered or in progress for the year:

Maximo Re-Implementation: Maximo is critical asset and works management software that enhances our asset management, work management, materials management and purchasing capabilities to help extend the life of our assets. The highly complex upgrade to Maximo 7 required a holistic solution involving software application development, integrations with other SA Water systems, infrastructure, business and system process re-engineering, training and organisational change management.

Metropolitan Adelaide Service Delivery Project: a key principle of the Alliance model has been to use SA Water's core systems. The IT program comprised of several projects of varying size and complexity including the development of new capability, upgrading or enhancing existing systems, business processes re-engineering and change management activities to accommodate the new Alliance model and SA Water's returning functions. All projects were successfully implemented, enabling transition to the new Alliance arrangements.

Project Server: this project successfully delivered the standard Project Server toolset capability to enable a more integrated and streamlined approach to SA Water's project delivery.

Operational Data Store: this project aims to automate the collection and analysis of real time information from SCADA and other operational data including laboratory information, trade waste monitoring and asset condition to support improved operational efficiency, security and reliability and asset management capability.

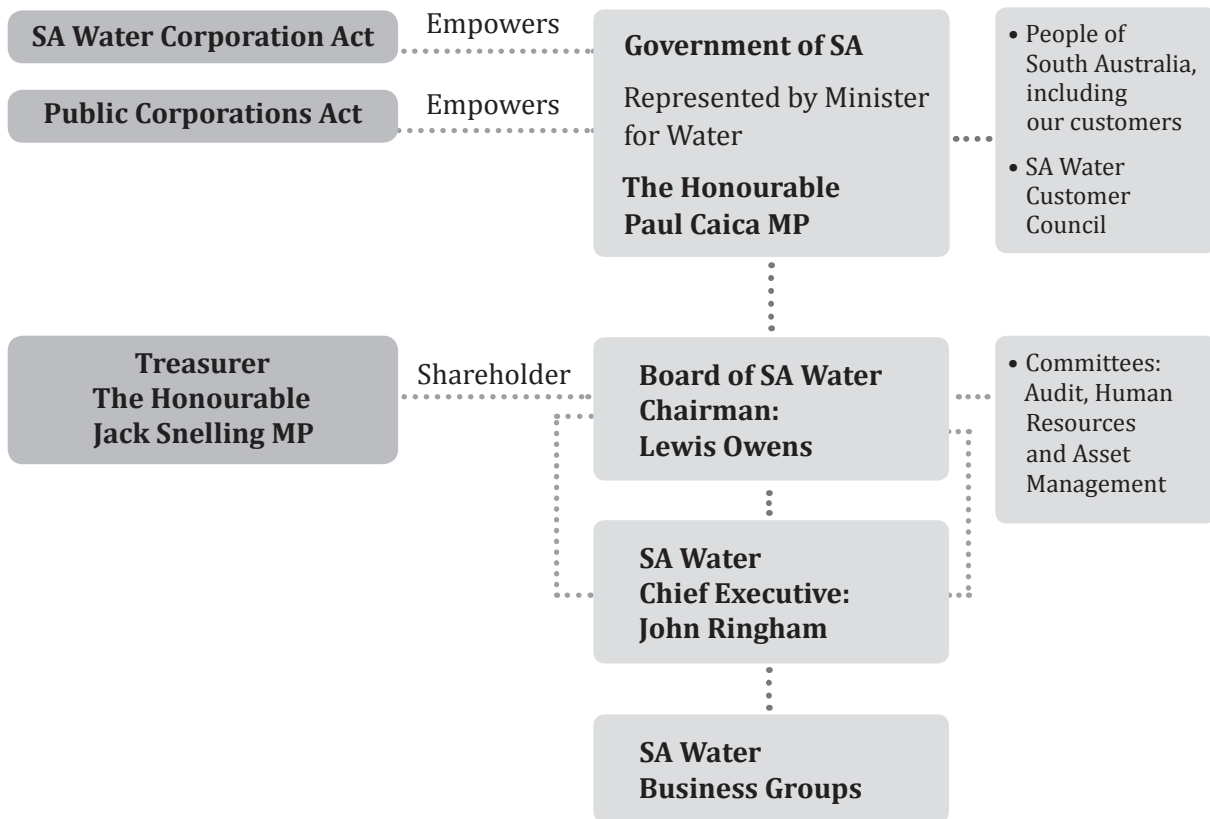
SA Water Records Management

In 2011, SA Water received a formal assessment from State Records of our records management performance. SA Water is well above target in areas such as the involvement of records management in strategic planning processes and the ability to locate records to meet immediate business need.

A number of corporate initiatives have been set up to help meet areas for development, such as projects to standardise and audit the records management compliance of our major contracting parties.

Corporate Governance

Governance structure diagram



Our Charter

SA Water is subject to the *Public Corporations Act 1993*. Under section 12 of that Act, the Corporation's Minister and the Treasurer, in consultation with the Corporation, are required to prepare a Charter for the Corporation and to review it annually. The Charter is effectively a general direction to the Corporation from the Government which guides the Board in the exercise of its powers in pursuing its functions under the *South Australian Water Corporation Act 1994*.

In 2010, the Minister and Treasurer, in consultation with the Corporation, reviewed our Charter and concluded that no changes were required for 2010-11. The Charter (see page 141) seeks to balance a public sector ethos of community service with prudent commercial principles in the conduct of our business. We apply the same rigour to business planning and capital expenditure that would apply in any large corporation.

In 2011, the Minister and Treasurer, in consultation with the Corporation, again reviewed the Charter, this time with a focus on the imminent introduction into Parliament of the *Water Industry Bill*. A number of changes have been proposed to streamline the document and these are now being considered by the Government.

Delegation of functions

Under Section 18 of the *South Australian Water Corporation Act*, the Minister may delegate any of the Minister's powers or functions under any Act to SA Water. The Minister has delegated to the Board authority to incur expenditure up to \$4 million.

Our Board has established financial delegations to officers for expenditure as appropriate. Officers exercise (and can sub-delegate) these delegations in accordance with the policies and guidelines of SA Water. All delegations are reviewed annually by the Audit Committee and referred to the Board for approval. There are no delegations to Board Committees.

Directors' interests and benefits

A register of directors' interests is maintained and updated annually. In addition, directors are invited to declare at the commencement of all meetings any conflicts of interest that might arise on an ad hoc basis. In these circumstances directors absent themselves from discussion of the relevant matter and the conflict of interest is recorded in the minutes of the meeting.

In 2010-11, no director had an interest in any contract or proposed contract with SA Water other than contracts in the ordinary course of the organisation's business and at arm's length.

In 2010-11, no contract involving directors' interest arose and no director of SA Water received, or became entitled to receive, a benefit (other than a remuneration benefit) by virtue of a contract that the director, or a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made with SA Water, other than dealings in the normal course of business as set out in Note 36 of the Financial Statements.

Board committees

The Board has established three standing committees to assist with the discharge of its responsibilities. None of these bodies exercises a decision making role; rather they report and make recommendations to the Board.

A charter guides the functions and duties of each committee, which in turn reports to the Board. The charters are reviewed annually and are available on request.

Audit Committee

In 2010-11 the members of the Audit Committee were:

- Hon Frank Blevins, Chair
- Cathy Cooper
- Annabel Digance (to 13 July 2010)
- Sybella Blencowe (from 6 September 2010)

As required under the *Public Corporations Act 1993*, we maintain an Audit Committee and an internal audit function. Our Business Assurance and Risk team plays a key role in providing objective analysis of business processes and internal control systems.

The Audit Committee also monitors our risk management framework (including treasury risk) and legal and trade practices compliance programs. More information on our risk management can be found on page 78.

In 2010-11, a feature of the Audit Committee's work was a focus on risks related to human resource management, including management frameworks and controls for succession planning and bullying and harassment.

Asset Management Committee

In 2010-11, the members of the Asset Management Committee were:

- Philip Pledge, Chair
- Dr Graham Allison
- Sybella Blencowe

The Asset Management Committee has a particular focus on issues arising from our stewardship of substantial and essential infrastructure. The Committee's primary concern is the condition, performance, reliability and efficiency of SA Water assets, both in absolute terms and in terms of comparison with other water utilities.

A particular focus during 2010-11 was metering technology and water main leakage. This reflects the continued close attention paid by the Committee to the Corporation's response to challenges identified by the drought and the increasing cost of water.

Human Resources Committee

In 2010-11, the members of the Human Resources Committee were:

- Philip Pledge, Chair
- Sybella Blencowe
- Annabel Digance (to 13 July 2010)
- Dr Graham Allison (from 6 September 2010)

This committee reviews and makes recommendations to the Board on conditions of employment including the level of remuneration paid to the Chief Executive and other Senior Executives. During the year the Committee took particular interest in issues relating to employee welfare, satisfaction, remuneration, attraction and retention.

Directors' Meetings

The number of meetings of the Board of Directors (including meetings of committees of Directors) held in 2010-11 was:

- Board of Directors - 13 meetings
- Audit Committee - 4 meetings
- Asset Management Committee - 4 meetings
- Human Resources - 2 meetings

The number of meetings attended by each of the Directors during the 2010-11 financial year is shown in the following table:

	Board		Special Board		Audit Committee		Human Resources		Asset Management	
	A	B	A	B	A	B	A	B	A	B
Philip Pledge	11	10	2	2			2	2	4	4
Annabel Digance	1	1								
Graham Allison	11	10	2	2			2	2	4	4
Sybella Blencowe	11	11	2	2	3	3	2	2	4	4
Catherine Cooper	11	9	2	2	4	4				
Frank Blevins	11	11	2	2	4	4				
Karlene Maywald	2	2								
Anne Howe	6	6	1	1			2	2		
John Ringham	5	5	1	1					2	1

A = number eligible to attend. B = number attended.

Details of Directors' remuneration can be found in the Financial Statement in this report (Note 35).

Relevant Legislation

Public Corporations Act

Subject to this Act, SA Water is a commercial entity providing services in accord with prudent commercial principles and striving to provide a commercial return to Government. Non-commercial operations may be carried out, but must be provided in an efficient and effective manner. The Act requires SA Water to:

- Operate within the Parliament's and Government's intentions for the nature and scope of Corporation activities as expressed by the *South Australian Water Corporation Act 1994* and the SA Water Charter;
- Act in accordance with the control and direction of the Minister for Water;
- Publish in its Annual Report any direction issued by the Minister.

South Australian Water Corporation Act 1994

This Act establishes SA Water and makes it subject to the *Public Corporations Act*. SA Water's functions are set out in Section 7 of the Act. The Corporation's primary functions are to provide services for the:

- Supply of water by means of reticulated systems;
- Storage, treatment and supply of bulk water;
- Removal and treatment of wastewater by means of sewerage systems.

Under the Act, SA Water has the following further functions:

- To carry out research and works to improve water quality and wastewater disposal and treatment methods;
- To provide consultancy and other services within its areas of expertise;
- To commercially develop and market products, processes and intellectual property produced or created in the course of its operations;
- To advise users of water in the efficient and effective use of water;
- To encourage and facilitate private or public sector investment and participation, whether from within or outside the State, in the provision of water and wastewater services and facilities;
- Any other function conferred on the Corporation by this Act, any other Act or the Minister, or delegated to the Corporation by the Minister.

Sewerage Act 1929

This Act empowers SA Water to construct and operate sewerage systems.

Waterworks Act 1932

This Act empowers SA Water to construct and operate water supply systems.

Metropolitan Drainage Act 1935

This Act provides for flood mitigation works on the River Torrens, Sturt River, and the Brownhill and Keswick Creeks. SA Water administers this Act on behalf of the Minister for Water.

Rates and Land Tax Remission Act 1986

This Act provides for rates concessions for various rates to be granted to eligible pensioners. The remission scheme is funded by the Government but administered by SA Water.

Other legislation and legislative review

More than 120 other Acts have a direct impact on the activities of SA Water. In June 2009, the Government's *Water for Good* report committed to a comprehensive review of the legislation covering the water industry to provide a more contemporary legislative framework for the provision of water and wastewater services in South Australia. A draft *Water Industry Bill* designed to give effect to this commitment was released for comment in November 2010 and, following consideration of comments received, a revised Bill was introduced into Parliament in July 2011 for debate later in the year, with a view to the new arrangements taking effect from 1 July 2012. SA Water welcomes the tabling of the Bill and looks forward to co-operating with the Government and the industry in implementing the reforms for which it provides.

Freedom of Information

SA Water is committed to openness, transparency and accountability as a Corporation while at the same time recognising the right of stakeholders to privacy. During 2010-11, we continued to ensure our website provided a wide range of educational and informative material freely to the public.

The *Freedom of Information Act 1991* is applicable to SA Water, as are the Government's Information Privacy Principles.

In 2010-11, SA Water received 57 freedom of information (FOI) applications. The applications were received from members of public (4), Members of Parliament (51) and one media organisation (2). Of those applications, 55 were for non-personal information and 2 were for personal information. There were also 7 applications brought forward from the 2009-10 year bringing an overall total of 64 applications.

The outcome of the applications processed in 2010-11 was as follows:

- Access granted in full – 17
- Access granted in part – 14
- Applications refused – 17
- Application withdrawn – 1
- Applications transferred to other departments – 2

In addition to the FOI applications received by the Corporation, SA Water responded to 12 third party consultation requests from local and state government departments and received 2 applications for an internal review. There was one external review by the Ombudsman.

Thirteen applications are being carried over into the 2011-12 period.

Fraud

We have a code of conduct in place to inform staff members of what activities might constitute fraud and to warn employees against committing fraud. There is also a specific fraud policy and guidelines which deal with the treatment of any detected frauds. That policy is reviewed and updated regularly and communicated to employees.

Allegations or suspicions of fraudulent activity may be reported openly to management or anonymously to the Corporation Secretary. All reports are investigated promptly and the outcome of any investigation is reported to the Audit Committee.

During January 2011, we launched an independent whistleblower service, aimed at providing an additional, potentially anonymous avenue for SA Water employees, contractors and external parties to report instances of suspected fraud, corruption or maladministration. In the year ended 30 June 2011, no reports were received through this facility.

We also undertake proactive fraud detection exercises in which irregularities are identified and investigated, supplemented with a Corporation wide Fraud Risk Assessment. Where appropriate, suspected fraudulent activities are referred to relevant law enforcement agencies.

As part of the annual internal audit plan, data mining of accounts payable, payroll and credit card expenditure is performed and anomalies investigated. In the year to 30 June 2011 these exercises did not uncover any instances of fraud or corruption.

Compliance with Legislative Requirements

SA Water is committed to the highest standards of compliance with legislative requirements. A number of systems have been developed to assist managers to monitor compliance with a range of legislation. Training is also provided as required, particularly in areas such as environmental law and the *Competition and Consumer Act 2010*.

Six-monthly monitoring programs are in place to ensure adherence to laws, Treasurer's Instructions and certain SA Water policies. The results of the monitoring programs and the resolution of matters noted are reported to the Audit Committee.

Insurance and Indemnification

Section 22 of the *Public Corporations Act 1993* provides that '... a director of a public corporation incurs no civil liability for an honest act or omission in the performance or discharge, or purported performance or discharge, of functions or duties as such a director'.

SA Water has agreed to indemnify and keep indemnified Directors of the organisation for the reporting period against all liabilities (other than to SA Water or a related body corporate) that may arise from their position as a Director of the organisation, except where the liability arises out of conduct involving a lack of good faith.

SA Water has in place a Directors' and Officers' insurance policy. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

Risk Management

Our Audit Committee has been delegated responsibility, via the Audit Committee Charter, for the The SA Water Risk Management Policy and Framework, as approved by the Board, formally establishes the process of assessing the business risks and opportunities we face, as well as developing and implementing strategies to transfer, manage and/or mitigate these risks in a proactive manner.

The policy is reviewed by the Board on a regular basis and is consistent with the International Standard ISO 31000 and the South Australian Government Risk Management Policy Statement, 2009. The policy principles are applied across SA Water and risk assessments have become a key component of strategic and business unit planning, project management, capital and asset planning, emergency response and business continuity planning.

Our Audit Committee has been delegated responsibility, via the Audit Committee Charter, for oversight of SA Water's risk management processes.

This high level focus on risk recognises the critical role risk management plays in ensuring the Board can fulfil its corporate governance and supervisory responsibilities. The Audit Committee's roles include:

- Understanding the risks of the business;
- Monitoring risk management activities on a six monthly basis;
- Endorsing and contributing to the identification of SA Water's annual risk profile;
- Endorsing SA Water's Risk Management Policy and Framework.

To assist both the Chief Executive and the Audit Committee:

- The General Manager Business Assurance and Risk reports, via the Corporation Secretary, to the Audit Committee at each of its meetings, and to the Chief Executive as required. A risk management team is responsible for providing policies and procedures, systems and tools, training, coordination and facilitation services and monitoring mechanisms related to risk management activity;
- All people within SA Water (including the senior management team, other management, employees, contractors and our key partners) play a role in the identification, assessment and management of risks.

Policy Development

We maintain a policy framework comprising both strategic and management policies aligned to our strategic objectives. The policy management system which underpins the framework emphasises targeted and general consultation, fully resourced implementation plans and performance indicators to measure policy effectiveness.

We also have a suite of associated procedures and guidelines covering a range of SA Water activities and processes including environmental responsibilities, financial management, procurement, human resource management and OHS issues.

In accordance with continuous improvement practice, the policy framework is reviewed each year and all policies and procedures are subject to periodic review.

Policies of particular interest to our stakeholders are available on our website including Community Involvement, Hardship, Privacy, Sponsorship and Sustainability. Inquiries about policy documents can, in the first instance, be made to SA Water's Corporate Policy Manager, 250 Victoria Square, Adelaide.

Operations Overview

Facts at a glance

<i>Length of mains (km)</i>	2010-11
Total length of water mains	26 552
Metropolitan	9 020
Country	17 532
<i>Major pipeline lengths (km)</i>	
Murray Bridge to Onkaparinga	48
Morgan/Whyalla no 1 via Port Augusta	356
Morgan/Whyalla no 2 undersea from Baroota	281
Mannum/Adelaide	60
Swan Reach/Paskeville	183
Tailem Bend/Keith	133
Lincoln Gap/Kimba	131
<i>Major pipeline rated capacities (ML per day)</i>	
Murray Bridge/Onkaparinga	514
Morgan/Whyalla	206
Mannum/Adelaide	380
Swan Reach/Swanport	80
Tailem Bend/Keith	31
Lincoln Gap/Kimba	4.5
<i>Length of sewers (kilometre)</i>	
Total length of sewers	8 703
Metropolitan	7 252
Country	1 451
<i>Length of recycled water mains (kilometre)</i>	
Metropolitan	127
Country	9
<i>Accounts</i>	
Accounts billed	776 172
<i>Number of water treatment plants</i>	
Metropolitan	6
Country	24
<i>Number wastewater treatment plants</i>	
Metropolitan	4
Country	19
<i>Wastewater reuse %</i>	
Metropolitan	22.5%
Country	20.1%

Operations Overview (continued)

<i>Population served water supply (at 30 June)</i>	
Estimated population served metropolitan	1 140 000
Estimated population served country	417 000
Total	1 557 000
<i>Population served wastewater (at June 30)</i>	
Estimated population served metropolitan	1 076 000
Estimated population served country	163 000
Total	1 239 000
<i>Average volume water delivered statewide for past five years (ML)</i>	
Metropolitan	140 484
Country	78 626
<i>Statewide water consumption facts</i>	
Total volume delivered (ML)	196 666
Average residential consumption per household (kL)	164.3
Highest daily consumption recorded in 24 hours to 8am (ML) - metro only	758
<i>Metropolitan water consumption facts</i>	
Total volume delivered (ML)	129 000
Average residential consumption per household (kL)	170.6
<i>Country water consumption facts</i>	
Total volume delivered (ML)	67 665
Average residential consumption per household (kL)	144.6
<i>Water sources</i>	
Total water (ML)	196 666
% provided by River Murray	46%
% provided by surface water	48%
% provided by ground water	6%
% provided by sea water	<0.1%

Five year comparisons

	2006-07	2007-08	2008-09	2009-10	2010-11
Water					
Adelaide					
Volume delivered (ML)	156 014	139 352	138 300	139 753	129 000
Average daily volume delivered (ML)	427	381	378	383	353
Estimated population served	1 095 000	1 103 000	1 117 000	1 125 000	1 140 000
Length of mains (kilometre)	8 854	8 889	8 933	8 980	9 020
Country					
Volume delivered (ML)	89 572	79 613	79 900	76 378	67 665
Estimated population served	400 000	403 000	408 000	411 000	417 000
Length of mains (kilometre)	16 941	17 004	17 217	17 297	17 532
Total (rounded)					
Total water (ML)	245 587	218 965	218 170	216 131	196 665
% provided by River Murray	91	85	86	44	46
% provided by surface water	3	8	8	50	48
% provided by ground water	6	7	6	6	6
% provided by sea water	<0.1	<0.1	<0.1	<0.1	<0.1
Wastewater					
Adelaide					
Number of wastewater treatment plants	4	4	4	4	4
Estimated population served	1 036 000	1 043 000	1 057 000	1 064 000	1 076 000
Length of sewers (kilometre)	7 070	7 099	7 147	7 202	7 252
Length of recycled wastewater supply main (kilometre)	-	-	74	82	127
% wastewater re-use	29.7	30.7	31.8	29.5	22.5
Country					
Number of wastewater treatment plants	20	20	19	19	19
Estimated population served	157 000	157 500	159 000	161 000	163 000
Length of sewers	1 384	1 402	1 418	1 436	1 451
Length of recycled wastewater supply main (kilometre)	-	-	6	9	9
% wastewater re-use	19.1	23.8	24	25.7	20.1
<i>Wastewater re-use</i>					
Total %	24.4	27.25	27.9	27.6	21.3

Five year comparisons (continued)

	2006-07	2007-08	2008-09	2009-10	2010-11
Finance	\$000	\$000	\$000	\$000	\$000
<i>Revenue</i>					
Water sales and rates	314 229	309 650	347 585	396 367	492 885
Sewerage rates	263 447	272 805	282 582	292 175	305 729
Contributions & grants	58 890	61 890	68 864	65 023	69 883
CSO funding	156 210	164 597	183 087	198 547	180 780
Sundries	63 345	80 524	107 317	113 933	105 426
Total revenue	856 121	889 466	989 435	1 066 045	1 154 703
<i>Operating expenditure</i>					
Operations and services	307 352	340 716	445 980	440 051	456 392
Interest	88 251	99 821	106 908	143 562	206 297
Depreciation	146 468	162 128	177 696	211 129	234 293
Total operating expenditure	542 071	602 665	730 581	794 742	896 982
<i>Capital expenditure</i>					
Water supply	109 296	154 081	536 000	875 048	456 064
Sewerage	30 915	36 950	142 798	120 269	181 574
Other	31 415	55 935	52 674	174 185	55 486
Total capital expenditure	171 626	246 966	731 472	1 169 502	693 124
<i>Water/wastewater services</i>					
Total expenses per customer \$	731	785	927	1 102	1 243
<i>Expenses recovery</i>					
Revenue as a % of expenses	189.8	152.4	139.2	134.0	129
<i>Contracts customer service</i>					
% of developer contracts prepared within 90 days	100	100	100	100	100

Five year comparisons (continued)

	2006-07	2007-08	2008-09	2009-10	2010-11
Water supply performance					
<i>Improving water quality</i>					
% of filtered water distributed into Adelaide system	100	100	100	100	100
Metropolitan					
Service calls per 1000 customers	99	94	92	91	91
Number of priority calls, bursts, leaks per 1000 customers	3.5	2	2.21	2.18	2.10
Service interruptions restored in five hours (target 80%)	92	92	91	90	87
Water quality complaints per 1000 customers	0.8	0.76	0.61	0.73	1.05
% of samples with faecal coliforms absent	100	100	100	100	100
Total expenses per customer (\$)	344	368	453	482	397
Country					
Mainbreaks per 1000 customers	5.8	5.6	4.9	7.5	8.7
Mainbreaks per 100 kilometre of main	6.5	6.3	5.5	8.9	11
% interruptions responded to within one hour	61.9	95	93.5	93	98
% of samples free from <i>E. coli</i>	99.95	100.00	100.00	99.99	99.94
Total expenses per customer (\$)	890	958	1 098	1 189	1 028
<i>Wastewater services performance</i>					
Metropolitan					
Chokes in sewer mains per 100 kilometre of main	66	58	54.9	48.8	48.4
Chokes in sewer mains per 1000 customers	9.8	8.4	8.05	7.11	7.01
Chokes in property connections per 1000 customers	41.2	36	34.2	30.9	28.71
Restoration of service, mains and connections (full loss of service) restored within five hours (target >75%)	97	97	97	97	97
Restoration of service, mains and connections (partial loss of service) restored within 18 hours (target >90%)	97	98	98	98	98
Wastewater overflows reported, % attended within four hours	100	100	100	100	100

Five year comparisons (continued)

	2006-07	2007-08	2008-09	2009-10	2010-11
<i>Wastewater services performance (continued)</i>					
Metropolitan (continued)					
Treated wastewater total BOD - Christies Beach, Glenelg, Bolivar high salinity - mg/L (target <20)	4	3	3.1	3	2.8
Average treated wastewater soluble BOD (Activated Sludge Plant / Bolivar) mg/L (target <10)	3	2	2.1	2.2	2.2
Treated wastewater suspended solids / Bolivar high salinity, Glenelg, Christies Beach	9	9	9.1	8.6	8.3
Treated wastewater % compliance with internal targets	100	100	100	100	100
Treated wastewater % compliance with EPA targets	100	100	100	100	100
Total expenses per customer (\$)	283	301	349	373	352
Country					
Chokes in connections per 1000 customers	23.6	27.5	13.2	17	12.9
Chokes in sewers per 100 kilometre of sewer	15.2	16.4	18.5	11	14.1
% internal overflows responded to within one hour	N/A	92	100	98	100
Treated wastewater median BOD (activated sludge/extended aeration plant) mg/L	3	3	2	<2	<2
Treated wastewater soluble BOD (lagoon plants) mg/L	2	2	2	2	2
Treated wastewater median suspended solids (activated sludge/extended aeration) mg/L	4	4	3	5	3
Total expenses per customer (\$)	498	555	644	620	717

South Australian Water Corporation

Annual Financial Statements

for the year ended 30 June 2011

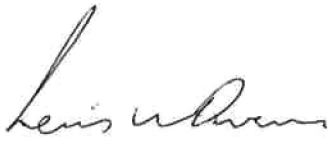
Certification of the Financial Statements

We certify that the attached general purpose financial statements for the South Australian Water Corporation:

- complies with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Corporation;
- presents a true and fair view of the financial position of the Corporation as at 30 June 2011 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Corporation for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the Corporation will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the board members.



L Owens
Chairman
15 September 2011



G Henstock
A/Chief Executive
15 September 2011



P Mendo
Chief Financial Officer
15 September 2011



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**To the Chairman of the Board
South Australian Water Corporation**

As required by section 31 of the *Public Finance and Audit Act 1987* and section 32(4) of the *Public Corporations Act 1993*, I have audited the accompanying financial report of the South Australian Water Corporation for the financial year ended 30 June 2011. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2011
- a Statement of Financial Position as at 30 June 2011
- a Statement of Changes in Equity for the year ended 30 June 2011
- a Statement of Cash Flows for the year ended 30 June 2011
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman and Acting Chief Executive and the Chief Financial Officer.

The Board's Responsibility for the Financial Report

The directors of the Board are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as directors of 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors of the Board, as well as the overall presentation of the financial report.

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

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Water Corporation as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.



S O'Neill
AUDITOR-GENERAL
21 September 2011

South Australian Water Corporation
Statement of comprehensive income
For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Income			
Revenue from ordinary activities	4	1,154,130	1,065,800
Other income	5	573	245
Total Income		1,154,703	1,066,045
Expenses			
Depreciation and amortisation expense	6	(234,293)	(211,130)
Borrowing costs	6	(206,297)	(143,562)
Electricity expense		(28,284)	(30,195)
Services and supplies		(180,379)	(176,982)
Operational and service contracts		(136,957)	(131,283)
Salaries and employee benefits expense		(110,773)	(101,590)
Total Expenses		(896,983)	(794,742)
Profit before income tax		257,720	271,303
Income tax expense	7	(76,843)	(81,255)
Profit for the year		180,877	190,048
Other comprehensive income			
Gain on revaluation of infrastructure, plant and equipment assets	29	848,400	1,153,650
Revaluation of investment in unlisted shares	29	(1,468)	7,297
Income tax relating to components of other comprehensive income	29	(248,976)	(340,504)
Other comprehensive income for the year, net of tax		597,956	820,443
Total comprehensive income for the year		778,833	1,010,491
Total comprehensive income for the year is attributable to:			
The SA Government as owner		778,833	1,010,491

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

South Australian Water Corporation
Statement of financial position
As at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	26	1,410	1,425
Receivables	8	129,957	114,029
Inventories	9	5,591	5,394
Derivative financial instruments	22	-	15
Other current assets	10	57,043	57,626
Total current assets		194,001	178,489
Non-current assets			
Available-for-sale financial assets	11	20,366	21,833
Deferred tax assets	12	32,785	30,315
Intangible assets	13	76,350	79,626
Infrastructure, plant and equipment	14	12,874,723	11,541,278
Derivative financial instruments	22	179	348
Total non-current assets		13,004,403	11,673,400
Total assets		13,198,404	11,851,889
LIABILITIES			
Current liabilities			
Payables	15	196,113	217,227
Interest bearing liabilities	16	27,748	61,964
Current tax liabilities	17	21,547	23,201
Provisions	18	20,111	18,905
Derivative financial instruments	22	203	329
Other current liabilities	19	16,640	12,241
Total current liabilities		282,362	333,867
Non-current liabilities			
Payables	20	1,731	1,639
Interest bearing liabilities	21	3,290,162	2,760,556
Derivative financial instruments	22	1,116	2,792
Deferred tax liabilities	23	1,645,559	1,394,305
Provisions	24	26,904	25,366
Other non-current liabilities	25	141,041	133,662
Total non-current liabilities		5,106,513	4,318,320
Total liabilities		5,388,875	4,652,187
Net assets		7,809,529	7,199,702
EQUITY			
Contributed equity		173,610	173,610
Reserves	29(a)	7,404,010	6,813,675
Retained earnings	29(b)	231,909	212,417
Total equity		7,809,529	7,199,702

The above Statement of financial position should be read in conjunction with the accompanying notes.

South Australian Water Corporation
Statement of changes in equity
For the year ended 30 June 2011

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2008		173,610	5,994,726	189,884	6,358,220
Profit for the year		-	-	190,048	190,048
Gain on revaluation of infrastructure, plant and equipment assets	29	-	1,153,650	-	1,153,650
Revaluation of investment in unlisted shares	29	-	7,297	-	7,297
Transfer to retained profits on disposal	29	-	(1,494)	-	(1,494)
Transfer from Infrastructure, plant and equipment reserve	29	-	-	1,494	1,494
Income tax relating to components of other comprehensive income	7c	-	(340,504)	-	(340,504)
Total comprehensive income for the year		-	818,949	191,542	1,010,491
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(169,009)	(169,009)
Balance at 30 June 2010		173,610	6,813,675	212,417	7,199,702

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2010		173,610	6,813,675	212,417	7,199,702
Profit for the year		-	-	180,877	180,877
Gain on revaluation of infrastructure, plant and equipment assets	29	-	848,400	-	848,400
Revaluation of investment in unlisted shares	29	-	(1,468)	-	(1,468)
Transfer to retained profits on disposal	29	-	(7,621)	-	(7,621)
Transfer from infrastructure, plant and equipment reserve	29	-	-	7,621	7,621
Income tax relating to components of other comprehensive income	7c	-	(248,976)	-	(248,976)
Total comprehensive income for the year		-	590,335	188,498	778,833
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(169,006)	(169,006)
Balance at 30 June 2011		173,610	7,404,010	231,909	7,809,529

Total equity is attributable to the SA Government as owner.

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

South Australian Water Corporation
Statement of cash flows
For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers		988,276	959,737
Payments to suppliers and employees		(538,943)	(615,897)
Receipts from Community Service Obligation funding		180,361	198,244
Receipts from contributions		29,213	27,894
Receipts from Government Grants		12,091	87,972
Interest received		135	440
Borrowing costs paid		(196,722)	(132,578)
Income taxes paid	17	(78,691)	(82,003)
Net cash inflow from operating activities	27	395,720	443,809
Cash flows from investing activities			
Payments for construction and purchase of infrastructure, plant and equipment		(719,933)	(1,110,183)
Payments for intangible assets		(5,649)	(30,401)
Proceeds from sale of intangible assets		2,650	-
Proceeds from sale of infrastructure, plant and equipment		813	433
Net cash (outflow) from investing activities		(722,119)	(1,140,151)
Cash flows from financing activities			
Proceeds from borrowings		1,792,562	2,568,096
Repayment of borrowings		(1,292,619)	(1,698,566)
Dividends paid	33	(169,006)	(169,009)
Repayment of finance lease liability		(4,553)	(4,035)
Net cash inflow from financing activities		326,384	696,486
Net (decrease)/increase in cash and cash equivalents		(15)	144
Cash and cash equivalents at the beginning of the financial year		1,425	1,281
Cash and cash equivalents at end of year	26	1,410	1,425

The above Statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The South Australian Water Corporation (SA Water or the Corporation) was established on 1 July 1995, as a state owned statutory corporation pursuant to the South Australian Water Corporation Act 1994, to which the provisions of the Public Corporations Act 1993 apply. Property, rights, powers and liabilities of the Minister for Water, arising from the operation of the Sewerage Act 1929 and the Waterworks Act 1932, were vested in the Corporation.

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards, Interpretations and the Treasurer's Instructions and Accounting Policy Frameworks issued pursuant to the Public Finance and Audit Act 1987.

The financial statements were authorised for issue by the Board.

Change in accounting policy

There have been no changes to accounting policy during the 2010-11 financial year except for the disclosure of remuneration of employees in note 34.

Historical cost convention

These financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings, available-for-sale non-current financial assets and liabilities which are stated using fair value as detailed in the relevant notes.

Rounding

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(b) Jointly controlled operations

The Corporation's interest in the Joint Venture operation is brought to account by including its proportionate share of the Joint Venture assets, liabilities, expenses and revenues on a line-by-line basis. For disclosure of the Corporation's interest in the Joint Venture operation refer to note 31.

(c) Revenue recognition

Rates and charges

Revenue from water usage is based on water consumed throughout the year by customers. The annual Water and Sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year ended 30 June. Refer also to note 3.

In accordance with AIFRS, SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principal is to recognise revenue in the period it is earned, rather than billed. The calculation is based on master meters, billing system reconciliations, and assessments of water losses.

1 Summary of significant accounting policies (continued)

Community Service Obligations (CSOs)

The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. SA Water is compensated for the non-commercial component of these services through CSO payments from the Government. The main CSOs relate to under recovery of country water and wastewater services and the provision of water and wastewater concessions to certain properties e.g. charities, churches and public schools.

The CSO revenue is recognised as the services are provided.

Contributed assets

Contributed assets principally arise from:

- (i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main; and
- (ii) subdividers who make contributions where either:
 - a) water and sewerage infrastructures are constructed by subdividers and transferred to SA Water. The contribution recognised is equivalent to the Corporation's estimated cost of construction; or
 - b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets are recognised at fair value when the assets are received. Contributions to construct assets are recognised when the assets are constructed. Revenue received in advance of the assets constructed is recorded as unearned revenue in note 19.

Disposal of non-current assets

The gain or loss on disposal of non-current assets is recognised at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. Upon disposal or derecognition, any revaluation reserve relating to a particular asset being sold is transferred to retained earnings.

Recoverable works

Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Government grants

In accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions.

Government grants relating to construction of infrastructure, plant and equipment are recognised as income over the periods and in the proportions in which depreciation on those assets is charged.

1 Summary of significant accounting policies (continued)

The Corporation received grant funding in 2010-11 amounting to \$8.795M (2010: \$85.774M). For 2010-11 the projects are: Southern Urban Reuse Project, Adelaide Airport Stormwater Scheme and the Barker Inlet Stormwater Scheme. Refer note 25.

Government grants relating to expenditure are deferred and recognised in the Statement of Comprehensive Income in the period necessary to match them with the costs they are intended to compensate. The Corporation received grant funding in 2010-11 amounting to \$3.02M for the following projects: Remote Communities Works, Noora Drainage Disposal Basin Main and the Productivity Places Program. Refer note 19.

(d) Non-current assets

Infrastructure, plant and equipment

Acquisition

Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116 Property, Plant and Equipment, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned and accounted for as outlined in note 1(f).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Valuations

To comply with Accounting Policy Framework (APF) III (Asset Accounting Framework) and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position.

To reflect the change in values, the Corporation revalues its non-current assets at Directors' valuation or independent valuation. The Directors' valuation is performed using the Producer Price Index (PPI) or current contract rates. The PPI measures changes over time in the price of new construction outputs. Current contract rates are based on recent estimated costs of supplying and installing assets. Revaluation adjustments are taken to the asset revaluation reserve on a class basis, with the exception of land and buildings which are adjusted on an asset by asset basis.

Additionally, the Corporation's valuation methodologies for all major classes of infrastructure assets are subjected to independent review. The most recent independent review was completed by GHD Pty Ltd and Ernst and Young in March 2008. The review concluded that the Corporation's valuation methodology provided a reasonable basis of determining assets' current values.

Accordingly the Corporation has adopted the following asset valuation methods:

Infrastructure assets

The fair value of an asset is determined by its written-down current cost. The Corporation determines the written-down current cost as the lower of reproduction or replacement

1 Summary of significant accounting policies (continued)

cost. The cost of replacing or reproducing excess capacity or over-engineering of the asset is excluded.

- a) The unit rates for water mains and connections, and sewer mains and connections were independently valued by Aquenta Consulting as at 1 July. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.
- b) Wastewater treatment plants and sewage pumping stations were independently valued by Aquenta Consulting as at 1 July.
- c) Other infrastructure assets - Independent valuation or Directors' valuations as at 1 July based on the current construction data. These assets are indexed in between comprehensive valuations using the PPI.

Land and buildings

Land is brought to account at market value generally using valuations provided from the State Valuer-General. In isolated cases, the Corporation may use independent valuations in order to ensure due specific focus has been given to a particularly unique parcel of land.

Buildings and depots were independently valued by WT Partnerships as at 1 July.

Plant and equipment

Plant and equipment is brought to account at historical cost.

Other assets

Other assets are brought to account at cost and indexed annually using the PPI.

Depreciation

Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from 2 to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

Class of Asset	Useful life (years)
- Water and sewer assets	7 - 170 years
- Water and sewer leased assets	40 - 50 years
- Buildings	50 years
- Other	2 - 50 years
- Plant and equipment	3 - 15 years

The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

Available-for-sale financial assets

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). SA Water's involvement in this scheme will result in an option at the end of the contract to acquire the scheme. The scheme distributes "Class A" reclaimed water from

1 Summary of significant accounting policies (continued)

the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating Company of VPS, Water Reticulation Systems (Virginia) Pty Ltd (WRS), a subsidiary of Euratech Limited. Advances to WRS were converted to Non-Voting class B shares, issued at a price of \$1 per share.

The Corporation's investment in non-voting class B shares have been measured at fair value, in accordance with AASB 139 Financial Instruments: Recognition and Measurement (refer note 11). Due to the nexus between the class B shares and the pipeline assets, the fair value of the shares has been determined using the written down current cost of the pipeline assets in 2018 discounted to their net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the 'available-for-sale revaluation reserve'. The VPS was independently valued by Leadenhall VRG Pty Ltd in 2009.

Intangible assets

Issued water licences

The South Australian Government has issued water licences to the Corporation under the Natural Resources Management (NRM) Act 2004. The licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138 Intangible Assets, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there is not an active market for the allocations endorsed on the licences. The details of these water licences are as follows:

Rights other than those relating to the River Murray are:

- Various South East Region licences.

- Various Murray Mallee Area licences.

- Various Eyre Peninsula Region licences.

- Licence 4484 McLaren Vale Licence for the Aldinga Wastewater Treatment Plant.

- Licence 5706 Northern Adelaide Plains Licence for the Bolivar Wastewater Treatment Plant.

River Murray water rights are conferred via multiple instruments:

- Licence 2333 River Murray Licence for Metropolitan Adelaide.

- Licence 2334 River Murray Licence for Country.

The Corporation has purchased a series of tradeable water rights:

- Various other River Murray licences that can be used for Adelaide, Country or other purposes held under the Natural Resources Management Act (NRM) Act 2004.

SA Water also owns water rights held under the Victorian Water Act 1989. The rights held are:

- High Reliability Goulburn Zone 1A water shares.

- High Reliability Murray Zone 7 water shares.

The allocations made to these water shares are able to be transferred for use in South Australia.

1 Summary of significant accounting policies (continued)

Water rights - permanent

The Corporation has purchased a series of tradable water rights. The rights are perpetual and are accumulated as Water Access Entitlements onto licences held by the Corporation issued by the South Australian Government under the NRM Act 2007, and as Water Shares issued by the Victorian Government under the Water Act 1989.

Water rights are valued at cost on the date of acquisition. The water rights have an indefinite useful life and as such are not subject to amortisation.

Prescription of the Mount Lofty Ranges

SA Water has contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long term protection of the water supply to Adelaide.

Easements

In accordance with APF III Asset Accounting Framework, easements are classified as an Intangible Asset and measured at cost. Easements gifted to the Corporation are not valued.

Application software

Application software is measured at cost as per AASB 138 Intangible Assets. The useful life is reviewed annually and has been assessed at 7 years. The software is amortised using the straight-line method.

Seasonal water allocations – temporary

In addition to the permanent water rights above, during 2008-09 and 2009-10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human needs in 2009-10 and 2010-11. SA Water also purchased water allocations for operational needs. These purchases have been treated as other assets in the accounts and will be expensed as the water is used. At 30 June 2011 the Government have approved the preservation of unused purchased water allocations in 2011-12.

(e) Impairment of assets

All non-current tangible and intangible assets are reviewed for indications of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets any impairment loss is offset against the asset revaluation reserve.

The Corporation has reviewed the impairment triggers as at 30 June 2011 and given no indication of a trigger event, no impairment losses have been identified.

(f) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense

1 Summary of significant accounting policies (continued)

in the Statement of Comprehensive Income. Payments are made in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Lease incentives

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability. The aggregate benefits of lease incentives received by the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight line basis.

Finance leases

Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with AASB 117 Leases and the Corporation obtains ownership of the asset at the end of the lease term.

The Corporation has entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

(g) Expenditure on behalf of State Government

Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the South Australian Government and are disclosed in note 6.

(h) Taxes

Taxation equivalents

The Corporation is subject to the payment of income tax equivalents, land tax equivalents and council rate equivalents. From 1 July 2001, the Corporation has operated under the National Tax Equivalent Regime (NTER) pursuant to the Memorandum of Understanding on NTER between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The NTER is administered by the Australian Taxation Office.

1 Summary of significant accounting policies (continued)

Income tax expense is calculated in accordance with AASB 112 Income Taxes using the balance sheet liability method. The income tax expense for the period is the tax payable on the current period's taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Statement of Comprehensive Income except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The charge for land tax and council rate equivalents has been calculated by Revenue SA - Department of Treasury and Finance, based on valuations supplied by the Valuer-General.

Goods and Services Tax

Revenues, 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 a cost of acquisition of the asset or as an item of 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 part of receivables or payables in the Statement of Financial Position.

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

(i) Borrowing costs

Borrowing costs include interest expense, amortisation of discounts or premiums relating to borrowings and finance lease charges.

In accordance with the Accounting Policy Framework (APF II) General Purpose Financial Statements Framework and AASB 123 Borrowing Costs, material borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised.

The Corporation has not capitalised borrowing costs in 2010-11 as they were assessed as not material.

(j) Cash and cash equivalents

Cash on hand and at bank is stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

1 Summary of significant accounting policies (continued)

(k) Receivables

Receivables for rates and charges are normally settled within 21 days, with sundry debtors settled within 30 days. These are recognised in the accounts at amounts due. An allowance for doubtful debts is established based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of goods and services manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

(m) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages, salaries and annual leave are measured and recognised at undiscounted amounts based on remuneration rates that the Corporation expects to pay when the liability is settled. The related on-costs for annual leave have been recognised in the Statement of Financial Position as payables.

No provision is made for sick leave as entitlements do not vest and it is considered that sick leave is taken from the current year's accrual.

Long service leave

Liabilities arising in respect of long service leave expected to be settled within twelve months of balance date are measured at their nominal rates. All other long service leave entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on-costs have been recognised in the Statement of Financial Position as payables.

The Corporation's long service leave liability is valued by Mr. C. Papanicolas BSc(Ma)(Hons), DipCompSc, FIAA, FFin. of Professional Financial Consulting Pty Ltd.

Superannuation

Contributions are made by the Corporation to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(n) Workers compensation

The Corporation is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a provision for any claims arising under the Workers Rehabilitation and Compensation Act, 1986 and the repealed

1 Summary of significant accounting policies (continued)

Workers Compensation Act, 1971 outstanding at year-end. The Corporation's outstanding claims liability is valued by Mr. C. Papanicolas BSc(Ma)(Hons), DipCompSc, FIAA, FFin. of Professional Financial Consulting Pty Ltd.

(o) Insurance

The South Australian Government Financing Authority, SAICORP Division, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation and/or the South Australian Government. In addition, insurance arrangements are in place for construction works, travel insurance and Director's and Officer's liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements.

(p) Payables

Liabilities, whether or not yet billed to the Corporation, are recognised at amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

Dividends paid and payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(q) Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of a past event which is required to be settled and the amount has been reliably estimated.

Where the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows.

Damages and claims

A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and the Crown Solicitor's Office advice is used in the determination of the liability.

Asset disposal and site rehabilitation

A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

1 Summary of significant accounting policies (continued)

(r) Borrowings

All SA Water's core debt borrowings are measured at their historical value. The Corporation has a long term borrowing facility with the South Australian Government Financing Authority (SAFA). The loans are denominated in Australian dollars and carry both fixed and floating interest rates. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the Public Finance and Audit Act 1987.

Under a mandate from the State Treasurer, the Corporation transferred debt management responsibilities to SAFA effective from 1st July 2004. SA Water's core debt portfolio is actively managed by SAFA under a Liability Management Service Agreement and within requirements outlined in SA Water's Treasury Risk Management Policies.

(s) Derivatives

The Corporation's Treasury Risk Management Policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's Permitted Treasury Instruments Policy, SA Water utilises derivative financial instruments to implement appropriate financial risk mitigation strategies and to minimise overall borrowing costs.

Interest rate derivatives

The Corporation's exposure to movements in interest rates arises from its borrowings and from any funds that it might have on deposit. To manage interest rate risk the Corporation uses interest rate swaps and interest rate futures contracts. These derivatives are used to reconfigure interest rate risk profiles and manage exposures. The Corporation does not trade physical debt other than as necessary to rebalance the portfolio to the debt benchmark with no trades of physical debt occurring in 2010-11.

Foreign Exchange Derivatives

Foreign exchange risk represents the risk resulting from contractual obligations to buy or sell goods and or services in a currency other than Australian Dollars or where the price is quoted in Australian Dollars, and the quoted price is dependent upon a foreign currency price component. The foreign currency value of the goods or services to be bought or sold, or the value of the foreign currency price component is deemed to be the Corporation's exposure to price risk.

Foreign currency derivatives are used on a needs basis to ensure any identified foreign currency exposures are appropriately managed in line with SA Water's Foreign Exchange Risk Management Policy and Treasurer's Instruction 23 Management of Foreign Currency Exposures. Permitted foreign currency derivatives as outlined in SA Water's Permitted Treasury Instruments Policy includes spot and forward foreign currency contracts and currency options to maximum maturity of 3 years. In all instances, SA Water's foreign exchange requirements are arranged through SAFA.

As at 30 June 2011, SA Water had no foreign exchange derivatives.

Accounting for derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities

1 Summary of significant accounting policies (continued)

when their fair value is negative. All derivatives are categorised as 'held for trading' under AASB 139 Financial Instruments: Recognition and Measurement and do not qualify for hedge accounting. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Comprehensive Income as other income or other expenses. Gains or losses on early termination of interest rate swaps will be recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income. Interest rate futures contracts are remeasured to fair value on a daily basis based on quoted market prices via the Sydney Futures Exchange. Gains and losses on interest rate futures contracts are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Consistent with SA Water's Treasury Policy, derivative financial instruments are not held for speculative purposes.

(t) Administered items

The following administered items are not recognised in the Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, but are separately disclosed as administered items in note 37.

River Murray levy

The Corporation is responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of Government is not controlled by the Corporation.

Pensioner Concessions

SA Water is responsible for the administration of Local Government pensioner concession payments. An amount is received from SA Government which is used to make payments to Local Government Councils. The amount collected on behalf of Government is not controlled by the Corporation.

Lower Lakes Irrigation Pipeline

In 2008-09 SA Water was requested to project manage the design and construction of the Jervois to Langhorne and Currency Creek irrigation pipelines and pump stations on behalf of the Department of Primary Industries and Resources SA (PIRSA). All expenditure incurred for the irrigation pipeline is recovered from PIRSA. Expenditure and recoveries for the design and construction of the pipeline is reported in the Administered Items schedule. SA Water has no record of the fixed assets in its Financial Statements. Construction was completed in 2009-10.

(u) Adelaide Water Contract (United Water International)

Under this contract, United Water managed the operations and maintenance of metropolitan Adelaide water and wastewater systems, including the delivery of capital works. This contract commenced on 1 January, 1996 and expired on 30 June 2011. As part of the contract, there is a further six month transition period that expires on 31 December 2011. United Water and SA Water are working together through this period to finalise the close out of the contract.

1 Summary of significant accounting policies (continued)

(v) Adelaide Services Alliance Agreement

In March 2011 SA Water entered into an Alliance contract to operate, manage and maintain Adelaide's metropolitan water, wastewater and recycled water services. The Alliance contract commenced on 1 July 2011 for a term of 10 years, plus an option for SA Water to extend the contract for a further 6 years in 12 month increments. The Alliance contract includes flexible mechanisms to alter and adjust the scope of services and delivery parameters and is managed through an extensive performance management regime covering all elements of operational service delivery.

(w) Adelaide Desalination Project

In 2008-09 the Corporation began the Adelaide Desalination Project (ADP) to build a seawater desalination plant and transfer pipeline system at Port Stanvac at an estimated cost of \$1.824 billion. The ADP cost includes the desalination plant, marine works, transfer pipeline system to transfer water to Happy Valley and power supply infrastructure. Delivery of 50 gegalitre per annum capacity is targeted during 2011-12 with the completion of the 100 gegalitre per annum capacity targeted for the end of December 2012.

In addition, the Corporation has entered into contracts to:

- Operate and maintain the Adelaide Desalination Project from project handover of the 50 gegalitre per annum capacity. The contract is for a term of 20 years from handover and includes flexible mechanisms to manage the volume of water produced, and
- Provide GreenPower accredited renewable energy to operate the Adelaide Desalination Project. The contract commenced on 1 June 2011 for a term of 20 years and includes the requirement to purchase a minimum level of renewable energy certificates. The renewable energy certificates can be used elsewhere in the Corporation.

(x) United Water dispute

In 2009, SA Water filed proceedings in the Supreme Court against United Water International Pty Ltd (United Water) alleging misleading and deceptive conduct and breach of contract. The parties to the dispute subsequently agreed to refer the matter for Expert Determination. The determination is being delivered in two parts. The First Expert Determination, delivered on 18 February 2011 awarded an amount, including interest, of \$14 million to SA Water (refer Note 4). Both United Water and SA Water have reserved their rights in respect of the First Expert Determination. The parties are awaiting the outcome of the Second Expert Determination of the Independent Expert that is expected to be delivered in 2011.

(y) New accounting standards and interpretations

Except for the amending Standard AASB 2009-12, which the Corporation has early adopted, the Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Corporation for the period ending 30 June 2011. The Corporation has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Corporation.

2 Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

A key component of the Corporation's interest rate risk management framework is the benchmark debt duration, which reflects the average term to maturity of the Corporation's core debt portfolio. During 2009-10 the benchmark debt duration was increased from 1.9 years to 2.75 years, on advice from the Corporation's debt advisor and manager - the South Australian Financing Authority (SAFA). The benchmark duration was increased due to the increase in the size of the Corporation's borrowings, historically low interest rates and the need to reduce the subsequent risk to the Corporation's profitability from increases in interest rates. The extension in benchmark duration is expected to reduce the exposure to interest risk by reducing the volatility of potential interest rate outcomes.

(ii) Summarised sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post-tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances and changes in fair values of derivatives. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt outstanding at balance date. For interest rate swaps the profit and loss sensitivity reflects the impact of the change in interest rates on the fair value of swaps outstanding at balance date over their remaining terms.

At 30 June 2011 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 1% upwards and 0.50% downwards. While current and implied market rates show minimal movement during 2011-12, an upward factor of 1% is reasonable for assessing the impact on post-tax profit, with any reasonable possible fall likely to be to a lesser extent.

30 June 2011	Carrying amount \$'000	Interest rate risk			
		-0.5%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	1,410	(5)	(5)	10	10
Derivatives - held for trading	179	133	133	(266)	(266)
Financial liabilities					
Derivatives - held for trading	(1,319)	(138)	(138)	277	277
Short Term Borrowings	(22,658)	79	79	(159)	(159)
Long Term Borrowings	(3,184,000)	88	88	(175)	(175)
Total increase/(decrease)		157	157	(313)	(313)

2 Financial risk management (continued)

30 June 2010	Carrying amount \$'000	Interest rate risk			
		-0.5%		+1%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Financial assets					
Cash and cash equivalents	1,425	(5)	(5)	10	10
Derivatives - held for trading	363	261	261	(523)	(523)
Financial liabilities					
Derivatives - held for trading	(3,121)	(333)	(333)	667	667
Short Term Borrowings	(57,411)	201	201	(402)	(402)
Long Term Borrowings	(2,649,304)	375	375	(749)	(749)
Total increase/(decrease)		499	499	(997)	(997)

(b) Credit risk

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

For sundry debtors the Corporation trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Corporation's policy to securitise its receivables.

Under the Waterworks Act 1932, water rates are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

All debt management activities are directly undertaken by SAFA on behalf of the Corporation. The Corporation does not hold any credit derivatives to offset its credit exposure.

(c) Liquidity risk

The Corporation has in place a Liquidity Risk Management Policy to provide a prudential framework for managing liquidity risk. SA Water is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforeseen cash flow needs. Liquidity levels are reviewed by management on a daily basis and reported to the Board monthly.

Contractual maturities

The table below analyses the non-derivative financial liabilities and net settled derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal, interest, guarantee fees and margin fees. For floating rate borrowings and the floating leg of interest rate swaps, the cash flows have been estimated using implied forward interest rates applicable at the reporting date. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
(continued)

2 Financial risk management (continued)

30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivatives					
Non-interest bearing liabilities *	153,817	-	-	-	153,817
Finance lease liabilities	21,428	21,428	64,283	149,461	256,600
Floating rate borrowings	24,195	26,117	-	-	50,312
Fixed rate borrowings	633,109	807,383	1,652,022	813,646	3,906,160
Total non-derivatives	832,549	854,928	1,716,305	963,107	4,366,889

Derivatives - Financial Assets

Net settled (interest rate swaps)	(159)	(32)	-	-	(191)
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Derivatives - Financial Liabilities

Net settled (interest rate swaps)	1,245	513	-	-	1,758
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Total derivatives	1,086	481	-	-	1,567
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30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000	\$'000

Non-derivatives

Non interest bearing liabilities *	187,532	-	-	-	187,532
Finance lease liabilities	21,042	21,042	63,125	167,181	272,390
Floating rate borrowings	144,414	1,428	26,096	-	171,938
Fixed rate borrowings	667,464	367,732	1,624,926	501,487	3,161,609
Total non-derivatives	1,020,452	390,202	1,714,147	668,668	3,793,469

Derivatives - Financial Assets

Net settled (interest rate swaps)	(479)	(161)	(25)	-	(665)
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Derivatives - Financial Liabilities

Net settled (interest rate swaps)	2,039	1,326	496	-	3,861
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Total derivatives	1,560	1,165	471	-	3,196
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* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and commonwealth tax.

2 Financial risk management (continued)

(d) Fair value measurements

(i) Fair value of financial liabilities

Fair value of financial liabilities is the amount at which the liability could be settled, in a current transaction between willing parties after allowing for transaction costs. The fair value for long term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements. Refer note 1(f).

The carrying amounts and fair values of long term borrowings at balance date are:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	\$'000	\$'000	\$'000	\$'000
Long Term Borrowings	3,184,000	3,223,367	2,649,304	2,692,093

The fair values of all other financial liabilities approximates the carrying values.

The following table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- (a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- (b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
- (c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial instrument is classified is determined based on the lowest level of significant input to the fair value measurement.

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
(continued)

2 Financial risk management (continued)

30 June 2011	Quoted market price (Level 1) \$'000	Valuation technique - market observable inputs (Level 2) \$'000	Valuation technique - non-market observable inputs (Level 3) \$'000	Total \$'000
Assets				
Derivatives held for trading	-	179	-	179
Available-for-sale financial assets				
Unlisted shares	-	-	20,366	20,366
Total assets	-	179	20,366	20,545
Liabilities				
Derivatives held for trading	-	1,319	-	1,319
Total liabilities	-	1,319	-	1,319

The following table presents the changes in level 3 instruments for the year ended 30 June 2011:

30 June 2011	Available-for-sale financial assets - Unlisted Shares \$'000	Total \$'000
Opening balance	21,833	21,833
Losses recognised in other comprehensive income	(1,467)	(1,467)
Closing balance	20,366	20,366

The Corporation has invested in unlisted class B shares as part of the Build Own Operate and Transfer (BOOT) arrangements for the Virginia Pipeline Scheme. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 6% (30 June 2010: 6%) has been used which has been determined from SA Water's pre-tax real weighted average cost of capital. If the discount rate was 1% higher, while all other variables were constant, the carrying amount of the shares would decrease by \$1.4M (30 June 2010: \$1.5M) If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by \$1.5M (30 June 2010: \$1.6M).

3 Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Corporation's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below:

- Unbilled revenue (refer note 1(c))
- Contributed assets (refer note 1(c))
- Valuation and useful lives of assets (refer note 1(d))
- Impairment of assets (refer note 1(e))
- Borrowing costs (refer note 1(i))
- Provision for long service leave (refer note 1(m))
- Provision for workers compensation (refer note 1(n))
- Provisions (refer note 1(q))
- Valuation of derivatives (refer note 1(s))

4 Revenue from ordinary activities

	2011	2010
	\$'000	\$'000
Community Service Obligations	180,780	198,547
Water and wastewater rates and charges	798,873	688,958
Recoverable works	74,636	89,333
Fees and charges	20,155	21,146
Miscellaneous *	14,628	1,289
Government grants	1,891	70
Contributed assets	61,859	65,023
Rents	1,118	1,050
Interest	190	384
	1,154,130	1,065,800

* Includes \$14M received re: United Water dispute. Refer note 1(x)

5 Other income

	2011	2010
	\$'000	\$'000
Net gain on interest rate derivatives	528	-
Reversal of prior year infrastructure, plant and equipment revaluation decrement	45	245
	573	245

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
(continued)

6 Expenses

	2011	2010
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Depreciation (note 14)		
Buildings	4,418	1,008
Plant and equipment	5,369	5,409
Other	11,737	17,435
Infrastructure assets - water	127,222	124,756
Infrastructure assets - sewer	79,870	57,351
Amortisation (note 13)		
Computer Software	5,677	5,171
Total depreciation and amortisation	234,293	211,130
Borrowing costs		
Interest paid/payable for borrowings not at fair value through profit or loss	193,137	130,051
Finance charges on capitalised leases	13,160	13,511
Total Borrowing Costs	206,297	143,562
Net loss on interest rate derivatives	-	195
Finance lease contingent rentals	3,579	3,382
Operating lease minimum lease payments	8,916	8,531
Net bad and doubtful debts expense including movements in allowance for doubtful debts	(14)	229
Infrastructure, plant and equipment revaluation decrement	5,914	874
Net loss on disposal of infrastructure, plant and equipment	50	515
Write-off value of capital works in progress	3,818	330
Superannuation contributions	14,475	14,156
Consultancy costs	5,029	4,298
Expenditure on behalf of State Government - Water Industry Best Practice Program	190	162

South Australian Water Corporation
Notes to the Financial Statements
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7 Income tax expense

	2011 \$'000	2010 \$'000
(a) Income tax expense		
Current tax	77,156	83,579
Deferred tax	(298)	(2,389)
Amounts under/(over) provided in prior years	(15)	65
	76,843	81,255
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) in deferred tax assets (note 12)	(2,576)	(404)
Increase/(Decrease) in deferred tax liabilities (note 23)	2,278	(1,985)
	(298)	(2,389)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	257,720	271,303
Tax at the Australian tax rate of 30% (2010: 30%)	77,316	81,391
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Net loss on sale of land	18	17
Investment allowance	(316)	(294)
Revaluation decrement	-	79
Government Grants	(120)	(3)
Provision for employee benefits	(40)	-
	76,858	81,190
Amounts (over)/under provided in prior years	(15)	65
Income tax expense	76,843	81,255
Total income tax expense	76,843	81,255
(c) Tax expense (income) relating to items of other comprehensive income		
Gain on revaluation of infrastructure, plant and equipment assets (note 29(a))	249,416	338,314
Revaluation of investment in unlisted shares (note 29(a))	(440)	2,190
	248,976	340,504

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
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8 Current assets - Receivables

	2011	2010
	\$'000	\$'000
Receivables		
Rates receivable (water and wastewater)	88,357	55,321
Sundry debtors	29,241	46,845
Allowance for doubtful debts	(85)	(162)
	117,513	102,004
Other receivables		
Community Service Obligations	12,444	12,025
	129,957	114,029

(a) Impaired receivables

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

The ageing of these receivables is as follows:

	2011	2010
	\$'000	\$'000
More than 90 days overdue	85	162
Movements in the allowance for impairment loss are as follows:		
At 1 July	162	65
Provision for impairment recognised during the year	23	208
Amounts written off	(100)	(111)
	85	162

(b) Past due but not impaired

At 30 June, the ageing of rates receivable that are past due but not impaired is as follows:

	2011	2010
	\$'000	\$'000
Past Due 0-69 days	16,785	14,769
More than 69 days	9,389	9,029
	26,174	23,798

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is \$8.153M (2010: \$7.099M).

8 Current assets - Receivables (continued)

At 30 June, the ageing of sundry debtors receivable that are past due but not impaired is as follows:

	2011	2010
	\$'000	\$'000
Past due 0-30 days	1,953	1,854
Past due more than 30 days	1,325	1,377
	3,278	3,231

The other balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is \$1.292M (2010: \$1.250M).

Balances for other receivables relate to Community Service Obligations and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

9 Current assets - Inventories

	2011	2010
	\$'000	\$'000
Raw materials & stores	6,014	5,740
Allowance for obsolete stock	(1,081)	(978)
Work in progress - sundry debtors	658	632
	5,591	5,394

10 Current assets - Other current assets

	2011	2010
	\$'000	\$'000
Interest receivable	55	-
Prepayments	2,580	3,218
Seasonal water allocations	54,408	54,408
	57,043	57,626

South Australian Water Corporation
Notes to the Financial Statements
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11 Non-current assets - Available-for-sale financial assets

	2011	2010
	\$'000	\$'000
Unlisted shares at fair value	20,366	21,833

12 Non-current assets - Deferred tax assets

	2011	2010
	\$'000	\$'000

The balance comprises temporary differences attributable to:

Doubtful debts	25	48
Obsolete stock	324	293
Infrastructure, plant and equipment	3,978	2,328
Pooled assets	78	81
Payables	1,056	1,080
Audit Fee payable	114	109
Government grants	9,611	9,632
Employee benefits	12,170	11,066
Deferred lease incentive	493	533
Unearned Income - customer contributions	943	297
Provision for site rehabilitation	911	1,189
Provision for asset disposal	38	45
Provision for damages and claims	118	143
Provision for workers compensation	127	132
Derivative financial liability	(2,287)	(1,746)
	27,699	25,230

Amounts recognised directly in equity

Derivative financial liability	2,683	2,683
Unearned Income - customer contributions	2,335	2,335
Revaluation of infrastructure, plant and equipment	68	67
Net deferred tax assets	32,785	30,315

Movements:

Opening balance at 1 July	30,315	29,954
Credited to the Statement of Comprehensive Income (note 7)	2,576	404
Charged to equity	(1)	(43)
Amounts under provided in prior years	(105)	-
Closing balance at 30 June	32,785	30,315
Deferred tax assets to be recovered within 12 months	10,036	9,112
Deferred tax assets to be recovered after more than 12 months	22,749	21,203
	32,785	30,315

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
(continued)

13 Non-current assets - Intangible assets

	Easements	Prescription	Computer	Purchased	Total
	\$'000	rights	software	water	\$'000
	\$'000	\$'000	\$'000	rights	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000

Year ended 30 June 2010

Opening net book amount	5,857	4,500	19,322	20,347	50,026
Additions from internal development	-	-	1,372	-	1,372
Additions from external acquisitions	59	-	9,395	23,945	33,399
Amortisation charge	-	-	(5,171)	-	(5,171)
Closing net book amount	5,916	4,500	24,918	44,292	79,626

At 30 June 2010

Cost	5,916	4,500	64,440	44,292	119,148
Accumulated amortisation	-	-	(39,522)	-	(39,522)
Net book amount	5,916	4,500	24,918	44,292	79,626

	Easements	Prescription	Computer	Purchased	Total
	\$'000	rights	software	water	\$'000
	\$'000	\$'000	\$'000	rights	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000

Year ended 30 June 2011

Opening net book amount	5,916	4,500	24,918	44,292	79,626
Disposals	-	-	-	(2,650)	(2,650)
Additions from external acquisitions	142	-	4,279	630	5,051
Amortisation charge	-	-	(5,677)	-	(5,677)
Closing net book amount	6,058	4,500	23,520	42,272	76,350

At 30 June 2011

Cost	6,058	4,500	68,719	42,272	121,549
Accumulated amortisation	-	-	(45,199)	-	(45,199)
Net book amount	6,058	4,500	23,520	42,272	76,350

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
(continued)

14 Non-current assets - Infrastructure, plant and equipment

	Work in progress	Land	Buildings	Leased sewer infrastructure
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2010				
Opening net book amount	749,121	301,651	18,396	20,318
Revaluation	-	26,419	583	643
Additions	1,169,502	262	5,583	-
Disposals	-	(136)	-	-
Transfers	(166,785)	(59)	-	-
Depreciation charge	-	-	(1,008)	(575)
Asset write down	(330)	-	-	-
Closing net book amount	1,751,508	328,137	23,554	20,386
At 30 June 2010				
- Cost	1,751,508	-	-	-
- Valuation	-	328,137	59,821	22,998
Accumulated depreciation	-	-	(36,267)	(2,612)
Net book amount	1,751,508	328,137	23,554	20,386
	Plant and equipment	Water infrastructure	Sewer infrastructure	Leased water infrastructure
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2010				
Opening net book amount	27,935	5,179,533	2,897,700	133,014
Revaluation	-	896,218	222,737	4,212
Additions	6,748	90,100	60,966	-
Disposals	(806)	-	-	-
Transfers	-	-	-	-
Depreciation charge	(5,409)	(121,270)	(56,776)	(3,486)
Asset write down	-	-	-	-
Closing net book amount	28,468	6,044,581	3,124,627	133,740
At 30 June 2010				
- Cost	56,259	-	-	-
- Valuation	-	10,932,429	5,080,562	174,308
Accumulated depreciation	(27,791)	(4,887,848)	(1,955,935)	(40,568)
Net book amount	28,468	6,044,581	3,124,627	133,740

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
(continued)

14 Non-current assets - Infrastructure, plant and equipment (continued)

	Other \$'000	Total \$'000
Year ended 30 June 2010		
Opening net book amount	94,691	9,422,359
Revaluation	2,210	1,153,022
Additions	6,811	1,339,972
Disposals	-	(942)
Transfers	-	(166,844)
Depreciation charge	(17,435)	(205,959)
Asset write down	-	(330)
Closing net book amount	86,277	11,541,278

At 30 June 2010

- Cost	-	1,807,767
- Valuation	163,192	16,761,447
Accumulated depreciation	(76,915)	(7,027,936)
Net book amount	86,277	11,541,278

	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000
Year ended 30 June 2011				
Opening net book amount	1,751,508	328,137	23,554	20,386
Revaluation	-	12,899	3,182	925
Additions	693,124	2,558	4,141	-
Disposals	-	(372)	-	-
Transfers	(291,019)	-	-	-
Depreciation charge	-	-	(4,418)	(602)
Asset write down	(3,818)	-	-	-
Closing net book amount	2,149,795	343,222	26,459	20,709

At 30 June 2011

- Cost	2,149,795	-	-	-
- Valuation	-	343,222	86,470	24,042
Accumulated depreciation	-	-	(60,011)	(3,333)
Net book amount	2,149,795	343,222	26,459	20,709

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
(continued)

14 Non-current assets - Infrastructure, plant and equipment (continued)

	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000
Year ended 30 June 2011				
Opening net book amount	28,468	6,044,581	3,124,627	133,740
Revaluation	-	447,156	368,375	6,074
Additions	3,885	157,191	140,103	-
Disposals	(356)	-	-	-
Transfers	-	-	-	-
Depreciation charge	(5,369)	(123,577)	(79,268)	(3,644)
Asset write down	-	-	-	-
Closing net book amount	26,628	6,525,351	3,553,837	136,170
At 30 June 2011				
- Cost	57,015	-	-	-
- Valuation	-	11,357,708	5,823,533	182,226
Accumulated depreciation	(30,387)	(4,832,357)	(2,269,696)	(46,056)
Net book amount	26,628	6,525,351	3,553,837	136,170
			Other \$'000	Total \$'000
Year ended 30 June 2011				
Opening net book amount			86,277	11,541,278
Revaluation			3,919	842,530
Additions			14,094	1,015,096
Disposals			-	(728)
Transfers			-	(291,019)
Depreciation charge			(11,738)	(228,616)
Asset write down			-	(3,818)
Closing net book amount			92,552	12,874,723
At 30 June 2011				
- Cost			-	2,206,810
- Valuation			183,641	18,000,842
Accumulated depreciation			(91,089)	(7,332,929)
Net book amount			92,552	12,874,723

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
(continued)

14 Non-current assets - Infrastructure, plant and equipment (continued)

Carrying amounts that would have been recognised if revalued assets were stated at cost
If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	2011 \$'000	2010 \$'000
Freehold land		
Cost	40,638	38,080
Buildings		
Cost	54,337	50,196
Accumulated depreciation	(31,764)	(27,686)
Net book amount	22,573	22,510
Water infrastructure		
Cost	1,984,561	1,855,231
Accumulated depreciation	(740,160)	(713,789)
Net book amount	1,244,401	1,141,442
Sewer infrastructure		
Cost	1,447,837	1,325,180
Accumulated depreciation	(561,280)	(536,718)
Net book amount	886,557	788,462
Other		
Cost	154,960	140,866
Accumulated depreciation	(72,358)	(61,253)
Net book amount	82,602	79,613

15 Current liabilities - Payables

	2011 \$'000	2010 \$'000
Interest payable	31,906	22,460
Trade creditors	155,354	183,476
Other creditors	8,853	11,291
	196,113	217,227

16 Current liabilities - Interest bearing liabilities

	2011 \$'000	2010 \$'000
Lease liabilities (note 30)	5,090	4,553
Short term borrowings	22,658	57,411
	27,748	61,964

16 Current liabilities - Interest bearing liabilities (continued)

The Corporation has a \$100 million short term borrowing facility with the South Australian Government Financing Authority (SAFA) bearing interest at SAFA's daily cash rate.

(a) Risk exposures

Information regarding interest rate risk and liquidity risk exposure is set out in note 2.

(b) Fair value disclosures

Due to the short term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value. Refer to note 2.

17 Current tax liabilities

	2011	2010
	\$'000	\$'000
Provision for current income tax movements during the year were as follows:		
Balance at beginning of year	23,201	32,959
Income tax paid	(78,690)	(82,003)
Current years income tax provision	77,156	83,579
Amounts (over) provided in prior year	(120)	(11,334)
	21,547	23,201

18 Current liabilities - Provisions

	2011	2010
	\$'000	\$'000
Employee benefits	15,200	12,978
Asset disposal	30	30
Site rehabilitation	3,039	3,964
Damages and claims	593	477
Workers compensation	1,249	1,456
	20,111	18,905

18 Current liabilities - Provisions (continued)

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below:

	Asset disposal '000	Site rehabilitation \$'000	Damages and claims \$'000	Workers compensation \$'000	Total \$'000
2011					
Current					
Carrying amount at start of year	30	3,964	477	1,456	5,927
Payments made during the year	-	(925)	(210)	(918)	(2,053)
Re measurement adjustments	(79)	-	(80)	(1,493)	(1,652)
Additional provision recognised	79	-	406	2,204	2,689
Carrying amount at end of year	30	3,039	593	1,249	4,911

19 Current liabilities - Other current liabilities

	2011 \$'000	2010 \$'000
Government grants	4,334	1,924
Lease incentives	134	134
Unearned income	10,925	8,773
Deposits from contractors	1,247	1,410
	16,640	12,241

20 Non-current liabilities - Payables

	2011 \$'000	2010 \$'000
Other payables	1,731	1,639

21 Non-current liabilities - Interest bearing liabilities

	2011 \$'000	2010 \$'000
Lease liabilities (note 30)	106,162	111,252
Long term borrowings	3,184,000	2,649,304
	3,290,162	2,760,556

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
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22 Derivative financial instruments

	2011 \$'000	2010 \$'000
Current financial assets		
Interest rate swaps - held for trading	-	15
Total current derivative financial instrument assets	-	15
Non-Current financial assets		
Interest rate swaps - held for trading	179	348
Total derivative financial instrument assets	179	363
Current financial liabilities		
Interest rate swaps - held for trading	203	329
Non-current financial liabilities		
Interest rate swaps - held for trading	1,116	2,792
Total derivative financial instrument liabilities	1,319	3,121

23 Non-current liabilities - Deferred tax liabilities

	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:		
Prepayments	344	266
Rates receivable	12,127	2,970
Interest receivable	17	-
Derivative financial asset	54	109
Unlisted shares at fair value	(2,406)	(2,406)
Seasonal Water Allocations	16,322	16,322
Depreciation and amortisation	71,581	78,501
	98,039	95,762
<i>Amounts recognised directly in equity</i>		
Revaluation of infrastructure, plant and equipment	1,543,459	1,294,042
Unlisted shares at fair value	4,061	4,501
Sub-total other	1,547,520	1,298,543
Total deferred tax liabilities	1,645,559	1,394,305

South Australian Water Corporation
Notes to the Financial Statements
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(continued)

23 Non-current liabilities - Deferred tax liabilities (continued)

Movements:

Opening balance at 1 July	1,394,305	1,044,431
Charged to the Statement of Comprehensive Income (note 7)	2,278	(1,985)
Charged to equity (note 29)	249,416	338,366
Unlisted shares at fair value	(440)	2,094
Amounts under provided in prior years	-	11,399
Closing balance at 30 June	1,645,559	1,394,305
Deferred tax liabilities to be settled within 12 months	28,810	19,561
Deferred tax liabilities to be settled after more than 12 months	1,616,749	1,374,744
	1,645,559	1,394,305

24 Non-current liabilities - Provisions

	2011	2010
	\$'000	\$'000
Employee benefits	25,367	23,907
Workers compensation	1,441	1,339
Asset disposal	96	120
	26,904	25,366

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits are set out below:

	Workers compensation	Asset disposal	Total
	\$'000	\$'000	\$'000

2011

Non-current

Carrying amount at start of year	1,339	120	1,459
Transfer to current provision	-	(24)	(24)
Re-measurement adjustments	102	-	102
Carrying amount at end of year	1,441	96	1,537

25 Non-current liabilities - Other non-current liabilities

	2011	2010
	\$'000	\$'000
Non-business advances	497	497
Government grants	139,034	131,521
Lease incentives	1,510	1,644
	141,041	133,662

South Australian Water Corporation
Notes to the Financial Statements
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26 Reconciliation of cash

	2011	2010
	\$'000	\$'000
Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:		
Cash and cash equivalents	1,410	1,425

(a) Fair Value

Due to the short term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

27 Reconciliation of net profit after income tax to net cash inflow from operating activities

	2011	2010
	\$'000	\$'000
Net profit for the year	180,877	190,048
Add/(less) non-cash items:		
Depreciation and amortisation	234,293	211,130
Amortisation of government grant revenue	(1,891)	(70)
Contributed assets	(35,041)	(38,126)
Net (gain)/loss on disposal of infrastructure, plant and equipment	(95)	509
Infrastructure, plant and equipment revaluation decrement reversal	(45)	(245)
Infrastructure, plant and equipment revaluation decrement	5,914	874
Write-down of capitalised expenditure	3,818	330
Changes in assets and liabilities		
(Increase)/Decrease in rates and sundry receivables	(16,205)	20,421
(Increase) in inventories	(198)	(107)
Decrease/(increase) in prepayments	638	(1,930)
(Increase) in other operating assets	(55)	(16,413)
Decrease in fair value of derivative financial assets	183	1,213
(Increase) in deferred tax asset	(2,472)	(402)
Increase/(Decrease) in trade creditors	9,931	(11,703)
Increase in provision for employee benefits	3,682	1,424
(Decrease)/Increase in provision for workers compensation	(105)	929
Increase in other operating liabilities	2,412	4,909
(Decrease) in fair value of derivative financial liabilities	(1,802)	(5,429)
Increase in government grants	12,091	87,972
Increase in provision for deferred income tax	2,278	9,412
(Decrease) in other provisions	(833)	(1,179)
(Decrease) in provision for income taxes payable	(1,655)	(9,758)
Net cash inflow from operating activities	395,720	443,809

28 Capital risk management

Capital is managed within the parameters outlined in the Financial Ownership Framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, community service obligations and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders.

The framework for SA Water includes a target range for debt to total assets (gearing) ratio of 15% to 25%.

The Corporation's strategy, which is unchanged from 2009-10, was to maintain a gearing ratio within 15% to 25%. The gearing ratios based on continuing operations at 30 June 2011 and 30 June 2010 were as follows:

	2011	2010
	\$millions	\$millions
Interest bearing liabilities (notes 16, 21)	1.5	2,823
Less: Cash and cash equivalents (note 26)	(1)	(1)
Net debt	3,317	2,822
Total assets	13,198	11,852
Gearing ratio	25%	24%

Outside of the Financial Ownership Framework, the Corporation is not subject to any externally imposed capital requirements.

SA Water and the State Government continue to review the parameters of the Financial Ownership Framework to ensure the appropriateness of the targets.

29 Reserves and retained profits

	2011	2010
	\$'000	\$'000
(a) Reserves		
Infrastructure, plant and equipment revaluation reserve	7,394,537	6,803,174
Available-for-sale revaluation reserve	9,473	10,501
	7,404,010	6,813,675
Movements:		
<i>Property, plant and equipment revaluation reserve</i>		
Balance 1 July	6,803,174	5,989,332
Revaluation - gross	848,400	1,153,650
Movements in deferred tax liability (note 23)	(249,416)	(338,366)
Movements in deferred tax asset	-	52
Transfer to retained profits on disposal	(7,621)	(1,494)
Balance 30 June	7,394,537	6,803,174

29 Reserves and retained profits (continued)

	2011	2010
	\$'000	\$'000
Movements:		
<i>Available-for-sale investments revaluation reserve</i>		
Balance 1 July	10,501	5,394
Revaluation of investment in unlisted shares	(1,468)	7,297
Movements in deferred tax asset (note 12)	-	(96)
Movements in deferred tax liabilities (note 24)	440	(2,094)
Balance 30 June	9,473	10,501

(b) Retained profits

Movements in retained profits were as follows:

	2011	2010
	\$'000	\$'000
Balance 1 July	212,417	189,884
Profit for the year	180,877	190,048
Dividends (note 35)	(169,006)	(169,009)
Transfers from Infrastructure, plant and equipment revaluation reserve	7,621	1,494
Balance 30 June	231,909	212,417

(c) Nature and purpose of reserves

(i) Infrastructure, plant and equipment revaluation reserve

The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.

(ii) Available-for-sale revaluation reserve

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation reserve.

30 Commitments

(a) Capital commitments

Total capital expenditure contracted for at balance date but not recognised in the financial statements and payable:

	2011	2010
	\$'000	\$'000
Within one year	289,862	500,373
Later than one year but not later than five years	29,947	106,796
Later than five years	-	1,108
	319,809	608,277

30 Commitments (continued)

(b) Operating lease commitments

	2011	2010
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	10,375	11,002
Later than one year but not later than five years	38,043	36,586
Later than five years	79,732	89,744
	128,150	137,332

The operating lease commitments relate to property leases which are non cancellable leases. The rental is payable monthly and reviewed annually. The annual increases are based on either CPI, 3% or 4%. Options exist to renew the leases at the end of the term of the leases.

The Corporation has an operating lease commitment for accommodation effective from 2008-09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) Other expenditure commitments

	2011	2010
	\$'000	\$'000
Future other expenditure commitments not provided for in the financial statements and payable:		
Within one year	140,208	120,232
Later than one year but not later than five years	486,442	234,365
Later than five years	1,237,754	907,852
	1,864,404	1,262,449

Other expenditure commitments include commitments pursuant to contracts to:

- Operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants. Refer to Note 1 (v).
- Operate, maintain and provide energy for the Adelaide Desalination Project. Refer to note 1 (w).

Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

30 Commitments (continued)

(d) (i) Finance leases

	2011	2010
	\$'000	\$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	17,584	17,584
Later than one year but not later than five years	70,335	70,335
Later than five years	116,390	133,975
Minimum lease payments	204,309	221,894
Future finance charges	(93,057)	(106,089)
Recognised as a liability	111,252	115,805
Total lease liabilities	111,252	115,805
Representing lease liabilities:		
Current (note 16)	5,090	4,553
Non-current (note 21)	106,162	111,252
	111,252	115,805
The present value of finance lease liabilities is as follows:		
Within one year	5,090	4,553
Later than one year but not later than five years	27,132	24,262
Later than five years	79,030	86,990
Minimum lease payments	111,252	115,805

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities.

(ii) Contingent rentals

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price and related indexes. Commitments in relation to contingent rentals are payable as follows:

	2011	2010
	\$'000	\$'000
Within one year	3,844	3,458
Later than one year and not later than five years	15,375	13,832
Later than five years	33,071	33,206
	52,290	50,496

The amount of contingent rentals paid during the year is disclosed in note 6.

30 Commitments (continued)

(e) Remuneration commitments

	2011	2010
	\$'000	\$'000
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within one year	14,102	13,821
Later than one year but not later than five years	16,619	13,467
	30,721	27,288

31 Interests in Joint Venture

Jointly controlled operations

The Corporation holds an interest of 50% in the output of the Joint Venture operation named SA Water/Lofty Ranges Power - Joint Venture whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the Joint Venture, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2011	2010
	\$'000	\$'000
Current assets		
Current assets	60	58
Cash and cash equivalents	1	3
Receivables	3	3
Other Current Assets	64	64
Non-current assets		
Infrastructure, plant and equipment	1,606	1,581
Total non-current assets	1,606	1,581
Total assets	1,670	1,643
Current liabilities		
Current liabilities	21	26
Payables	21	26
Total current liabilities	21	26
Net assets	1,649	1,622

32 Remuneration of auditors

	2011	2010
	\$'000	\$'000
Audit fees paid/payable to the Auditor General's Department for auditing the accounts. No other services were provided.	378	360

South Australian Water Corporation
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30 June 2011
(continued)

33 Dividends

	2011	2010
	\$'000	\$'000
Dividends paid	169,006	169,009

The dividends paid to the South Australian Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30(2) of the *Public Corporations Act 1993*.

34 Remuneration of employees

	2011	2010
	Number of employees	Number of employees

The number of employees whose remuneration received or receivable falls within the following bands is:

\$127,500 - 130,699	11	8
\$130,700 - 140,699	42	26
\$140,700 - 150,699	27	16
\$150,700 - 160,699	15	9
\$160,700 - 170,699	8	9
\$170,700 - 180,699	11	5
\$180,700 - 190,699	6	2
\$190,700 - 200,699	4	2
\$200,700 - 210,699	2	7
\$210,700 - 220,699	4	2
\$220,700 - 230,699	1	-
\$230,700 - 240,699	1	1
\$240,700 - 250,699	4	1
\$250,700 - 260,699	2	3
\$260,700 - 270,699	2	-
\$270,700 - 280,699	1	1
\$280,700 - 290,699	1	1
\$290,700 - 300,699	1	-
\$300,700 - 310,699	2	2
\$310,700 - 320,699	1	1
\$340,700 - 350,699	1	-
\$350,700 - 360,699	1	-
\$370,700 - 380,699	1	-
\$400,700 - 410,699	-	1
\$470,700 - 480,699	1	-
\$570,700 - 580,699	-	1

34 Remuneration of employees (continued)

The total remuneration paid and payable for those employees was \$25.6 million (2010: \$17.0 million). This amount includes separation payments, lump sum payments for annual leave and long service leave, fringe benefits and superannuation payments.

Accounting Policy Change

In accordance with the revised Accounting Policy Framework II General Purpose Financial Statements Framework, the Corporation has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the level set in the Accounting Policy Framework.

The impact of this change in accounting policy is the number of employees disclosed has reduced by 197 for 2011 and 152 for 2010.

35 Remuneration of directors

The Board of SA Water was established under the South Australian Water Corporation Act 1994 and consists of seven members including the Chief Executive Officer. The Chief Executive Officer does not receive additional remuneration in their capacity as a Board member.

Remuneration of Directors (excluding the Chief Executive) is shown in the table below.

	2011	2010
	Number of directors	Number of directors

The number of Directors of the Corporation (excluding the Chief Executive) whose remuneration received or receivable falls within the following bands is:

\$1 - 9,999	2	-
\$40,000 - 49,999	3	4
\$50,000 - 59,999	1	1
\$90,000 - 99,999	1	1

The total remuneration paid and payable for those Directors was \$0.28 million (2010: \$0.31 million) which includes fringe benefits and superannuation contributions.

The remuneration of the Chief Executive Officer is included in Note 34.

36 Related party disclosures

(a) Directors

The following persons held the position of Director of the Corporation during the financial year:

G.B. Allison, A.F.C. Digance, A.D. Howe, C.S. Cooper, S.G.M. Blencowe, P.W. Pledge, F.T. Blevins and K.A. Maywald and J.F. Ringham.

Dr Allison is a Director and Partner of the Cape d'Estaing Group, a Partner of GB and JD Allison. Dr Allison's term of appointment expired on 30 June 2011.

36 Related party disclosures (continued)

Ms Digance, who resigned on 13 July 2010, was a Director of Australian Central Credit Union until December 2009 and a member of the Dental Professional Conduct Tribunal.

Ms Cooper is Chair of the Fisheries Council SA and a Director of Rural Solutions SA.

Ms Blencowe is an independent member of the Primary Industries and Resources SA Risk and Audit Committee, and a Specialist Member, City of Adelaide Development Assessment Panel and Specialist Member, City of Port Adelaide Enfield Development Assessment Panel.

Ms Howe, who retired as Chief Executive (and Director) of SA Water on 17 December 2010, is a Director of the Water Services Association of Australia (WSAA) and Water Quality Research Australia Ltd, and a member of the boards of the Botanic Gardens and the Stormwater Management Authority. She is also a member of the advisory boards of the South Australian Government Financing Authority, the South Australian President of CEDA and a council member of the South Australian branch of the Institute of Public Administration of Australia.

Mr Pledge is a consultant to Sportsmed SA, Chairman of Perks (Chartered Accountants), Chairman of the Commonwealth Government's Clean Energy Innovation Centre Interim Advisory Board, Member of the Commonwealth Government's Enterprise Connect Advisory Council and a Director of the Financial Planning Association. Mr Pledge's term of appointment expired on 30 June 2011.

Mr Blevins is a member of the Law Foundation of South Australia Inc and a member of the board of the Adelaide Park Lands Authority.

Ms Maywald, who was appointed on 21 April 2011, is a Director of Maywald Consultants Pty Ltd, and a member of the Murray Darling Basin Authority Testing Committee, Sturt Fleurieu Gpet Management Committee, and the Australian Research Council Project Steering Committee Green Growth Australia.

Mr Ringham was appointed as a Director and Chief Executive of SA Water on 17 December 2010.

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

(b) Key management personnel competition

Key management personnel compensation for the years ended 30 June 2011 and 2010 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Management Team who have responsibility for the strategic direction and management of the Corporation.

	Number of key management personnel	Short-term benefits \$'000	Post employment benefits \$'000	Long-term benefits \$'000	Total \$'000
2011	19	2,852	735	82	3,669
2010	17	2,832	679	85	3,596

37 Statement of administered items

	2011			2010	
	River Murray Levy \$'000	Pensioner concessions \$'000	Lower Lakes Irrigation Pipeline \$'000	Total \$'000	Total \$'000
Administered Income					
Revenue	24,996	29,000	81	54,077	84,065
Total Administered Income	24,996	29,000	81	54,077	84,065
Administered Expenses					
Expenses	24,996	29,000	81	54,077	84,065
Total Administered Expenses	24,996	29,000	81	54,077	84,065
Current Assets					
	-	-	-	-	-
Cash and cash equivalents					
Receivables	153	583	-	736	1,344
	1,229	-	-	1,229	1,179
Total Current Assets	1,382	583	-	1,965	2,523
Total Administered Assets	1,382	583	-	1,965	2,523
Current Liabilities					
Payables	1,382	583	-	1,965	2,523
Bank Overdraft	-	-	-	-	-
Total Current Liabilities	1,382	583	-	1,965	2,523
Total Administered Liabilities	1,382	583	-	1,965	2,523
Net Assets	-	-	-	-	-

South Australian Water Corporation
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37 Statement of administered items (continued)

	2011			2010	
	River Murray Levy \$'000	Pensioner concessions \$'000	Lower Lakes Irrigation Pipeline \$'000	Total \$'000	Total \$'000
Cash flows from operating activities					
Cash inflows	24,923	29,000	104	53,923	93,811
Total cash inflows	24,923	29,000	104	53,923	93,811
Cash outflows	25,036	29,426	173	54,531	97,267
Total cash outflows	25,036	29,426	173	54,531	97,267
Net cash inflows (outflows) from operating activities	(113)	(426)	(69)	(608)	(3,456)
Net (decrease) in cash held	(113)	(426)	(69)	(608)	(3,456)
Cash at the beginning of the reporting period	266	1,009	69	1,344	4,800
Cash at the end of the reporting period	153	583	-	736	1,344

38 SA Government transactions

	2011	2010
	\$'000	\$'000
Income received/receivable from entities within the SA Government		
Rates and charges	46,765	42,266
Community service obligations	180,780	198,547
Recoverable works	8,628	14,336
Fees and charges	156	120
Miscellaneous	65	358
Government grants	1,108	56
Interest received	130	300
Rents	2	-
Other income	528	-
Total revenue - SA Government entities	238,162	255,983
(b) EXPENSES		
Supplies and services		
 Provided by entities within the SA Government		
Operational services	20,924	19,191
Administration	29,677	27,184
	50,601	46,375
Operational and service contracts		
 Provided by entities within the SA Government		
Operational and service contracts	1,724	1,847
	1,724	1,847
Borrowing costs		
 Provided by entities within the SA Government		
Interest expense	193,137	130,051
	193,137	130,051

South Australian Water Corporation
Notes to the Financial Statements
30 June 2011
 (continued)

38 SA Government transactions

	2011	2010
	\$'000	\$'000
(c) RECEIVABLES		
Receivables from SA Government entities		
Community service obligations	12,444	12,025
Rates receivable (water and wastewater)	2,856	3,151
Sundry debtors	2,899	3,021
	18,199	18,197
(d) PAYABLES		
Current		
Payables to SA Government entities		
Trade creditors	7,021	3,375
Interest payable	31,906	22,460
Other creditors	1,954	1,768
	40,881	27,603
Non-current		
Payables to SA Government entities		
Other creditors	1,278	1,205

South Australian Water Corporation Charter

South Australian Water Corporation Charter

Part 1 Preliminary

- Purpose
- Charter's design
- Governance context
- Definitions
- Fundamental governance arrangements

Part 2 Purpose and Direction

- Function of the Corporation
- Government policies and directions

Part 3 Operational Matters

- Corporation's operations
- Scope of commercial operations
- Scope of non-commercial operations
- Service standards
- Financial and commercial management
- Accounting and internal auditing systems and practices

Part 4 The Board

- Board powers
- Board responsibilities
- Board activities
- Board's methodology in monitoring the corporation's performance
- Board membership
- Duties of board directors
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Part 5 Reporting

- Reporting on financial matters
- Reporting statement on operations
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- Date of operation

Schedule of Non-Commercial Operations (refer Clause 13)

- Operations of SA Water
- Non-commercial operations

Part 1 Preliminary

PURPOSE

The purpose of this Charter is to set out the Government's strategic objectives, operating arrangements, priorities and requirements for the South Australian Water Corporation's Board.

CHARTER'S DESIGN

The Minister has prepared this Charter with input from the Treasurer following consultation with the South Australian Water Corporation.

GOVERNANCE CONTEXT

This Charter should be read in conjunction with the:

Public Corporations Act 1993

South Australian Water Corporation Act 1994

Sewerage Act 1929

Waterworks Act 1932

Metropolitan Drainage Act 1935

Rates and Land Tax Remission Act 1986

Public Finance and Audit Act 1987

Public Sector Management Act 1995

Code of Conduct for South Australian Public Sector Employees March 2005.

This Charter aims to meet the following Australian and New Zealand Standards:

AS8000 2003 Good Governance Principles

AS4360 2004 Risk Management.

DEFINITIONS

Under this Charter the following definitions apply:

'Act' means the *South Australian Water Corporation Act 1994*

'board' means the Board of Directors established as the governing body of South Australian Water Corporation

'commercial' means engaging in commerce with a view to building business value by making long term, ethical, sustainable returns on capital invested. This includes taking into account the cost of negative externalities from commercial activities

'director' means a member of the Board

'Minister' means the Minister for Water

'performance statement' means the statement of performance targets that the Corporation must pursue in the coming financial year as specified by the Minister and the Treasurer after consultation with the Corporation under section 13 of the *Public Corporations Act 1993*

'stewardship' means acting as an ethical trustee and fiduciary to manage, maintain, preserve and enhance the assets, resources and relationships of the Corporation

'the Corporation' means the South Australian Water Corporation

'the Government' means the Government of South Australia

'Treasurer' means the Treasurer for the South Australian Government

‘water’ includes water from any source and of any class

‘water services’, ‘water industry’ or ‘water systems’ means water products, supplies, services and systems

‘whole-of-government policy’ means objectives for Government approved by Cabinet from time to time and relate to the functions or operations of all or various public sector agencies. This includes South Australia’s Strategic Plan.

FUNDAMENTAL GOVERNANCE ARRANGEMENTS

1. The Corporation shall discharge its duties under the legislation listed above as well as under any other piece of legislation which has an impact on SA Water activities.
2. The Corporation owns assets for and on behalf of the Crown for the benefit of South Australians and has the powers of a natural person and those conferred on it by the Acts of Parliament.
3. The Minister and the Treasurer are shareholders of the Corporation for and on behalf of the people of South Australia.
4. The Board through the Chair is accountable to the Minister for:
 - 4.1.1. sound management and stewardship of the Corporation and its assets for and on behalf of its shareholders in accordance with the law
 - 4.1.2. attainment of performance objectives as established in the ‘performance statement’.
5. The Minister and the Treasurer, after consultation with the Corporation, must prepare an annual performance statement in accordance with section 13 of the *Public Corporations Act 1993*.
6. The Minister and Treasurer will assess the Board’s performance as against the Board’s annual performance objectives.
7. The Chief Executive, appointed by the Board, is accountable to the Board for day-to-day management of the Corporation and the implementation of the Board’s decisions, directions and policies and discharge of delegated powers or functions.

Part 2 Purpose and Direction

FUNCTION OF THE CORPORATION

8. The function of the Corporation is to provide services:
 - 8.1. for the supply of water by means of reticulated systems
 - 8.2. for the storage, treatment and supply of bulk water
 - 8.3. for the removal and treatment of wastewater by means of sewerage systems
 - 8.4. to carry out research and works to improve water quality and wastewater disposal and treatment methods
 - 8.5. to provide consultancy and other services within areas of the Corporation’s expertise
 - 8.6. to develop commercially and market products, processes and intellectual property produced or created in the course of the Corporation’s operations
 - 8.7. to advise users of water in the efficient and effective use of water

- 8.8. to encourage and facilitate private or public sector investment and participation, whether from within or outside the State, in the provision of water and wastewater services and facilities subject to section 9 of the *SA Water Corporation Act 1994* and only where there is a clear public benefit
- 8.9. to undertake any other function conferred on the Corporation by the Act, any other Act or the Minister or delegated to the Corporation by the Minister.

GOVERNMENT POLICIES AND DIRECTIONS

9. In pursuing its statutory functions and exercising its powers, the Corporation shall:
 - 9.1. work to advance the Government's vision and direction
 - 9.2. act in accordance with the Government's:
 - 9.2.1. governance framework for public corporations
 - 9.2.2. policies generally applying to its commercial agencies and
 - 9.2.3. policies specifically applying to the Corporation
 - 9.3. work collaboratively with other Government agencies.
10. The Government requires the Corporation to play its part to support the objectives, targets and priority actions in South Australia's Strategic Plan and other whole-of-government policies and to work with other public sector agencies to achieve strategic objectives under the plan.
11. The Government seeks, through the Corporation's strategic plan, its associated targets and projects, to implement whole-of-government policies as per South Australia's Strategic plan objectives to:
 - Grow prosperity
 - Improve well being
 - Attain sustainability
 - Foster creativity
 - Build communities
 - Expand opportunity.

Part 3 Operational Matters

CORPORATION'S OPERATIONS

12. The Corporation shall operate in a sustainable manner. This includes undertaking activities in the following contexts:
 - long term
 - global
 - local
 - economic
 - financial
 - social
 - environmental
13. For the purposes of the *Public Corporations Act 1993*, all operations of the Corporation are commercial operations, except for those operations referenced as non-commercial operations as outlined in the Schedule to this Charter.

SCOPE OF COMMERCIAL OPERATIONS

14. The Corporation shall undertake and develop commercial operations consistent with its strategic business plan and in particular:
 - 14.1. **Customer Service & Water Quality** – to deliver quality water services and be responsive to its customers needs
 - 14.2. **System Performance** – to plan, develop, operate and maintain our infrastructure to consistently meet the needs of its customers and owner
 - 14.3. **Sustainable Future** – to play a leading role in providing a sustainable and secure water supply for the community and minimize its impact on the environment in accordance with governance policy
 - 14.4. **People & Culture** – to develop a high achieving culture with a talented and diverse workforce and aspire to a zero harm workplace
 - 14.5. **Commercial Success** – to drive operating and capital efficiency and meet the financial expectations of its owner.
15. The Corporation may undertake other commercial operations within South Australia, including where such operations:
 - 15.1. support or are ancillary to or utilise by-products of its primary operations
 - 15.2. involve water trading to secure supplies to meet demand and
 - 15.3. relate to research and development to support primary or ancillary operations.
16. The Corporation may pursue opportunities beyond South Australia in accordance with risk management and other financial arrangements agreed with the Minister and the Treasurer including where such operations:
 - 16.1. support or are ancillary to or utilise by-products of its primary operations
 - 16.2. involve water trading to secure supplies to meet demand
 - 16.3. relate to research and development to support primary or ancillary operations.
17. With the approval of the Treasurer and the Minister the Corporation may pursue commercial opportunities through subsidiaries, joint ventures or other appropriate arrangements, provided that the services delivered under the arrangements relate to water or ancillary services.

SCOPE OF NON-COMMERCIAL OPERATIONS

18. The Corporation's non-commercial operations, in terms of the *Public Corporation Act*, include those operations:
 - 18.1. listed in the **Schedule** to this Charter
 - 18.2. subject to a community service agreement between the Corporation and a purchasing Minister
 - 18.3. agreed to be non-commercial by the Minister and the Treasurer.
19. The Corporation is required to perform all non-commercial operations so as to minimise their negative impact on the State.
20. Non-commercial operations are to be costed and funded in accordance with arrangements determined by the Minister and Treasurer.
21. The Corporation may undertake approved non-commercial operations within or outside the State.

SERVICE STANDARDS

22. The Corporation shall comply with service standards that are prescribed by legislation or regulatory requirements and guidelines.
23. The Corporation shall propose, in consultation with the community and any customer council appointed by the Minister, other service standards that shall be approved by the Minister and the Treasurer.
24. The Corporation shall maintain and review every three years those service standards that have been approved by the Minister and the Treasurer.
25. The Corporation shall report annually to the Minister and the Treasurer on benchmarking of price and service quality based on national reporting requirements required by the National Water Initiative.

FINANCIAL AND COMMERCIAL MANAGEMENT

26. All accounts and financial records must be kept in accordance with legislative requirements under the Public Finance and Audit Act and associated Regulations and Treasurer's Instructions.
27. The Corporation must prepare a general purpose financial report in accordance with applicable Australian Accounting Standards (including Australian equivalents to International Financial Reporting Standards), other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the Treasurer's Instructions and Accounting Policy Framework issued pursuant to the Public Finance and Audit Act.
28. Pricing
 - 28.1. The Corporation shall adopt rates, fees and other charges set by:
 - 28.1.1. the Minister under the Waterworks Act and Sewerage Act
 - 28.1.2. regulation by the Governor in Executive Council pursuant to the Waterworks Act, Sewerage Act and Fees Regulation Act
 - 28.1.3. the Corporation by agreement, under the Waterworks Act and Sewerage Act
 - 28.1.4. the Corporation on a commercial basis, for other services not covered by the above.
29. Capital Structure
 - 29.1. In accordance with the policy guidelines for the capital structure of Public Non Financial Corporations, the Corporation shall maintain a capital structure commensurate with the capital intensity of its operations and the risk profile of its operating revenue and expenses. In addition, consideration will also be given to the:
 - impact of alternative asset valuation methods on business value
 - dividend requirements
 - credit rating objectives
 - need for financial flexibility and
 - ability to finance approved capital expenditure.

ACCOUNTING AND INTERNAL AUDITING SYSTEMS AND PRACTICES

30. The Corporation must establish and maintain:
 - 30.1. effective internal auditing of its operations in accordance with appropriate standards of practice and the Public Corporations Act
 - 30.2. a register of governance arrangements for all subsidiaries and audit committees.

Part 4 The Board

BOARD POWERS

31. The Board is empowered under the Act to make binding decisions for the implementation of the Act.
32. The Board shall have authority to interpret the meaning of this Charter and any other matter relating to the affairs of the Board on which this Charter is silent.
33. The Board (through the Chair) may make recommendations to the Minister about improvements or modifications to the Charter.

BOARD RESPONSIBILITIES

34. The Board is responsible to the Minister for overseeing the operations of the Corporation to:
 - 34.1. secure sustainable supplies of water for the benefit of the Corporation's customers
 - 34.2. protect the long term viability of the Corporation and the Crown's financial interests in SA Water
 - 34.3. secure continuing improvements in the Corporation's performance.

BOARD ACTIVITIES

35. The Board's activities will include:
 - 35.1. Meeting the Government's expectations by:
 - 35.1.1. setting the long term strategic direction for the Corporation, mindful of expectations set by the Minister and the Treasurer in performance statements and this Charter
 - 35.1.2. optimising the value of the Corporation for the long term whilst achieving other key requirements of Government
 - 35.1.3. ensuring organisational and operational congruence with whole-of-government policy and in particular contributing to South Australia's Strategic Plan
 - 35.1.4. collaborating with others in the public sector to ensure congruence with Government policy and activities
 - 35.1.5. providing advice and reports to the Minister in accordance with the reporting obligations outlined in this Charter
 - 35.1.6. making recommendations to the Minister on the impacts on the Corporation, or implementation, of relevant water policy.
 - 35.2. Providing good strategic management and sound stewardship of the Corporation by:
 - 35.2.1. modeling high standards of corporate and business ethics and fostering a positive, dynamic and ethical culture by appropriate investment in the development of the Corporation's human resources
 - 35.2.2. good decision making on material matters that effect the Corporation and resource allocation
 - 35.2.3. setting:
 - strategic directions and corporate strategy
 - broad policy of the Corporation
 - strategic objectives, key performance indicators, targets and their respective priorities

- 35.2.4. monitoring:
 - the Corporation’s ability to meet its statutory obligations and functions
 - performance to ensure strategic objectives are achieved and continuous operational improvement
 - governance arrangements to ensure good governance principles are applied by the Corporation and its subsidiaries
 - the Corporation’s capacity and competence to meet future anticipated requirements.
- 35.3. Setting operational management parameters by:
 - 35.3.1. empowering the Chief Executive to manage the Corporation’s operations
 - 35.3.2. setting annual expectations of the Chief Executive and assessing the Chief Executive’s performance against those expectations
 - 35.3.3. requiring the Corporation and its subsidiaries to aim to:
 - adopt a customer centric approach to service delivery
 - work constructively with other public sector organisations
 - operate in a sustainable manner (financially, socially and environmentally) to maximize long-term business value
 - promote demand management, water conservation and the use of recycled water consistent with Government policy
 - adopt appropriate systems and practices for the management and financial planning and control of all assets and liabilities
 - undertake appropriate risk management in all decision making throughout the organisation
 - maintain processes and procedures to ensure staff demonstrate high levels of honesty and accountability and appropriately manage any conflicts of interest.

BOARD’S METHODOLOGY IN MONITORING THE CORPORATION’S PERFORMANCE

- 36. The Board will:
 - 36.1. approve the Corporation’s strategic direction and priorities and ensure they are communicated to all staff and stakeholders. It will ensure that the expectations of the Minister and commitments from the Board to achieve those expectations are incorporated into plans and implemented
 - 36.2. approve a strategic resource allocation plan that aligns resources against strategic objectives and it’s nominated priorities
 - 36.3. approve strategic key performance indicators as they link to the strategic plan and will expect regular reports on the Corporation’s performance against those indicators
 - 36.4. review reports by the Corporation on attainment of its strategic and financial objectives and consider recommendations to adjust its strategies to ensure achievement of its objectives
 - 36.5. review and approve the Corporation’s annual report, which will assess performance on a triple bottom line basis.
- 37. The Board may use internal audit functions to assess whether the Corporation is performing in accordance with its stated directions.

BOARD MEMBERSHIP

38. The Board is comprised of:
 - the chief executive and
 - six directors appointed by the Governor
 - one director (who must not be the chief executive) will be appointed by the Governor to Chair meetings of the Board.
39. The Governor may appoint a director (who must not be the chief executive officer) to be the deputy of the director appointed to Chair meetings of the Board. The deputy may perform or exercise the functions and powers of that director in their absence.
40. Membership of the Board is subject to review and confirmation by the Minister and Governor.
41. The Board's membership must include persons who together have, in the Minister's opinion, the abilities and experience required for the effective performance of the Corporation's functions and the proper discharge of its business and management obligations.
42. At least two directors must be women and two men.
43. A director will be appointed for a term, not exceeding three years, specified in the instrument of appointment and will, at the expiration of a term of appointment, be eligible for reappointment.
44. The Governor may remove an appointed director from office on the recommendation of the Minister.
45. The Minister may recommend removal of an appointed director on any ground the Minister considers sufficient including a failure to meet agreed performance expectations.
46. The office of an appointed director becomes vacant if the director:
 - dies or
 - completes a term of office and is not reappointed or
 - resigns by written notice to the Minister or
 - becomes bankrupt or applies to take the benefit of a law for the relief of insolvent debtors or
 - is convicted of an indictable offence or sentenced to imprisonment for an offence or
 - is removed from office under the Act.
47. Where an office of a director becomes vacant the Chair, who has been duly informed, will notify the Minister of the circumstances and seek a replacement appointment.
48. A current list of directors and their contact particulars will be kept by the Corporation Secretary and on a register kept by the Department of Premier and Cabinet.
49. Where a director ceases to be a director for whatever reason, any Board papers in their possession must be returned to the Corporation Secretary as soon as practicable.

DUTIES OF BOARD DIRECTORS

50. Directors are required to:
 - 50.1. follow written directions of the Minister
 - 50.2. comply with all statutory and legal obligations
 - 50.3. continuously improve their skills and knowledge relevant to their Board membership

- 50.4. be accountable for their actions
- 50.5. act in good faith
- 50.6. abstain from any involvement in any decision where there may be a conflict of interest
- 50.7. support and implement decisions of the Board
- 50.8. exercise a reasonable degree of care and diligence in the performance of their functions, and (without limiting the effect of the foregoing) for that purpose:
 - 50.8.1. must take reasonable steps to inform themselves about the Corporation and its subsidiaries, their businesses and activities and the circumstances in which they operate and
 - 50.8.2. must take reasonable steps through the processes of the Board to obtain sufficient information and advice about all matters to be decided by the Board or pursuant to a delegation to enable themselves to make conscientious and informed decisions and
 - 50.8.3. must exercise an active discretion with respect to all matters to be decided by the Board or pursuant to a delegation
- 50.9. exercise reasonable diligence in attendance at and preparation for Board meetings but are not bound to give continuous attention to the affairs of the Corporation
- 50.10. act honestly at all times in the performance of the functions of their office, whether within or outside the State
- 50.11. model high levels of corporate ethics and values of a public sector corporation director
- 50.12. ensure that neither a director or an associate of the director is either directly or indirectly involved in a transaction with the Corporation or its subsidiary unless they have written approval from the Minister
- 50.13. ensure all Board papers are secure whilst in their possession.

DIRECTOR TRAINING

- 51. It is incumbent on each director to undertake:
 - 51.1. induction and training on appointment to the Board
 - 51.2. ongoing training and development to model continuous improvement in their skills and knowledge.
- 52. The Chair must ensure that induction and training is provided to all directors.

BOARD DECISION MAKING

- 53. The Board will have documented decision-making procedures in place which exemplify good governance practice and meet the Minister's expectation.

PART 5 Reporting

REPORTING ON FINANCIAL MATTERS

54. The Board is obliged to:
- 54.1. advise the Minister, as soon as practicable, of any material development that affects the financial or operating capacity of the Corporation or any of its subsidiaries or gives rise to an expectation that the Corporation or any of its subsidiaries may not be able to meet its debts as and when they fall due
 - 54.2. ensure that all information furnished to the Minister by the Corporation or any of its subsidiaries is accurate and comprehensive
 - 54.3. provide advice on dividends to the government and dividend returns to Government in accordance with the Public Non-Financial Corporations Ownership Framework 2004.

REPORTING STATEMENT ON OPERATIONS

55. In addition to statutory reporting, the Corporation must provide the following reports to the Minister and the Treasurer:
- 55.1. quarterly, a statement of financial position, statement of financial performance, capital investment report and a statement of cash flows
 - 55.2. quarterly reports on any commercial operations beyond South Australia
 - 55.3. annually for the budget planning process, a forward estimates report covering the Budget year and the four out years
 - 55.4. annual reports on performance against customer service standards
 - 55.5. other information as requested from time-to-time by the Minister or the Treasurer.

ANNUAL REPORTING

56. The Board must report annually to the Minister on:
- 56.1. achieving its statutory obligations, functions and expectations of the Minister
 - 56.2. achievements in implementing whole-of-government policy
 - 56.3. comparisons between strategic plan targets and actual results
 - 56.4. why targets were not achieved or exceeded and lessons from the process
 - 56.5. compliance with legislative obligations
 - 56.6. activities of the Corporation in implementing policies.

DATE OF OPERATION

57. This Charter comes into operation upon signing by the Minister and the Treasurer, and is binding on the Corporation.

Minister for Water

Treasurer

Schedule of Non-Commercial Operations (refer Clause 13)

OPERATIONS OF SA WATER

1. Services that are funded by the South Australian Water Corporation:
 - 1.1. plumbing standards administration
 - 1.2. flood mitigation and environmental schemes
 - 1.3. water services pursuant to the Water Conservation Act
 - 1.4. construction and maintenance on behalf of the constructing authority to the Murray Darling Basin Authority (MDBA) in South Australia and upstream to Lock 9 (reimbursed by the MDBA)
 - 1.5. manage and operate assets on behalf of the MDBA
 - 1.6. irrigation and drainage services within Government Reclaimed Irrigation Districts
 - 1.7. works management under the River Torrens Linear Park and the South West Suburbs Drainage Act assets
 - 1.8. management and administration of water industry economic development agreements on behalf of the Government for South Australia
 - 1.9. in cooperation with the economic development agencies of Government, facilitate and support the Water Industry Development Program and the Water Industry Alliance and
 - 1.10. fluoride dosing of water supplies where the Department of Health deems that dosing is appropriate.

NON-COMMERCIAL OPERATIONS

2. Until further notice from the Minister, the Corporation is required to provide the non-commercial operations listed in this Schedule.
3. Services for which funding is provided by Government or other agencies:
 - 3.1. provision of country water and wastewater services
 - 3.2. manage and apply pensioners remissions
 - 3.3. provide exemptions to properties in accord with the Waterworks Act and the Sewerage Acts
 - 3.4. administer the River Murray levy
 - 3.5. provide water and wastewater services to emergency services at no cost and
 - 3.6. maintain water services free of charge to the City of Port Adelaide and Enfield as provided under s.27 of the Waterworks Act.

Glossary and acronyms

ADWG	Australian Drinking Water Guidelines
AWQC	Australian Water Quality Centre
BOD	Biochemical Oxygen Demand
CSIRO	Commonwealth Scientific & Industrial Research Organisation
CSIS	Customer Services Information System
CSO	Community Service Obligation
DWQMS	Drinking Water Quality Management System
E&WS	Engineering and Water Supply Department
EPA	Environmental Protection Authority
FOI	Freedom of Information
FTE	Full Time Equivalent (employee)
GAP	Glenelg to Adelaide Parklands (Recycled Water Project)
GL	Gigalitre – 1 billion litres
GoGO	Greening of Government framework
IPOS	Irrigated Public Open Space (Code of Practice)
KL	Kilolitre – 1000 litres
KPI	Key performance indicator
LTIFR	Lost Time Injury Frequency Rate
MASDP	Metropolitan Adelaide Service Delivery Project
MDBA	Murray Darling Basin Authority
ML	Megalitre – 1 million litres
MOU	Memorandum of Understanding
MP	Member of Parliament
MWh	Megawatt hours
NSISP	North South Interconnection System Project
NWC	National Water Commission
OHS&W	Occupational Health, Safety and Welfare
PJ	Petajoule
RDI	Research Development Institute
SCADA	Supervisory Control, Automation and Data Acquisition
SIFR	Significant Injury Frequency Rate
SIS	Salt Interception Scheme
SMT	Senior Management Team, SA Water
WIA	Water Industry Alliance
WSAA	Water Services Association of Australia
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant
YTD	Year to Date

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