

South Australian Water Corporation
Annual Report

For the year ending 30 June 2014



Government
of South Australia



Letter of Transmittal

30 September 2014

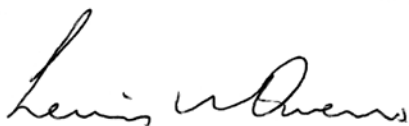
The Honourable Ian Hunter MP
Minister for Water and the River Murray
Parliament House
North Terrace
Adelaide SA 5000

Dear Minister

On behalf of the Board of SA Water, it gives me great pleasure to present the Corporation's Annual Report for the financial year ended 30 June 2014.

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

Every hour of every day, SA Water's people embrace the challenge of delivering safe, sustainable and affordable water services to more than 1.5 million South Australian customers. Once this water has been used, the waste is removed and treated to ensure the best environmental and health outcomes. Owned by the Government of South Australia, SA Water is focused on providing essential services that support growth and economic development throughout our state.

Driven to serve our customers for more than 150 years, we know water. We manage more than \$13 billion worth of assets, our water quality expertise is recognised around the globe and we are a leader in wastewater recycling. We employ more than 1400 people – each one looking for innovative ways to deliver efficient and responsive water and wastewater services to our customers now and in the future.

SA Water is responsible to the Honourable Ian Hunter MP, Minister for Sustainability, Environment and Conservation, Water and the River Murray, and Aboriginal Affairs and Reconciliation.

We also work closely with a number of government agencies, including:

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

Moving forward

SA Water continues to operate under the guidance of the Strategic Plan, providing the direction we need to effectively operate our organisation as we deliver world class water and sewerage services to our South Australian customers – and as we operate within a regulated environment.

As our organisation implements a number of critical changes that enable us to meet our obligations to our customers and the guidelines laid out by the Essential Services Commission of South Australia, the Strategic Plan provides a focus on delivering vital services to customers.

Drinking Water Quality Report

In addition to the Annual Report, SA Water publishes an annual Drinking Water Quality Report. This report focuses on the many water quality initiatives and research activities that SA Water undertakes each year and shows performance against the Australian Drinking Water Guidelines. The most recent copy can be found on our website: www.sawater.com.au.

Highlights from 2013-14

Topic/Activity/Project	Page
Launch of biggest ever customer consultation program, <i>YourSay</i>	9
Customer satisfaction up by 3%	10
Completed \$6 million worth of key infrastructure projects for remote communities	30
Education programs reach over 182 schools and 15 611 students across South Australia	13
Water prices decreased on average by 6.4% across all customers	32
Introduction of online contractor induction system to enhance WHS outcomes	45
83% of workers agreed safety is considered important at SA Water	45
A campaign to improve reporting has increased the number of hazards and near miss incidents reported by 57% and 21% respectively	45
Average response time to any reported work injury was six hours against a target of 24 hours	48
NSISP team receives state's top Project Management Award for a Construction & Engineering project worth more than \$100 million	56
Port Wakefield water supply upgrade completed	60
Profit before tax of \$283.9 million	31

A Message From Our Chairman

How the seasons change, from drought to plenty (and back again?). The past year has seen a return to generally good rains across the state, and our sales of water fell below our long-term average, impacting our revenue. Despite that, and with lower than budgeted revenue from developer activity, the corporation managed to deliver better than its budgeted dividend to the State Government and to reduce water prices by 6%. Wastewater treatment charges increased by below CPI.

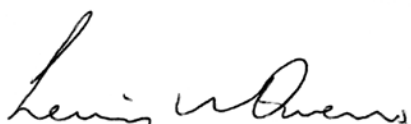
Overall, the performance of the corporation across financial, water quality, customer service and compliance areas was extremely positive. Management and staff are to be congratulated on their achievements given the disruptions caused by the major restructuring of operations which resulted in a significant reduction in headcount over the year. It is also pleasing that the restructuring was achieved without having an adverse impact on work health and safety performance. During the past year directors took particular interest in this area, seeking to lead from the front by ensuring due diligence in the discharge of their own work health and safety responsibilities.

Having focused in previous years on the security and reliability of water supply across the state, and on the performance of the wastewater treatment plants, the Board has now moved to an exploration of strategic challenges and opportunities for the coming decade out to 2025, with a particular focus on supporting economic development of the state and holding costs down.

The corporation has commenced preparation of its regulatory submission for water and wastewater pricing for the period 2016 to 2020, where the main focus will be on affordability and reliability of services to our customer base.

In the past year, the Board welcomed two new Directors, the Hon C Pickles and Ms S Filby. At the end of the year, Ms C Cooper's term as Director expired, and I would like to acknowledge the major contribution she made to Board deliberations over many years; her experience and knowledge will be greatly missed. I would also like to acknowledge the hard work and contributions of each of my fellow Directors. The wide range of experience they bring to the Board is essential in overseeing the operations of this important public utility.

The past year has seen some significant achievements across the business, and the Board and management are committed to ongoing efforts to ensure the corporation surpasses the expectations of our owners and customers.



Lewis W Owens
Chairman

A Message From Our Chief Executive

This year we focused on significant organisational changes resulting from our ongoing Business Transformation project. As part of this, we implemented a substantial staff restructure to drive greater efficiencies throughout our organisation. While this created challenges throughout the business, our people maintained a strong focus on delivering quality services to all customers.

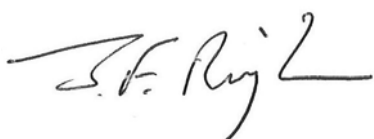
In June we launched a significant customer consultation program to ensure our next regulatory proposal is shaped with our customers' expectations in mind. Feedback from the consultation – which included forums with customers and a comprehensive online questionnaire – will help us deliver a proposal that reflects the wishes of our customers and invests in areas they consider important. It also helps us understand where customers may require additional knowledge regarding the costs associated with implementing various water and wastewater services.

Our annual customer research also continued throughout the year providing qualitative information on customer satisfaction. Results indicated increased satisfaction over the past year across all customer groups, with outstanding results shown for our business customers.

One major customer-driven initiative is already taking shape. Our Digital Strategy is a response to our customers' demand for a wider range of online services. It will deliver more service access points, 24/7 service and easier access to information. It will also help us to engage more proactively with our customers on critical issues such as fault notification and improved billing options.

I am excited to see the progress we are making with our processes and results in relation to Workplace Health & Safety (WHS). This year saw the introduction of new WHS laws and in response we implemented new technology and staff engagement methodologies. One notable project we undertook was the implementation of an online, interactive contractor management system that ensures our contractors adopt SA Water's high standards of safety when working with us.

As always, I enjoyed working with a dedicated and hardworking group of people. The difference between an organisation's success and failure lies in the ability of its people not only to do their job well, but to adapt to changing circumstances. With this in mind, I am confident that SA Water will continue to demonstrate the industry's best practice for a long time to come.



John Ringham
Chief Executive

SA Water Vision and Strategic Plan

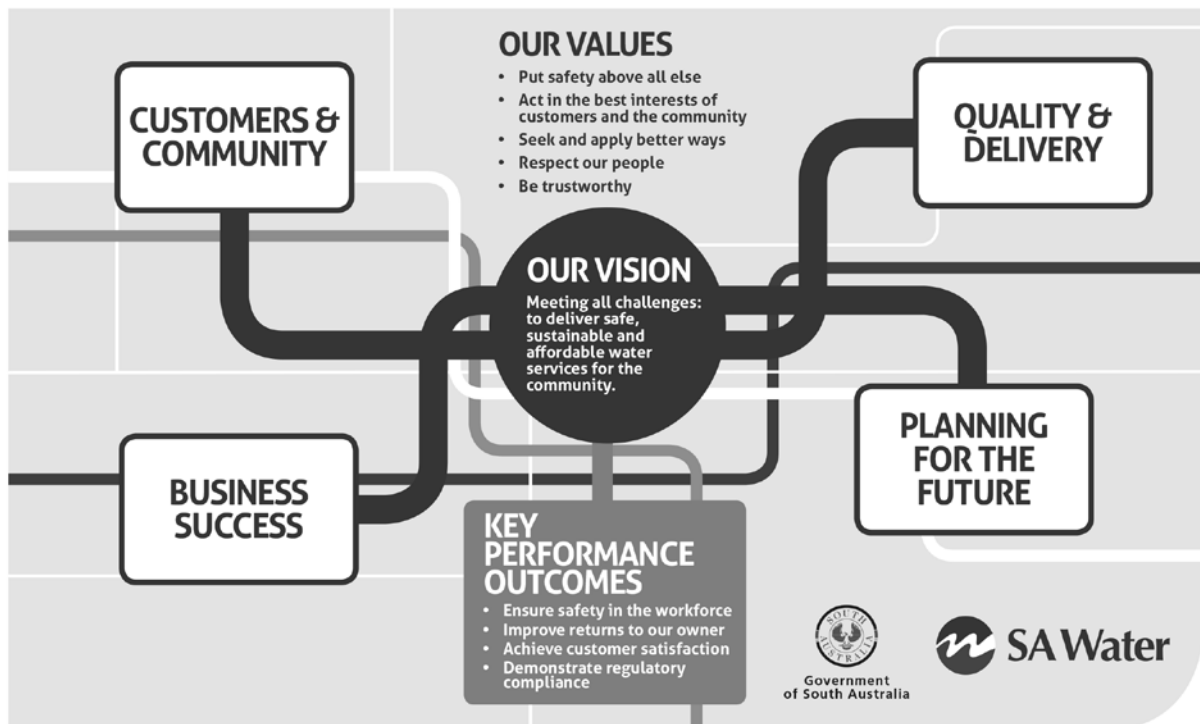
Our business is driven by the *SA Water Strategic Plan 2012-16*. At the heart of this plan lies our corporate vision:

Meeting all challenges: to deliver safe, sustainable and affordable water services for the community.

SA Water has a remarkable capacity to deliver products and services in the face of the most difficult challenges. ‘Meeting all challenges’ is no easy feat. Given the constraints on our business, the breadth of our operations and the environment in which we operate, we need to be innovative and remain on the front foot.

Based on this vision, the strategic plan sets a clear direction and establishes strategic priorities for success against our key performance outcomes, as indicated in the figure below.

SA Water Strategic Priorities



Customers & Community

2013-14 Performance Summary			
<u>Statement of Intent:</u> <ul style="list-style-type: none"> To achieve customer satisfaction by delivering the services they value, enhance our reputation within the community and build strategic relationships with our key stakeholders. <u>Key Strategies:</u> <ul style="list-style-type: none"> Customer Services Stakeholder Engagement 	Key Performance Indicator	2013-14 Target	2013-14 Result
	Customer satisfaction survey (recent contact survey)	82.5%	77%
	Calls to Customer Contact Centre answered within 30 seconds	85%	88%
	Percentage of all routine written enquiries responded to within 10 working days	85%	81%

Customers who have had recent service experience with us indicated that overall they are generally satisfied with SA Water. To better inform us on how we can continue to meet our customers' needs now and into the future, SA Water has undertaken our largest customer engagement initiative, YourSay, which will provide valuable feedback to shape the future direction of SA Water.

SA Water has exceeded the target of 85% for answering calls to the Customer Contact Centre within 30 seconds. Through investing time to multi-skill our staff, introducing flexible rosters and managing to our key demand times, we were able to achieve 88% for 2013-14.

Although SA Water did not achieve the target for responding to written enquiries within 10 working days, performance has been consistently near or above the target for most months of the year. Performance is expected to improve, especially during peak times with improved processes and additional training in place to enable emails to be responded to on a 24/7 basis.

Customer Service Centre

In 2013-14, the total number of customer enquiries received in person, over the phone, in writing or via email decreased by 6.6% from 568 032 in 2012-13 to 530 698. The total number of calls received decreased by 8.5% from 488 465 in 2012-13 to 446 844 in 2013-14.

On average, callers waited 19 seconds for their call to be answered by one of our Customer Service Officers, which is one second less than in the previous year. The average duration of calls to the SA Water Customer Service Centre was three minutes and 21 seconds, which was the same as the previous year. The total number of email enquiries received in 2013-14 was 25 993, while 46 853 transactions were handled at the Customer Service Counter.

Customer complaint handling

We regard complaints as an opportunity to maintain customer confidence and trust as well as improve our customer service performance and efficiency.

Considering the number of customers we have, and the high number of interactions with those customers, the number of complaints we receive is very low. In 2013-14, we registered 2.5 complaints per 1,000 customers and we will continue to work hard to maintain or improve this standard.

The most common complaint types relate to water quality, repairs and maintenance of infrastructure in the metropolitan area, and high water use. We have a comprehensive approach to dealing with complaints, which means that we are able to deal with many of them at first call or through investigation.

In 2013-14, 368 complaints about SA Water were made to the Energy and Water Ombudsman in a range of areas, with high water use continuing to top the list of concerns escalated.

Customer research

During 2013-14 we continued to measure satisfaction levels of customers who had a recent service experience with SA Water. This research is tailored to the nature of the customer contact, asking questions about their particular experience, whether it is requesting a new connection, reporting a fault or service problem, or accounts and general queries. The survey measures the entire service experience with SA Water, from when customers first contact our Customer Service Centre through to the resolution of their query. SA Water surveyed a total of 4006 customers in 2013-14; the results are shown in the table below.

		Q1 Jun – Aug 2013 (%)	Q2 Sept – Dec 2013 (%)	Q3 Jan – Mar 2014 (%)	Q4 Apr – Jun 2014 (%)	Change across 2014 (%)
Overall satisfaction with SA Water	Positive satisfaction (<i>satisfied, very satisfied</i>)	76	77	77	79	+3
	Neutral satisfaction (<i>neither satisfied or dissatisfied</i>)	15	14	13	13	-2
	Dissatisfaction (<i>dissatisfied, very dissatisfied</i>)	9	9	10	8	-1

Standard Customer Contract and Customer Charter

SA Water's *Standard Customer Contract and Customer Charter* have been created in line with the regulatory requirements under the Water Industry Act. These documents consolidate SA Water's key customer commitments, rights and obligations, as well as outline our customers' rights and responsibilities.

The *Standard Customer Contract* is a legally binding document between SA Water and its customers, while the *Customer Charter* provides a short summary of the contract and references SA Water's service standards set by ESCOSA. Both documents took effect from 1 July 2013. Copies can be found at www.sawater.com.au.

Key account management

SA Water's Business Relations Team supports our major customers by providing a central point of contact for all SA Water related enquiries. Major customers are defined by the revenue they contribute to the corporation. This includes revenue from water rates and sales, wastewater rates and trade waste charges.

SA Water recognises all customers are different and have unique requirements. Through regular contact, the Business Relations Team takes time to understand the customer's business, their drivers and what is important to them. Key customer drivers include reliability of supply, flow rates, trade waste issues and pricing. We also gain insight into future consumption trends or potential increases or decreases in demand and can instigate actions to work with them to meet requirements supporting growth.

The Business Relations Team also provides technical support to customers aimed at helping them get the most out of the products and services we provide. Support such as provision of trade waste advice, leak analysis, water use profiling, cleaner production and irrigation advice are all well received by our business customers.

Throughout 2013-14, SA Water supported businesses in expanding and improving their operations by providing additional water and/or wastewater and trade waste services.

Key account case studies

1. SA Water working with Barossa Fine Foods to meet trade waste challenges and support growth

Barossa Fine Foods (BFF) is an expanding South Australian owned and operated smallgoods manufacturer and retailer in the north of Adelaide. The factory relies on SA Water for water supply and the disposal and treatment of trade waste. The business has been growing steadily in recent years, similar to other expanding food processing manufacturers in South Australia, creating challenges in meeting their trade waste discharge limits.

From April 2014 SA Water's Business Technical Services Group (BTSG) engaged with BFF to:

1. Identify opportunities to improve wastewater quality discharges and reduce trade waste costs
2. Identify opportunities to improve water efficiency

3. Identify opportunities to minimise the impacts of high strength wastewater discharges to SA Water infrastructure
4. Provide an avenue for BFF to better understand SA Water services, requirements and processes
5. Facilitate business growth

The BTSG conducted site audits and installed temporary water and wastewater monitoring devices to capture a profile of water use and trade waste loading. The information was used to identify opportunities for improved trade waste and water efficiencies and has been presented to BFF in a Cleaner Production Report. Samples of different waste streams also allowed BFF to gain better understanding of the source characteristics of its trade waste. BFF is one of a number of food processes expanding its production which is in the interests of South Australia.

2. Wingfield catchment and pump station (Rosebank Engineering & Baiada Poultry)

Wingfield catchment and pump station was at capacity and a new customer (Rosebank) was seeking access for a new manufacturing/processing facility.

SA Water analyses each customer request for additional supply on a case-by-case basis. If the request cannot be met in the current network, an assessment of the required augmentation works is done. The customer is charged for the cost of any works and they begin once SA Water has received payment.

This was a collaborative approach resulting in a tailored solution where the Business Relations (BR) Team investigated the works requested by Rosebank (scoped and estimated to cost up to \$278,000). However the team was aware Baiada Poultry (BPL) would be seeking an increase in its trade waste discharges (due to expansion). By aligning both customer needs at once a win-win solution was formulated. The solution recognised that the local sewer network had two sewer mains which connect to the Bolivar trunk main. The BR team approached BPL with the proposal to dedicate one the mains to its business and for BPL to pump trade waste directly to the Bolivar trunk main via this main using its own pumps. This arrangement allowed BPL to increase its flow rate while releasing capacity within the pump station to allow our new customer Rosebank to access the network at a substantially reduced cost.

Rosebank received the new required connection within the required timeframe and at a reduced cost.

BPL now has access to additional capacity in the network which accommodates its expansion without incurring large augmentation costs or time delays for construction. The change in discharge point also saves them power costs due to pumping trade waste for shorter distances.

Operating smaller pumps much less frequently saves on energy costs and we now have more capacity in the sewer network to connect new customers in the area.

“SA Water formed an integral part to the overall delivery of a project that has brought a unique, state of the art aerospace capability into Australia. The collaborative and solution orientated approach has been greatly appreciated”.

- Juliet Brennan, Special Projects Manager Rosebank Engineering Australia

Customer Assist Program (CAP)

SA Water is committed to providing support and assistance to residential customers experiencing either temporary or permanent financial hardship. SA Water has adopted the Minister's *Hardship Policy for Residential Customers* and is promoting the CAP in line with the government's affordability agenda.

SA Water has employed an early intervention strategy aimed at engaging the customer before their debt becomes unmanageable. This strategy uses targeted promotional brochures, information on quarterly bills and the SA Water website, internal staff training and professional relationships with relevant support organisations, as well as presentations at welfare, social inclusion events and the South Australian Financial Councillors Association conference.

During 2013-14, SA Water assisted around 3500 residential accounts through the CAP. This represents a 3% increase in the number of residential accounts participating in the program since SA Water's adoption of the Hardship Policy in May 2013.

Stakeholder Engagement Strategy

Media and communications

SA Water is committed to delivering relevant and open communications and engagement strategies with stakeholders and customers, as well as ensuring the timely delivery of information to the South Australian community. A number of activities were undertaken in 2013-14 to ensure this. Key projects included:

- Ongoing social media program to support enhanced engagement with our customers, including message driven videos around meter testing, leak detection and water saving
- Water Wise Measures promotional campaign
- Launch of *Let the Poo Thru* app as part of ongoing wastewater campaign
- Customer support communications to help customers better understand their water/ wastewater use, including pricing announcements, customer responsibility flyers, bill payment options and a detailed communications tool for '*understanding your bill*'
- Proactive approach, via media, to ensure customers are informed on water and wastewater matters including changes to legislation, SA Water education programs and information around infrastructure upgrades and management

The SA Water Media and Communications Team responded to around 400 media enquiries during 2013-14, predominantly relating to operations and infrastructure, customer engagement programs, water quality and treatment processes, research and innovation, and economic regulation.

Community relations

In 2013-14, SA Water continued its partnership with the Department of Education and Child Development's (DECD) Outreach Program. We ran our Brainwave program – an SA Water focused education initiative – to over 182 schools across South Australia and

15 611 students. The Adelaide Desalination Plant's Kauwi Interpretive Centre at Lonsdale also saw 4217 visitors, 1899 school students and 2318 community members. All visitors attending the centre go on a tour of the plant and receive a presentation and/or activity. 94 schools attending SA Water programs were identified by DECD as being disadvantaged.

Sponsorships & partnerships

In 2013-14 SA Water sponsored events and programs to the value of approximately \$200,000.

Program highlights included:

Loxton District Chamber of Commerce: SA Water partnered with the Loxton District Chamber of Commerce for its Loxton Lights Festival. With over 350 illuminated Christmas scenes across the town the event is a key fixture on the Loxton calendar bringing delight to thousands of residents and visitors over the Christmas period.

Paraquad SA Zoos Accessible Days: SA Water has proudly supported Paraquad SA's Zoos accessible days for over three years. Held annually in April the days see over 600 disability organisations across the state invited to take part. This year's program was launched at the Zoo by the Head of Customer and Community Relations Kerry Rowlands and attended by a number of South Australian dignitaries.

SA Tourism Commission: The Credit Union Christmas Pageant is attended by over 300,000 South Australians and televised to the wider Australian community every year. SA Water proudly partnered with the South Australian Tourism Commission and Nippys to deliver Pageant Water to over 32,000 attendees.

YMCA of SA – Vacswim Program: SA Water continues to sponsor the Statewide Vacswim program which sees around 12,400 school age participants engage in swimming education across the school holidays. This includes 141 pools, lakes and beach swimming clubs in metropolitan and regional locations.

Stakeholder engagement

Capital projects have the potential to impact local government policy, community expectations and individual quality of life from a social, environmental and economic perspective. SA Water is conscious of these impacts and the need to integrate challenging stakeholder expectations into project delivery, making community engagement everyone's responsibility to deliver.

The SA Water Stakeholder Engagement Team is responsible for developing and delivering stakeholder management strategies for capital projects, engaging relevant members of the community and stakeholders in making key project decisions.

The team is embedded within the capital project delivery process and works closely with project managers and contractors to ensure an informed view of external stakeholder opinions, expectations, needs and wishes are accounted for in design and construction of capital projects across both metropolitan and regional locations.

Key engagement activities:

Marion Road Trunk Water Main Upgrade: Managing communication and key stakeholder relationships during construction and providing strategic direction to contractor's stakeholder engagement team.

Cross Road / Waite Road Trunk Water Main Upgrade: Early engagement with residents, council and key organisations along the pipeline alignment to identify potential issues to be managed during construction. Ongoing communication during construction.

Queensbury Wastewater Pump Station Upgrade: Communications to provide project updates, key construction activities and achievement of milestones. Regular engagement with local residents to develop strategies to manage construction impacts.

Ethelton Wastewater Pump Station Upgrade: Early engagement with local residents, council, local community organisations to have input into the layout, building design and overall site amenity including a detailed landscaping plan. Ongoing communication about construction activities.

Gawler Wastewater Network Upgrade: Early engagement with residents, council and a number of key organisations along the pipeline alignment to identify potential issues to be managed during construction.

Willaston Pressure Reducing Valves: Early engagement with local residents and council to have input into the layout, building design and overall site amenity at three suburban locations. Implemented a communications strategy during project commissioning to notify 3,000 properties of the upcoming pressure reduction and manage expectations.

2013-14 Water Main Relay program: Early and ongoing engagement with businesses and residents to be affected by construction activities and water shutdowns associated with over 40 water main relays across metropolitan Adelaide and regional South Australia.

Hawker Desalination Plant: Managed communication with Council during construction and commissioning activities. Regularly updated the broader community at key project milestones to ensure awareness of the project benefits.

Christies Beach Wastewater Treatment Plant Upgrade: Successful completion of the decommissioning of the Noarlunga Downs sludge lagoons and conversion to stormwater wetlands after significant engagement with local environment groups, Noarlunga Downs residents, local and state government agencies around design and landscaping.

Mount Barker and Murray Bridge Wastewater Services Upgrade: Closeout of the engagement process with local community, council, local residents groups and other local community groups when it became clear that development rates would not warrant new infrastructure in the short-term.

Disability action plan

In line with the South Australian Government's policy statement, *Promoting Independence: Disability Action Plans for South Australia*, SA Water drafted a plan to report against five outcome areas:

- Accessibility of services to people with disabilities
- Ensuring information about services and programs is inclusive of people with disabilities
- Ensuring delivery of advice or services to people with disabilities is done with awareness and understanding of issues affecting people with disabilities
- Opportunities for consultation with people with disabilities in decision-making processes regarding service delivery and in the implementation of complaints and grievance mechanisms
- Ensuring the requirements of the *Disability Discrimination Act 1992* and *Equal Opportunity Act 1984* are met.

Quality & Delivery

2013-14 Performance Summary				
<p><u>Statement of Intent:</u></p> <ul style="list-style-type: none"> To deliver water and wastewater services that are fit for purpose, cost effective and comply with regulatory requirements <p><u>Key Strategies:</u></p> <ul style="list-style-type: none"> Water & Wastewater Services 	Key Performance Indicator	2013-14 Target	2013-14 Result	
	<p><i>Compliance with drinking water regulations:</i></p> <ul style="list-style-type: none"> - metropolitan - regional 		100%	99.81%
			99.80%	99.85%
	<p><i>Timeliness of attendance at water breaks, bursts & leaks</i></p> <p><i>Percentage of Priority 1 complaints attended within 1 hour:</i></p> <ul style="list-style-type: none"> - metropolitan - regional 		99%	99%
			95%	94%
	<p><i>Timeliness of water service restoration</i></p> <p><i>Percentage of Category 1 events restored within 5 hours:</i></p> <ul style="list-style-type: none"> - metropolitan - regional 		99%	100%
			95%	100%
	<p><i>Timeliness of sewerage overflow attendance</i></p> <p><i>Percentage of inside building overflows attended within 1 hour:</i></p> <ul style="list-style-type: none"> - metropolitan - regional 		99%	99%
			99%	100%
	<p><i>Timeliness of sewerage overflow clean up</i></p> <p><i>Percentage of inside building clean ups completed within 4 hours:</i></p> <ul style="list-style-type: none"> - metropolitan - regional 		99%	99%
		99%	100%	
<p><i>Construction/extension to water/ sewer services completed within target timeframes</i></p>		95%	95%	
<p><i>EPA licence compliance</i></p>		100%	100%	
<p><i>Net tonnes of greenhouse gas emitted tonnes (CO₂-e)</i></p>		391 579	272 559	

Our regional systems exceeded the target for compliance with Australian Drinking Water Guidelines (ADWG 2011) health- related parameters, while metropolitan systems were marginally below target. While SA Water aims for 100% compliance in the metropolitan area, the ADWG 2011 recognises that occasional exceedances may occur.

SA Water met or exceeded all but one of our metro-based and regional-based targets for water service attendance and water service restoration within targeted timeframes. We were marginally below our target for regional-based Priority 1 complaints attended within one hour. With the comparatively low numbers of these events, any event that does not achieve the target can account for a significant percentage difference.

SA Water also met or exceeded all of our metro-based and regional-based targets for sewerage overflow attendance and clean-up.

SA Water has met the target for constructing or extending water or sewer services within target timeframes. There was strong demand for service requests for constructing or extending services during the 2013-14 year, with a noticeable increase in applications over the previous year. This indicates a strong service commitment from SA Water to the development industry in South Australia.

SA Water's environmental obligations are regulated by the South Australian Environment Protection Authority (EPA). While occasional wastewater environmental notifications need to be made, SA Water achieved 100% EPA licence compliance in 2013-14.

Water & Wastewater Services Strategy

Source water quality management

Initiatives and improvements for the management of source water quality have a catchment-to-tap focus with an aim of taking advantage of new and existing technologies that provide services to the community at the lowest possible cost.

Reservoirs

Water Quality Monitoring

Fluctuating water quality has the potential to impact the treatment processes that ensure customers are supplied with high quality drinking water. In 2013-14 SA Water customised a monitoring program and developed an automated reporting mechanism to identify immediately any situation of concern. Data gathered as part of this program enables the enhancement of treatment processes to ensure customer satisfaction is not compromised.

Flow meters at reservoir inlets

Installation of telemetry-linked flow meters at key reservoirs during 2012–13 allowed their use as an operational tool to be trialled during 2013-14. The meters track the flow of water which has the potential to carry catchment-derived pollutants into our reservoirs. Information provided by the flow meters has enabled SA Water to customise a management strategy to mitigate this risk.

Management of cyanobacteria in reservoirs

SA Water continued to manage cyanobacteria (blue-green algal) blooms without the need to apply copper sulphate where possible. This was achieved through an alternative management strategy which included in situ field measurements of key water quality parameters, optimised management of the multiple offtake and enhanced water treatment plant processes including the application of powdered activated carbon (PAC) to remove cyanobacteria-derived taste and odour compounds.

Control of algae in reservoirs

The control of certain types of algae in reservoirs is an ongoing operational issue for water utilities worldwide with reliance placed on the application of algaecides. Although the use of copper based algaecides is safe, it is not always effective and is expensive. Investigations have identified stabilised hydrogen peroxide as a potential alternative, and an application trial is in progress.

River Murray

Catchment sample pumps

The installation of 11 new sample pumps at our River Murray offtakes and three key reservoir inlet locations was completed in 2013-14. Each of our 17 River Murray offtakes and five of our reservoir inlet catchment monitoring sites are now equipped with sample pumps. These ensure all samples collected as part of monitoring programs are representative of their source.

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, based on the Australian Drinking Water Guidelines Framework for Management of Drinking Water Quality (ADWG 2011), 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 tap.

We use 'AQUALITY' – an ADWG framework measurement and evaluation tool developed by the Water Services Association of Australia – to assess our implementation progress against the framework. In 2013-14, we improved our rating from 91.2% in 2012-13 to 93.2% (target 93.0%). The increase was mainly due to the following actions:

- System risk assessment process tested and verified (including measurement of uncertainties)
- Third party/external audit completed to ascertain compliance with the *Safe Drinking Water Act*
- Robust operational and verification monitoring processes put in place
- Development of training and personal development programs to identify training needs and to address succession planning
- Development of procedures in relation to the approval, purchase and delivery of chemicals used in the treatment process
- Improved process for maintaining accurate records of stakeholders involved in water quality management including their roles and responsibilities.

Water quality improvement

A number of projects were initiated in 2013-14 to improve the quality of water delivered to our customers across the state. These included:

- Improvement of the efficiency and robustness of the filtration step of the treatment process by the continuation of filter re-building at Happy Valley and Hope Valley water treatment plants
- Upgrading of plant monitoring and control systems continued throughout the year at Happy Valley, Hope Valley and Anstey Hill water treatment plants
- ChemScan analysers capable of monitoring total ammonia, free ammonia, monochloramine and total chlorine were trialled in a chloraminated water supply system to improve monitoring and control of system performance
- An ice pigging trial in the Woolpunda water supply system to determine effectiveness of mains flushing using ice
- An aeration tower was commissioned at Middle River as an initiative for the reduction of disinfection by products.

Trade waste 2013-14

Trade waste is wastewater from commercial, industrial, business, trade or manufacturing activity produced by approximately 9 000 businesses across South Australia. This waste is either discharged to the SA Water wastewater network or deposited at one of our six hauled waste receiving stations across the state. Maintaining quality and quantity standards of trade waste is critical to ensure protection of the wastewater network, treatment processes, staff working on these assets and waste disposal mechanisms, including recycling.

Over the 2013-14 financial year, 976 trade waste applications were received with 99.4% of them processed within 10 working days. Trade Waste customers are visited at least once each year with customers achieving 87.5% compliance with their permit conditions over the year.

The Trade Waste and Encumbrance System (TWES) has been successfully deployed, replacing the old Lotus Notes system database. The new database system is able to better manage our trade waste and hauled waste customers and to issue accurate reports related to customers' data, business revenues and business performance KPIs.

Our innovative co-digestion project at Glenelg has created an efficient and high performing outcome that has benefitted the business, by using high strength organic waste for the production of high biogas volumes. Trade Waste & Networks team, in association with Allwater, won the 2014 SA Water Energy award due to the success of the co-digestion project which is undergoing further development to expand to other sites.

Land development and connections

An increase in building activity was recorded in 2013-14 compared with 2012-13. There appears to be an increase in confidence in the development industry which is reflected with the increase in development agreements issued and connections applied for.

For 2013-14 there were:

- 2 801 general land development applications compared to 3 118 in 2012-13
- 142 SA Water major development agreements issued compared to 126 for 2012-13
- 9 536 connection applications processed, compared to 7 733 for 2012-13

Revenue from development and building activity increased by approximately 18% on the previous year, growing from \$49.8 million to \$59.1 million.

Research and Innovation

SA Water, through its Research and Innovation (R&I) group, has earned a national and international reputation for high quality water science and engineering, research, and technical innovation. R&I manages and undertakes research to generate and implement new knowledge and technology to drive efficiency, reduce risk and underpin innovation to deliver safe, sustainable and affordable services that add value to the business and our customers.

SA Water's research program provides high-level advice and knowledge support for effective and efficient operation and services across all corporate strategic priorities.

SA Water's research program is supported internally and by competitively funded grants from bodies including the Australian Research Council, Water Research Australia, the Australian Water Recycling Centre of Excellence and the Water Research Foundation (USA). SA Water has recently signed Memoranda of Understanding with the Vienna University of Technology and the University of Arizona in addition to existing strong international relationships with Taiwan and China to build collaboration on strategic, mutually aligned, research opportunities and future technologies.

Key research programs:

- *Customer perceptions:* R&I are participating in a community engagement survey to improve our understanding of customer preferences and the triggers for complaints. The data will guide future planning when selecting the most cost-effective treatment options for enhancing customer satisfaction.
- *Reducing offensive odours from sewer networks:* Hydrogen sulphide formation and accumulation is the main culprit in offensive odours in sewer networks. It is also highly corrosive, increasing maintenance costs and reducing the life of assets. To control odour at Port Pirie, SA Water successfully trialled the installation of biofilters, reducing hydrogen sulphide concentrations and subsequent odour complaints. SA Water is now installing biofilters at three additional metropolitan Adelaide sites.
- *Managing and treating algal blooms:* Algal blooms can produce compounds that impart unpleasant tastes and odours, or may produce toxins that present a potential public health risk. Research is validating new technologies including the use of stabilised hydrogen peroxide to mitigate these risks without impacting on the receiving environment.
- *Regulatory compliance for discharges to the marine environment:* To support future planning, SA Water is developing a coastal waters model to predict the dispersion, cycling and fate of nutrient and sediment inputs from discharge outfalls. The model will facilitate the assessment of ecosystem responses under current and future targets to guide infrastructure and operational investment for sustainably managing marine discharges.

Metropolitan service delivery

The services alliance contract between SA Water and the Allwater Joint Venture to operate and maintain the metropolitan water, wastewater and recycled water systems successfully completed its third year of operation. The anticipated flexibility, transparency and collaboration of this partnership continue to be realised.

Major achievements of the Alliance during 2013-14 include:

- A strong commitment to employee work health and safety was demonstrated by no lost time work injuries being recorded by Allwater employees for the second year running

- Reducing the nitrogen loading in the effluent discharged to Gulf St Vincent by 100 tonnes per year through operational changes at the Bolivar Wastewater Treatment Plant
- Increasing the amount of energy generated from biogas at the Glenelg Wastewater Treatment Plant through the use of co-digestion, with the plant now being 70% self-sufficient for power
- Receiving a safety award for the design of its new two-person service trucks at the annual Suez Environnement World Congress in Paris
- Developing a concept design to moderate the supply pressure in areas of Adelaide with very high pressure to reduce pipe bursts and water loss
- Providing operational support during the commissioning of major capital upgrades to the Bolivar Main Pumping Station, Christies Beach Wastewater Treatment Plant and the Happy Valley Water Treatment Plant filters and chlorine plant.
- An improvement in customer satisfaction results during the year, believed to be linked to an increased focus in attending to minor water leaks.

Adelaide Desalination Project (ADP)

Through successfully delivering a state-of-the-art desalination plant, the Adelaide Desalination Project (ADP) has provided a climate independent water supply for the people of South Australia and an insurance policy against future droughts. The completed desalination plant has been operated and tested to achieve in excess of its nameplate rating of 100 billion litres (100 gigalitres) of desalinated drinking water each year, which is more than half of Adelaide's current drinking water needs.

As the largest water infrastructure project ever completed in South Australia, it has received much recognition throughout the industry and accolades including in October 2013, when the ADP won international recognition as the Project Management Institute's (PMI) Project of the Year.

Since achieving the handover for operations milestone, AdelaideAqua Pty Ltd, an equal joint venture between ACCIONA Agua and TRILITY, has been responsible for operation and maintenance of the plant under a contract which extends for a period of 20 years. The plant is currently undergoing a two-year proving period scheduled for completion at the end of 2014. To date the plant has met all of SA Water's requirements for production of desalinated drinking water and will continue to be operated at the full range of production capacities for the remainder of 2014. During the 2013-14 financial year, the plant delivered around 28% of Adelaide's water supply.

Regional service delivery

SA Water has stringent performance management strategies in place to ensure regulated water and sewerage customer service standards are met. SA Water has consistently achieved regulatory customer service standards for regional areas of operation.

During 2013-14 operations and maintenance in regional areas achieved 99% of total targets, with only a number of exceptions in meeting tight attendance and restoration timeframes. These exceptions were due to long and remote travel distances and a small number of complex restorations that required special parts, which had to be sourced and delivered.

Climate Change Sector Agreement

We have signed a Climate Change Sector Agreement (CCSA) with the South Australian Government. The CCSA 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 CCSA specifies high level greenhouse gas reduction targets, and SA Water has achieved the short term target of constraining net greenhouse gas emissions to an amount equivalent to the Australian Kyoto target of 108% of 1990 levels for the period 1 January 2008 to 31 December 2012. We are on track to achieving the long term target of progressively reducing 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.

Achievements for greenhouse gas reduction included:

- Achieving the target of 20% renewable energy from self-generated and purchased accredited renewable energy sources
- Energy efficiency measures including participation in the Energy Efficiency and Opportunities Program;
- Initiatives such as our annual Environment and Energy Awards and encouraging staff to ride their bikes to work
- Cumulative total mass of CO₂-e sequestered through our bio-sequestration plantings since 1990 is 66,700 tonnes.

The CCSA can be viewed at www.sa.gov.au.

SA Water will also explore opportunities to participate in the newly proposed Emissions Reduction Fund (ERF) by the Federal Government, replacing the previous Carbon Pricing Mechanism (CPM).

Facility emission	Scope 1	Scope 2	Scope 3	Total emissions 2013-14
SA Water corporate and aggregates	9023	3185	1586	13 794
Non metropolitan water pumping and networks	0	102 386	18 165	120 551
Country Wastewater Treatment Plant(WWTP)	6920	5993	3108	16 021
Metropolitan water treatment and networks	617	39 843	9107	49 567
Bolivar WWTP	23 377	18 469	4556	46 402
Glenelg WWTP	4993	2060	632	7 685
Christies Beach WWTP	6595	7811	1419	15 825
Aldinga WWTP	3351	733	130	4214
Adelaide Desalination Plant [^]	0	0	158 877*	158 877*
Country outsourced facilities [^]	0	0	5547	5547
Chemicals	0	0	13 540	13 540
River Murray Facility [^]	0	0	6524	6524
Gross emissions (tonnes CO₂-e)	54 876	180 480	223 191	458 547
Bio-sequestration plantings				-7276
GreenPower accredited RECS (inclusive of SA Water's 20% renewable energy target and ADP renewable arrangements)				-178 712
Carbon Offsets				n/a
Equivalent net emissions (tonnes CO₂-e)				272 559

Notes:

1. The inventory is based on a financial year performance and includes some preliminary figures. Previously SA Water reported its inventory on a calendar year basis. For this report and all future reporting, our inventory will be based on a financial year timeframe, to align with our other reporting requirements.
2. The inventory is based on facilities that align with the National Greenhouse and Energy Reporting System (NGER).
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 caused 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.
6. (*) The Adelaide Desalination Plant operational emissions for electricity consumed are offset by GreenPower Accredited Renewable Energy Certificates (RECs) and are accounted for as zero emissions. GreenPower RECs are formally surrendered in February of each year.
8. Carbon bio-sequestration was calculated using CSIRO carbon accounting methodology Full CAM. This represents the annual sequestration of carbon from our plantings.
9. (^) These facilities are not in SA Water operational control and therefore emissions are recorded as Scope 3.

Greenhouse inventory

SA Water has been measuring its greenhouse gas emissions since 2003 and compiles an inventory of emissions for annual financial year greenhouse gas emissions reporting to the Commonwealth Government under the National Greenhouse and Energy Reporting System (NGER) and meeting the CCSA targets. It also helps us identify opportunities to reduce operational costs and financial and regulatory risk.

We continue to make improvements to the quality of our greenhouse gas inventory data, including undertaking regular independent audits and revising our methodology for calculating emissions from wastewater infrastructure.

In 2013-14, we emitted a total of 458 547 tonnes of carbon dioxide equivalents (CO₂-e) (gross). We offset part of these emissions through the purchase of renewable energy and bio-sequestration plantings to achieve net GHG emissions of 272 559 tCO₂-e, which is a decrease in emissions from 373 794 tonnes of CO₂-e in 2012, due to the commencement of renewable energy arrangements for the Adelaide Desalination Plant (ADP).

Climate change adaptation

The global scientific consensus is that climate change is already occurring and is expected to continue as a result of legacy emissions and as greenhouse gas emission levels in the atmosphere continue to rise. To maintain and provide a sustainable water supply for the state, SA Water must ensure that we are prepared for, and can adapt to, continuing changes in our climate.

SA Water will continue to feel the impacts of climate change in many ways, including a decline in the availability of source water, a decline in water quality and the physical impacts of climate change on our assets as a result of sea level rise and storm surges, increasing temperatures and increasing intensity of natural hazards.

In order to build our resilience, we will identify vulnerabilities across our assets, infrastructure and services and mitigate any potential risks. It is the role of all areas of SA Water to identify and manage these risks and work together to ensure climate risk management is embedded into all parts of our business. We will also be taking advantage of any opportunities that could arise out of changes in our climate to improve both the efficiency and effectiveness of our operations.

While climate change adaptation is a complex matter, planning for the future is a strategic priority for the business. Initiatives will increase in time based on a risk management approach and prioritising areas that are identified as most critical. This will be led by our Climate Change Strategy.

Supporting climate change research

In 2013-14 we were involved in a number of research projects and activities to enable SA Water to improve climate change mitigation and adaptation responses. Key initiatives include:

- Partnering with the Goyder Institute to develop downscaled climate change projections specific to South Australia which will improve planning and future decision making
- The Anammox project to reduce greenhouse gas emissions through a reduction in the amount of electricity used on site and reducing the production of nitrous oxide emissions
- The online monitoring of fugitive GHG emissions at Bolivar WWTP, to better quantify and report fugitive emissions and identify improvements to mitigate emissions
- Application of granular sludge technology to improve the energy efficiency of the waste water treatment process at our treatment facility at Port Pirie
- Progressing a research project exploring the potential impacts of climate change on the raw water quality available for drinking water production in two of SA Water's reservoirs, Happy Valley and Myponga.

We will continue to address priority areas for research on climate change adaptation and mitigation and collaborate with other government agencies and research organisations, to understand existing climate research and identify knowledge gaps to prioritise our research.

Energy management

SA Water manages significant and fluctuating energy demands when delivering water and wastewater services to the South Australian community. Our energy management activities increase operational efficiency and affordability for our customers, as well as manage risk.

Our Energy Portfolio Management Strategy, introduced in 2013, effectively mitigates SA Water's wholesale energy price risk by managing energy demand, providing electricity self-generation and executing fixed price energy contracts. This strategy delivers significant benefits to the corporation and provides flexibility to respond to the energy market and policy movements.

Our ongoing Energy Efficiency Opportunities Program continued to identify innovative energy initiatives. During the year we undertook a detailed energy assessment on water transmission – our most significant energy using activity. The assessment found our major pumping systems to be an efficient operation predominantly as a result of continuous performance monitoring of major pumps. In addition, a detailed investigation into a new hydroelectric project commenced in 2013. We also completed detailed energy analysis and benchmarking of our wastewater treatment plants. This assessment identified process optimisation opportunities and potential new technologies that could be implemented if economically viable.

A new hydroelectric system at Seacliff Park became operational in November 2013 in addition to our existing hydroelectric systems at Hope Valley and the Adelaide Desalination Plant. The Hope Valley hydroelectricity system is a joint venture with Hydro Tasmania. We generated 11 439 megawatt hours of renewable energy from our hydroelectric systems in 2013-2014.

We continue to generate renewable electricity and heat by recovering biogas from the wastewater treatment process at our metropolitan wastewater treatment plants. Throughout the last financial year, SA Water generated 19 914 megawatt hours of renewable energy from biogas. New engines will be commissioned at our Bolivar Wastewater Treatment Plant in 2014 that will increase our energy self-sufficiency and decrease our reliance on imported electricity. We continue to meet our target of achieving 20% renewable energy from self-generated and purchased accredited renewable energy sources.

SA Water recognises and promotes energy excellence with an organisation-wide annual Energy Award. A joint team from SA Water and Allwater were the most recent winners for implementing a full-scale co-digestion plant at the Glenelg Wastewater Treatment site in 2013 that will increase the amount of renewable energy produced and used on the site by 20%.

Fines and sanctions

Compliance with Environment Protection Authority (EPA) licence conditions 2013-14

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 licences	100%	100%	Achieved target
Discharge of stormwater to underground aquifers EPA licences	100%	100%	Achieved target

Environment Protection Orders

Nil Environment Protection Orders (EPOs) were issued to SA Water between 1 July 2013 and 30 June 2014.

Legal actions

Nil legal actions against SA Water between 1 July 2013 and 30 June 2014.

Significant spills

There were no significant spills in the 2013-14 period that resulted in regulatory action.

Environmental incidents that result in emissions to the environment

The failure or blockage of mains and pump stations may result in treated water or untreated effluent entering stormwater and/or watercourses causing environmental harm. Environmental incidents of this nature are recorded and reported to the Environment Protection Authority (EPA) where required. Details of these incidents can be seen in the tables below.

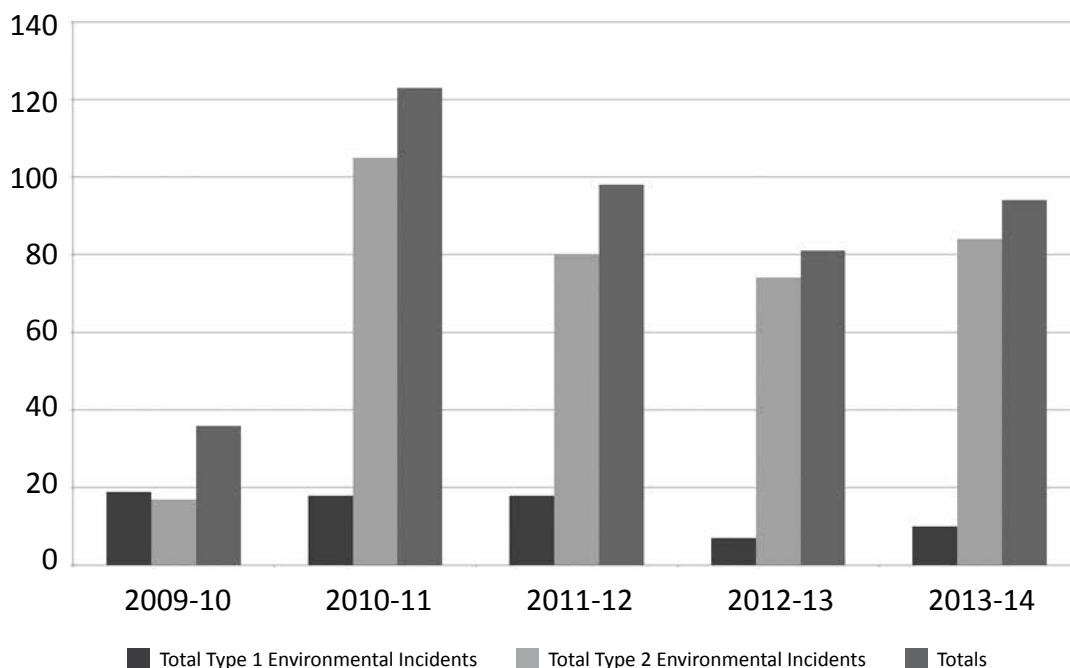
Environmental Incident Type	Result 2010-11	Result 2011-12	Result 2012-13	Result 2013-14
Wastewater overflow incidents (Types 1 and 2)	86	50	51	70
Mains water discharges (unplanned) (Types 1 and 2)	31	23	15	18
Total wastewater overflows and spills entering water courses or stormwater systems	81	50	51	69
Overflows from wastewater pumping stations in Adelaide (including SA Power Network failures)	18	9	6	6
Overflows from wastewater pumping stations in country (including SA Power Network failures)	10	3	2	3

2013-14 saw an increase in wastewater overflows, attributed to stormwater infiltration into the wastewater network during heavy rainfall events.

Environmental incidents 2009-10 to 2013-14

	2009-10	2010-11	2011-12	2012-13	2013-14
Total Type 1 Environmental Incidents	19	18	18	7	10
Total Type 2 Environmental Incidents	77	105	80	74	84

Total Type 1 and 2 Environmental incidents over the past five years



Remote communities

The SA Water Remote Communities Group works with federal and state agencies, Aboriginal land holding authorities and communities in the provision of water and wastewater services to 18 designated Aboriginal communities in South Australia.

The water and wastewater management framework developed for these communities follows a risk analysis approach to guide the asset management program.

Our annual service delivery, valued in the order of \$3.5M, includes: asset management, routine preventative maintenance, response to emergency breakdowns, aquifer performance monitoring, regular water quality and wastewater sampling analysis, and the employment of local Community Water Services Officers.

The Remote Communities Group also undertakes the project management of new infrastructure initiatives and the current delivery includes a capital works program.

Recently completed projects with a total value in the order of \$6.0M include:

- Indulkana water supply upgrade*
- Amata wastewater upgrade*
- Yalata infrastructure replacement project*
- Umuwa water storage tank upgrade
- Gerard water treatment plant upgrade
- Yunyarinyi elevated water storage tanks replacement

** Commonwealth Government funded projects.*

Further work initiatives at Oak Valley are being delivered in conjunction with the Commonwealth funded Remote Jobs and Communities Program.

Business Success

2013-14 Performance Summary			
<p><u>Statement of Intent:</u></p> <ul style="list-style-type: none"> To ensure long term financial success, with a safe, skilled and committed workforce demonstrating excellence in regulatory management and governance. <p><u>Key Strategies:</u></p> <ul style="list-style-type: none"> Regulation & Governance Financial Management Workforce & Culture 	Key Performance Indicator	2013-14 Target	2013-14 Result
	Compliance with SA Water's operating licence	100%	100%
	Operating profit before tax	\$279.9m	\$283.9m
	Lost Time Injuries (excluding contractors)	7	10

SA Water has a strong commitment to safety, which was highlighted in a recent staff engagement survey. While the target for Lost Time Injuries was missed, SA Water has implemented a number of safety initiatives and programs that continue to build on the strong safety culture across the organisation.

During our first full year of operations under economic regulation, no Type 1 or Type 2 breaches occurred.

SA Water is a public corporation that is wholly owned by the Government of South Australia. As such, SA Water is required to pay a dividend to the government each year. In 2013-14, SA Water reported an operating profit before tax of \$283.9 million, which is slightly above target.

Regulation & Governance Strategy

Economic regulation

Economic regulation of SA Water commenced on 1 January 2013 in line with the requirements of the *Water Industry Act 2012*. The role of economic regulation is to ensure water and wastewater customers receive value for money for the services SA Water delivers.

The Essential Services Commission of South Australia (ESCOSA) is the independent regulator responsible for protecting the long term interests of water and wastewater customers with respect to price and service.

During 2013-14 SA Water worked collaboratively with ESCOSA to deliver on the following benefits for customers:

- A decrease in prices of 6.4% for water in 2013-14. This was a result of SA Water's commitment to implementing further efficiencies that deliver services at lower costs while still maintaining service levels
- Successful achievement of 59 out of 66 service standards, demonstrating that SA Water is servicing its customers to a very high level
- Satisfactory compliance against the requirements of the regulatory framework, reporting no major or intermediate regulatory breaches.

SA Water also received positive feedback from customers as part of the customer engagement process. Customers advised SA Water that they are, as a whole, very happy with the services SA Water provides and the way in which SA Water provides them.

During 2014-15 SA Water will continue to work closely with ESCOSA to achieve the long term goals SA Water customers have set for us: to lower the cost of essential services and maintain the levels of service customers want and expect.

Water and sewerage pricing

The South Australian Government sets prices for water and wastewater services in the context of national guidelines developed by the Council of Australian Governments (COAG). The guidelines ensure prices are reasonable in the context of the costs of providing water and wastewater services. These guidelines underpin *The Water Industry Act 2012*.

As mandated in the Act, ESCOSA commenced its appointment as SA Water's economic regulator from 1 January 2013 and is responsible for determining SA Water's maximum allowable revenue. ESCOSA's first revenue determination is for the period 1 July 2013 to 30 June 2016.

For 2013-14, water prices decreased on average by 6.4% across all customers. Sewerage charges were increased by 1.6% for metropolitan customers and 2.1% for country customers on average.

Water and wastewater charges support the ongoing operation and maintenance of our existing supply networks.

Residential charges for 2013-14 compared to 2012-13

Water	Relevant daily threshold*	Indicative quarterly threshold (91 days)	Year	Water use price
Usage Charge Tier 1	0 to 0.3288kL	0 to 30kL	2012-13	\$2.42/kL
			2013-14	\$2.26/kL
Usage Charge Tier 2	0.3288kL to 1.4247kL	30 to 130kL	2012-13	\$3.45/kL
			2013-14	\$3.23/kL
Usage Charge Tier 3	Above 1.4247kL	Above 130kL	2012-13	\$3.73/kL
			2013-14	\$3.49/kL
Annual Supply Charge			2012-13	\$293.00
			2013-14	\$274.80
Sewerage		Customers	Year	Sewerage prices
Minimum			2012-13	\$336
			2013-14	\$341.40
Rate in Dollar		Metropolitan	2012-13	0.1245%
			2013-14	0.1261%
Rate in Dollar		Country	2012-13	0.1639%
			2013-14	0.1661%

Finance Management Strategy

Business transformation

In mid-2012, SA Water embarked on a Business Transformation (BT) project to focus on ways of enhancing our customers' experience and ensuring more efficient operations and effective investment for the future.

Initiatives are now being implemented that will deliver a range of benefits – from more streamlined procurement processes, to more efficient capital delivery.

There are several key elements to our business transformation program:

New SA Water structure

A major restructure was undertaken, starting with the Senior Leadership Team, that aimed to provide clearer accountabilities for roles at every level of the business. The structure aimed to promote a greater focus on end-to-end processes and the roles of teams in delivering these more effectively.

The *Requisite Organisation* model has been used to redesign the structure to ensure employees have the appropriate levels of accountability and authority to carry out their roles.

Transformation initiatives

Towards the end of 2012, SA Water undertook a program of workshops across the state which asked employees to consider the expectations of internal and external customers, and what we might need to do differently to meet their needs and 'build a better future'. The workshops – attended by more than 1000 employees – generated more than 1750 ideas and comments.

This feedback was then fed into the Business Transformation project and, where there were recurring comments and themes emerging, the project team worked with the business to develop change initiatives. The project team also looked at major processes used for delivering water and wastewater services and began designing ideas for sharpening customer focus and delivering services more efficiently.

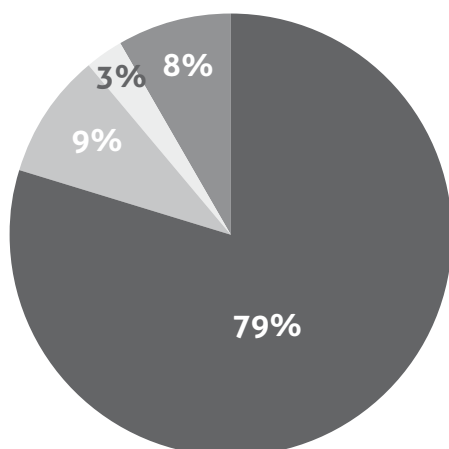
The BT project now includes 22 major initiatives that – along with the restructure of the business – have the potential to deliver major benefits over the coming years, including improved customer experience, streamlining of processes, and greater operating and capital efficiencies.

Other savings initiatives

There has been a significant focus on delivering additional savings across the business. All teams have been engaged in finding ways of achieving their outcomes for less, without compromising the quality of service delivered to customers.

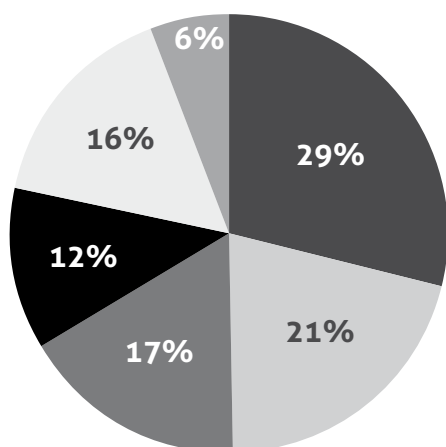
End of Year Results

Where our revenue comes from



	\$
Water and wastewater 79%	1 096 751
CSOs 9%	125 751
Contributed Assets 3%	44 769
Other revenue 8%	114 307
Total	1 381 578

Where we spend our money



	\$
Depreciation and amortisation 29%	318 195
Finance costs 21%	225 325
Operational services & contracts 17%	181 544
Salaries & benefits 12%	126 456
Services & supplies 16%	177 281
Electricity 6%	68 919
Total	1 097 720

Check – net profit **283 858**

Contractual Arrangements

1. Annual spend

\$622,438,096

2. Procurement overview

SA Water's Procurement team performs a critical role in the management of expenditure which exceeded \$622 million dollars for the 2013-14 financial year. The Procurement team ensures that procurement activities deliver value for money outcomes for the benefit of our owner, our customers, the environment and the community.

A range of business transformation initiatives commenced in 2013, aimed at improving both the efficiency and effectiveness of SA Water's procurement processes as well as driving improved business and financial outcomes.

A key initiative is transitioning procurement to a more strategic and proactive approach through the development and implementation of a comprehensive Category Management strategy. Category Management is a procurement approach that groups expenditure by type and then leverages requirements for similar expenditure, supplier relationships and industry expertise to drive improvement and innovation. Other initiatives include the improvement of internal processes through the implementation of an electronic catalogue system (E-Catalogue) and the redesign of internal procurement processes to focus procurement resources on high risk/complex procurements while empowering the business to process low value, low risk, low complexity procurement more efficiently within a robust control framework (Risk Based Procurement).

3. Contractual arrangements

(Contracts awarded in 2013-14 which exceed \$4 million (GST inclusive) and extend beyond a single year).

3.1 Major capital works contracts

Bolivar Wastewater Treatment Plant concrete rehabilitation and grit removal

York Civil

The provision of concrete rehabilitation works to the existing sedimentation tanks and the design and construction of two new grit vortex units at the Bolivar Wastewater Treatment Plant. The contract commenced in January 2014 and is expected to be completed by June 2015.

3.2 Operational contracts

Heavy fleet management services

VEHTEC Pty Ltd

Provision of management services for SA Water's heavy fleet of 700 vehicles, and minor plant assets. The contract includes management of servicing, maintenance, purchase, disposal and registration of assets. The contract runs until 30 June 2015 with the option to extend for a further two years.

Microsoft Enterprise Agreement

Microsoft Pty Ltd

Provision of Microsoft software licensing. The contract runs for three years from 1 September 2013.

South Australian industrial participation policy

The South Australian Government is committed to ensuring that competitive local small and medium enterprises (SME) are given full, fair and reasonable opportunity to be considered for major work being undertaken in South Australia in both the public and private sectors.

The South Australian Industry Participation Policy (SAIPP) was developed to address this commitment, and part of the requirements of this initiative included progress reporting by South Australian Government agencies in their Annual Reports. This policy came into effect on 1 July 2012.

The policy has a tiered structure that necessitates different compliance requirements depending on the contract value, and for contracts exceeding \$10M, formal reporting is required by the suppliers of progress made against their own Industry Participation Plan.

Contracts and tenders within scope of SAIPP	
Number of tenders released	18
Number of contracts awarded	20
Total value of contracts awarded	\$80M
Number of local jobs performed in South Australia as a result of the contract ¹	23
Total value of capital spend retained in SA ²	N/A
Value of subcontracts awarded to local SME to date ¹	\$17.9M
Value of goods and services produced in South Australia to date ¹	\$14.0M
Value of goods and services produced in Australia to date ¹	\$18.8M

Notes:

1. Derived from supplier reports relating to eligible contracts necessitating formal reporting.

2. Not applicable as there was no capital items leased or purchased greater than \$250,000.

Use of consultants

There were three consultancies with expenditure less than \$10,000 in 2013-14. The total expenditure for these consultancies was \$22,806.36

Consultancies with expenditure between \$10 000 and \$50 000

	Description of work
PricewaterhouseCoopers	Accounting advice re Rex Minerals accounting advice in relation to asset valuation methodology
Solutions@Locher Pty Ltd	HR salary benchmarking
Mercer (Australia) Pty Ltd	HR salary benchmarking

There were nine consultancies with expenditure greater than \$50,000 in 2013-14. The total expenditure for these consultancies was \$498,629.

Consultancies with expenditure greater than \$50 000

Name of business	Description of work
Leadenhall Australia Ltd	Preparation of supplementary rate of return advice re Rex Minerals Ltd
BDO Advisory SA Pty Ltd	Review of SA Water's developer charges
AEC Environmental Pty Ltd	Asbestos register update
Hender Consulting	New structure implementation
The Working Journey	New structure implementation
ESKB Consulting	Consulting services specific to economic regulation
PricewaterhouseCoopers Asset	Business transformation plans and strategies
David Taylor	Infrastructure planning services for remote communities
Ernst & Young	New structure implementation

The overall total expenditure on all consultancies by SA Water in 2013-14 was \$521,436.

Account 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	50 054	96.90%	768 266 720	96.24%
Paid late, within 30 days of due date	1 197	2.32%	26 966 373	3.38%
Paid more than 30 days from due date	405	0.78%	3 045 052	0.38%

*The majority of late payments are due to time taken in attaining further account information

SA Water paid 96.9% of invoices within 30 days of the receipt of GST compliant invoices, considerably higher than the target of 90% and consistent with the previous two financial years' results of 97.9% and 98.1% respectively.

Workforce & Culture Strategy

Attracting and retaining skilled people

SA Water remains committed to its strategy for workforce planning and replenishment for 2012-17. This includes continuance of its Workforce Replenishment Program, ensuring we have a pipeline of skilled technical workers in areas where our workforce demographic data indicates no real easing of workforce ageing issues. This program also supports attraction and retention of graduates in core work areas including engineering, science and commerce.

SA Water completed a staff engagement survey in May 2014. This survey is primarily a measure of employees' willingness to give their discretionary effort to help the organisation achieve and exceed its goals. Our engagement results will inform the SA Water Culture Change Program and drive other People and Culture Plan initiatives to improve our employee value proposition and ensure the continued attraction and retention of skilled and committed employees. Our inaugural engagement survey post organisational restructure suggested a need for improved engagement following the large scale organisational restructure. Consultation across the business has commenced with a focus on priority engagement drivers.

Growing our capability

As part of the organisation wide restructure, a new centralised Learning & Development Unit was established in March 2014 to deliver savings and improve training/program identification and delivery across all SA Water business groups. The centralised model will ensure that we have the right people with the right skills at the right time in the most cost efficient manner. Key elements include:

Capability framework:

- A new capability framework, aligned to strategic imperatives and responsive to emerging industry changes, will be implemented in line with the 2014-15 Personal Achievement and Develop Plan process.

Centralised training:

- Improved transparency and equity in the allocation and expenditure of training resources and funds
- Rationalisation of resources dedicated to training
- Improved performance reporting to quantify return on investment.

Efficiency and effectiveness:

- Processes have been standardised in order to capitalise on economies of scale and realise workplace productivity savings
- Improved integration and alignment with other workforce activities.

Culture:

- Nurturing a new environment that supports and promotes a learning culture.

Leadership development

In consideration of SA Water’s strategic imperatives, the Leadership Capability Framework is being evaluated to support leadership development and enable leaders to drive future success. This year the leadership program experienced a hiatus due to the restructure however, the implementation of the principles of requisite organisation have been a primary focus for SA Water people leaders. Twenty five requisite organisation effective leadership development programs were completed in 2013-14.

Training and development expenditure

Training and development expenditure type	Total costs	Percentage of total salary expenditure
Technical, compliance, professional, commercial and technology	\$1,257,351	0.74%
Leadership and management	\$272,778	0.16%

Accredited training

Training package	Number completed	Classification level	Total
Cert III Water Industry	9	SAW2	43 employees
	5	SAW3	
	14	SAW4	
	11	SAW5	
	4	SAW6	
Diploma of Project Management	1	SAW7	1 employee
Cert III Engineering T/P (Electrical)	1	SAW2	1 employee
Cert III Engineering T/P (Fabrication)	2	APPM	3 employees
	1	SAW2	
Cert III Engineering T/P (Mech)	1	SAW2	2 employees
	1	SAW3	

Equal employment opportunity programs

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

There are currently 32 Aboriginal and Torres Strait Islander employees in various business functions including information technology, field maintenance, apprenticeships, administration and management. Four Aboriginal employees are located at Lake Victoria and Lock 7 in NSW undertaking cultural heritage and land management duties.

During the year, seven scholarships and targeted traineeships were offered to Aboriginal and Torres Strait Islander applicants. Two of our Aboriginal employee trainees were successful in gaining ongoing positions through the recent organisational restructure.

At present SA Water's percentage of Aboriginal staff representation sits at 2.18% against a 2014 target of 2.0%.

SA Water continues to be part of the Department of Further Education, Employment, Science and Technology (DFEEST) Aboriginal Energy Resources and Water Cluster which brings major organisations within these fields together to increase Aboriginal employment opportunities and numbers. The Cluster is chaired by the Chairman of SA Water, Mr. Lewis Owens. The SA Water Reconciliation Action Plan remains a centre piece for our aboriginal employment strategy.

SA Water has workplace diversity targets in place for women within the SA Water workforce. The number of women in senior and middle management roles at hierarchical levels 1, 2 and 3 post restructure is 49 which equates to 25%. The target for 2013/14 in this area was 35%. Targeted programs are being developed in 2014-15 to support women in leadership outcomes.

The number of women in core water services roles who have an engineering or science qualification was 27% against a target of 36%. Evaluation of core water services roles at SA Water will be a key focus area in 2014-15.

The Women in SA Water (WiSAW) Consultative Group, which commenced in 2011 is being reviewed to consider broadening the focus of this group to diversity and inclusion. Work is currently underway with the WISAW Group to assist in the development of a future diversity strategy for SA Water. SA Water is in a strong position to move to the next phase of Diversity and Inclusion following the recent bedding down of the new corporate structure. The recent Employee Engagement Survey also indicates that the diversity space provides opportunities to build positive engagement with all employees and to develop initiatives to enhance the achievement of strategic diversity targets.

Diversity statistics as at 30 June 2013

Workforce & Culture

Workforce & Culture	Workforce diversity – gender (senior/middle management)	Percentage	45.90%
	Number of staff in senior/middle management positions	Number	61
	Number of female staff in senior/middle management positions	Number	28
	Workforce diversity – gender (core water services)	Percentage	33.81%
	Number of staff in core water services positions	Number	139
	Number of female staff in core water services positions	Number	47
	Workforce diversity – indigenous employment	Percentage	2.12%
	Total number of SA Water staff	Number	1461
	Number of Indigenous employees	Number	31

Workforce sustainability programs

Aboriginal Employment Programs

Our Aboriginal Employment Programs are designed to increase employment and strengthen professional and career development opportunities for Aboriginal employees. Our programs reduce barriers and improve the recruitment experience for Aboriginal candidates.

Throughout 2013-14 SA Water employed seven aboriginal staff through our Aboriginal Employment Programs. During this period two staff members were appointed to ongoing roles following open competitive selection processes in the areas of Information Services and Construction & Maintenance.

During this period SA Water received Federal Government funding to support the employment of Aboriginal candidates in general and traineeship roles.

Graduate Program

During the 2013-14 period all graduates from the 2012 intake and five graduates from the 2013 intake were successful in gaining an ongoing role within SA Water. There are currently 14 graduates remaining on the program: five from the 2013 intake and nine from the 2014 intake. These graduates are placed across a variety of areas of the business, including Allwater, Regional Operations, Water Quality, Information Services, Engineering, Research and Innovation and Infrastructure Delivery.

For the 2015 intake, SA Water received 587 applications from across the following disciplines:

- Engineering (Chemical, Mechanical, Electrical and Civil)
- Environmental Management/Land Management
- Business/Finance/Commerce

Water Industry Trainees

From the 2013 Water Industry Trainee intake, five trainees have won ongoing roles, two trainees won ongoing roles before they had completed their traineeship and a further two trainees moved across to undertake apprenticeships.

Apprentices

SA Water employs apprentices in three vocations:

- Electrical (Cert III in ElectroTechnology)
- Fitting & Turning (Cert III in Engineering Trades - Mechanical)
- Welder/Boilermaker (Cert III in Engineering Trades - Fabrication)

During the 2013-14 period SA Water employed 13 Electrical apprentices, 10 Fitting & Turning apprentices and seven Welder/boilermaker apprentices.

Technical Cadets

SA Water recruited one Technical Cadet as an Engineering Cadet during 2013-14, bringing the total number of Technical Cadets employed by SA Water to eight.

Scholarship Program

Since 2006, the SA Water Scholarship Program has provided educational support for aspiring South Australians to forge employment pathways into SA Water's future workforce and the wider business community.

South Australians who benefit from SA Water's Scholarship Program include:

- disadvantaged youth
- women pursuing study in non-traditional roles
- people with disabilities
- indigenous peoples
- people who pursue academic excellence
- people in regional and remote locations and
- people from culturally diverse backgrounds.

In 2013-14 there were 27 SA Water scholarship recipients who are enrolled at the University of Adelaide, Flinders University or Uni SA across the following disciplines: Engineering, Commerce and Business, Science and Information Technology. Scholarships have also been awarded through our partnerships with the Smith Family, two with Water Research Australia and four with Tanundi College.

Unions

SA Water employees have the freedom to choose to be represented by a union. Information about relevant unions is available in the workplace. SA Water employees are currently represented by six different unions.

Enterprise Agreement

The SA Water Corporation Enterprise Agreement 2013 covers approximately 70% of the workforce. The parties to the Enterprise Agreement are those employees defined as being within the scope of the agreement, the six unions representing employees, and SA Water. The current Enterprise Agreement has a nominal expiry date of 30th June 2014. In accordance with the current Enterprise Agreement, negotiations commenced in March 2014 with SA Water providing notice to employees of the corporation's intent to commence negotiations for a new Enterprise Agreement. Negotiations have continued into the current financial year. During the term of the current Enterprise Agreement, in a period of significant restructure across the corporation, both SA Water employees and the unions have continued to participate in and commit to initiatives focused on improving flexibility, efficiency and organisational performance.

Work Health and Safety and Injury Management

Commitment to management of safety and wellbeing

At SA Water, the safety of workers will not be compromised, as expressed in our core value, 'Put safety above all else'. The Chief Executive and General Managers are directly involved in serious incident investigations, including near miss incidents, conducting site safety visits and discussing safety at every opportunity. The engagement survey conducted in 2014 indicated that 83% of workers agreed safety is considered important at SA Water.

The Board of SA Water takes a strong and pro-active approach to all Work Health and Safety (WHS) issues and ensures this is a key focus of all board meetings as well as a critical area of review on board site visits.

The Safety Management System (SMS) has been rebuilt, the core of which is a risk management framework. The key principle has been to create simple and practical hazard management standards for high risk activities, supported by on the job requirements at the point of risk.

SA Water continues to offer a health and wellbeing program to its employees. Initiatives in 2013-14 focused on promoting a healthy lifestyle including a roll out of health expos across the organisation. Preventative measures were put in place to support people through a major restructure of the organisation including utilising the Employee Assistance Program, providing resilience training and other mental health initiatives.

Integrated risk management

The WHS risk profile has been established using the corporate risk management process and drives the priority for managing safety at SA Water, including the capital delivery and asset management programs. Contractor tender and procurement processes ensure that safety is considered as part of the engagement of contractors through a pre-accreditation and induction system. Project managers have been provided training to facilitate the monitoring of contractor safety once engaged. Engineering has initiated a safety-in-design project to ensure new assets and infrastructure minimise risk at the project design stage.

Effective measurement and evaluation

Safety measures are a mixture of lead and lag indicators. The risk profiling system produces a risk exposure score and initiatives have resulted in a 20% reduction over 18 months. The number of hazards and near miss incidents reported has increased by 57% and 21% respectively after a campaign to improve reporting.

The lag indicators did not meet target but were only marginally different to last year. This was primarily due to the focus on high consequence/low frequency risk, whereas the injury data comprised low consequence/high frequency incidents, eg slip, trip and manual handling injuries.

Consultation arrangements

SA Water has a network of Health and Safety Representatives (HSRs) and a consultative framework comprising a number of committees and other forums to support Work Health and Safety. In October, Safety Week was recognised by SA Water with a one day in-house workshop for HSRs entitled "Partners in Prevention" with 60 participants. The success of the event was evidenced by their request to hold similar workshops at least annually.

Performance indicators

As stated the focus on high risk injury prevention strategies has had little impact on the lag indicators. The lost time and medically treated injuries were primarily from strains and sprains from manual handling or slip, trip and falls and so targets were not achieved.

It should be noted that SA Water has been in a period of significant change, which often results in large increases in workplace injuries and workers compensation claims. Maintaining the same performance as the previous period indicates that safety has not been compromised through the restructure.

Table 1 – SA Water WHS performance indicators

Key outcome	2011-12 target	2011-12 actual	2012-13 target	2012-13 actual	2013-14 target	2013-14 actual
Significant Injury Frequency Rate #1	16.40	11.79	10.70	11.31	9.61	11.44
Severity Rate	5.62	4.89	5.0	9.7	4.8	5.1
Lost Time Injury Frequency Rate #2	2.72	3.22	3.58	3.66	2.51	3.69

NOTE:

#1 The significant injury frequency rate includes the combined number of medical treatment injuries and lost time injuries, reported as a frequency rate based on number of these incidents per million hours worked.

#2 The lost time injury frequency are work related injuries or diseases that resulted in a fatality, permanent disability or time lost from work of *one full shift or more*, reported as a frequency rate based on number of these incidents per million hours worked.

Table 2 – Work Health and Safety prosecution, notices and corrective action

Number of notifiable occurrences pursuant to WHS Act Part 3	4
Number of notices served pursuant to WHS Act Section 90, Section 191 and Section 195 (<i>provisional improvement, improvement and prohibition notices</i>)	0

Table 3 – Workers compensation gross expenditure for 2013-14 compared with 2012-13

Expenditure	2012-13 (\$m)	2013-14 (\$m)	Variation (\$) + (-)	% Change + (-)
Income Maintenance	0.061	0.120	+0.059	+96%
Lump Sum Settlements Redemptions – Section 42 Permanent Disability – Section 43	0.607	0.210	-0.397	-65%
Medical/Hospital Costs combined	0.256	0.123	-0.133	-52%
Other	0.102	0.071	-0.031	-30%
Total Claims Expenditure	1.02	0.524	-0.546	-49%

Table 4 - Meeting Cabinet Safety Performance Targets

	2009-10	Performance: 12 months to end of June 2014*			2015 Final Target
	Actual	Actual	Notional Quarterly Target**	Variation	Numbers or %
1. Workplace Fatalities	0	0	0	0	0
2. New Workplace Injury Claims	55	45	44	+1	41
3. New Workplace Injury Claims Frequency Rate	22.75	NA	NA	NA	17.06
4. Lost Time Injury Frequency Rate ***	7.86	NA	NA	NA	5.90
5. New Psychological Injury Frequency rate	2.11	0.00	1.68	-1.68	1.58
6. Rehabilitation and return to work					
6.a Early Assessment within 2 days	76%	96%	80%	+15%	80%
6.b Early Intervention within 5 days	80%	100%	90%	+10%	90%
6.c Days Lost <= 10 days	58%	50%	60%	-10%	60%
7. Claim Determination					
7.a Claims determined for provisional liability within 7 calendar days	7%	92%	100%	-8%	100%
7.b Claims determined in 10 business days	79%	72%	75%	-3%	75%
7.b Claims still to be determined after 3 months	4%	9%	3%	+6%	3%
8. Income Maintenance - Payments for recent injuries					
8.a 2012-2013 Injuries (at 24 months development)		\$44,187	\$32,804	+\$11,383	Below previous 2 years average
8.b 2013-2014 Injuries (at 12 months development)		\$25,260	\$24,087	+\$1,172	Below previous 2 years average

* Except for target 8, which is YTD. For targets 5, 6c, 7b & 7c, performance is measured up to the previous quarter to allow reporting lag

** Based on cumulative reduction from base at a constant quarterly figure

*** 'Lost time' in claims data is based on the number of claims that have received income payments not the number of full shifts lost as in the WHS LTIFR data. The frequency rate is calculated for benchmarking and is used by the WorkCover Corporation. The (Self Insured Management System) SIMS data base has not generated/recorded the data, hence it has been recorded as a NA.

Comments

Early intervention has been a key strategy to support employees who have incurred either work or non-work related injuries or illness. In 2013-14 the average response time of the WHS team to any reported work injury was six hours against a target of 24 hours. This intervention is reflected in the cabinet performance targets with the early assessment and intervention results exceeding targets.

SA Water had three claims with more than 10 days lost. The remaining claims in this data account for claims that received make up pay for lost overtime or on call work. A total of 51 days were lost from work due to injury, compared to 107 days in 2012-13.

All claims were determined for provisional liability as per the legislation, however the decision to accept or reject some claims was deferred pending further evidence, thus missing the 10 day target.

Four claims were not determined within three months due to delays in receiving medical reports.

Employee statistics 2013-14

Employee numbers, gender and status

	2009-10	2010-11	2011-12	2012-13	2013-14
Total employees (people)	1572	1567	1640	1579	1448
Male	1144	1139	1194	1155	1058
Female	428	428	446	424	390
Total FTEs	1537.92	1526.59	1593.0	1534.52	1407.85
Total male	1142.15	1135.50	1189.5	1148.36	1050.66
% male	74.27	74.38	74.67	74.83	74.63
Total female	395.77	391.09	403.5	386.16	357.19
% female	25.73	25.62	25.33	25.17	25.37
Number of people separated from the organisation	134	193	176	203	244
Number of people recruited to the organisation	223	177	254	147	99
Excluded Employees: people on leave without pay as at 30 June *exceeding 22 days	28	17	22	27	13

Employees by salary bracket

Salary bracket	Male	Female	Total
\$0 - \$54 799	223	102	325
\$54 800 - \$69 699	237	101	338
\$69 700 - \$89 199	272	97	369
\$89 200 – \$112 599	161	48	209
\$112 600+	165	42	207
TOTAL	1058	390	1448

Status of employees in current position

FTEs	Ongoing	Short-term Contract	Long-term Contract	Other (Casual)	Total
Male	935.20	31.53	83.20	0.73	1050.66
Female	303.50	23.10	29.80	0.79	357.19
TOTAL	1238.70	54.63	113.00	1.52	1407.85
Persons	Ongoing	Short-term Contract	Long-term Contract	Other (Casual)	Total
Male	940	32	84	2	1058
Female	334	24	31	1	390
TOTAL	1274	56	115	3	1448

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

**Note these are classified as SW in line with the SA Water Single Classification Structure (placed in brackets beside previous Class)

Class	Ongoing		Contract tenured		Contract untenured		Other (casual)		Total	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
EX A (SW10)	1				18	8			19	8
EX B (SW11)					1				1	
EX C (SW12)					6	2			6	2
EX D (SW13)										
EX E (SW14)					1				1	

Percentage of women by classification levels

	2013-2014		2013-2014		2013-2014
SAW1	28.57%	SAW6	26.76%	SW11	0.00%
SAW2	23.68%	SAW7	28.63%	SW12	25.00%
SAW3	25.66%	SAW8	25.50%	SW14	0.00%
SAW4	33.33%	SAW9	30.77%	Trainees	0.00%
SAW5	30.73%	SW10	28.57%		

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

	2009-10	2010-11	2011-12	2012-13	2013-14
Sick Leave days taken	6.42	6.55	7.36	7.15	6.93
Family Carers Leave taken	1.08	1.27	1.19	1.39	1.70
Special leave with pay	0.25	0.39	0.63	0.46	1.09
Total Average days taken per FTE employee	7.75	8.21	9.18	9.00	9.72

Workforce diversity information

We are mindful of the need to protect the privacy of our employees and staff are not obliged to volunteer information about their culture. Therefore 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 - \$54 799	16	325	4.92%	2.00%
\$54 800 - \$69 699	7	338	2.07%	2.00%
\$69 700 - \$89 199	6	369	1.63%	2.00%
\$89 200 – \$112 599	1	209	0.48%	2.00%
\$112 600+	1	207	0.48%	2.00%
TOTAL	31	1448	2.14%	2.00%

* Target from South Australia's Strategic Plan

Cultural and linguistic diversity

	Male	Female	Total	% SA Water	% SA Community
No. of employees born overseas	129	55	184	12.59%	22.1%
No. who speak language other than English at home	92	73	165	11.29%	14.4%

Number of employees with disabilities*

Male	Female	Total	% SA Water
13	4	17	1.16%

* 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	2014 Workforce Benchmark
15-19	15	1	16	1.10%	5.50%
20-24	65	22	87	5.96%	9.70%
25-29	94	58	152	10.40%	11.20%
30-34	130	69	199	13.62%	10.70%
35-39	127	67	194	13.28%	9.60%
40-44	134	55	189	12.94%	11.40%
45-49	137	41	178	12.18%	11.10%
50-54	101	44	145	9.92%	11.40%
55-59	141	32	173	11.84%	9.10%
60-64	87	13	100	6.84%	6.70%
65+	28	0	28	1.92%	3.60%
TOTAL	1059	402	1461	100.00%	100.00%

Voluntary flexible working arrangements

Leave Type	Male	Female	Total	% of all SA Water employees
Purchased Leave	24	20	44	3.01%
Flexitime	801	316	1117	76.45%
Part-time	21	102	123	8.42%
Working From Home	11	16	27	1.85%

Reconciliation Action Plan

SA Water has continued its commitment to Aboriginal employment and initiatives through its 2012-2014 Reconciliation Action Plan (RAP). The focus has been to build on the success of the inaugural RAP by integrating meaningful actions that will lead to SA Water being seen as “an employer of choice” for Aboriginal and Torres Strait Islander people. This has led to SA Water successfully meeting its employment targets right across metropolitan and regional areas, as well as other significant initiatives including:

- Continued support of National Reconciliation Week and NAIDOC Week
- Engagement with local Aboriginal communities on projects that will protect Aboriginal Heritage and Culture
- Continued scholarships and work experience opportunities for Aboriginal and Torres Strait Islander peoples.

SA Water is now finalising new and updated action items for the rollout of the 2014-2016 RAP.

Employees’ overseas travel

Number of employees	Destination/s	Reason for travel	Total cost to SA Water (\$)
1	Washington DC	To work with collaborators on the Water RF/ WQRA project ‘Comprehensive assessment of the impacts of climate change on reservoir water quality in a range of climatic regions’.	2 740
1	Taiwan	To attend ‘Off Flavours in Aquatic Environment’ research conference.	Nil (funded through external partnership)
1	Washington DC	To attend a workshop in Washington DC ‘Disinfection by-products – State of the Science expert workshops’.	Nil (funded through external partnership)

1	Austria, Vienna	To attend a conference for the International Study exchange to Technical University of Vienna for 'Sustainable wastewater research investigation'.	2 100
1	Manchester, UK	To attend 'Activated Sludge' conference.	3 500
1	San Diego, USA	To attend '2013 ESRI International User' conference.	7 260
1	Toronto	To attend 'World Conference on Disaster Management' conference.	5 600
1	UK & France	Meet representatives of Balfour Beatty (London, UK) Visit Network Intelligence Solutions unit – asset condition surveying; attend demonstration of Network Intelligence Portal (Manchester, UK). Meet representatives of United Utilities (Lingley Mere, UK) Attend demonstration of Balfour Beatty Building Information Modelling (BIM) capability (Balfour Beatty – Cheadle, UK). Give presentation at Suez Environment 8th World Technical Congress (Paris, France) Visit Nice WWTP (Nice, France) Visit Mougins Control Centre (Nice, France) Visit Aquaviva / Cannes WWTP (Cannes, France) Attend Global Water Summit 2014 (Paris, France)	13 390
1	France	To attend 'Annual Suez Environmental Technical' Congress.	10 550
1	New Orleans	To attend 'PMI Global Awards 2013'.	2 640
1	Singapore / Croatia	To attend 'IPMA Global Awards 2013' and 'PMI Singapore Regional Symposium 2013'.	10 490
1	Toronto, Canada	To attend 'World Conference on Disaster Management', as part of SA Water's sponsor agency for the State Emergency Centre's EFS function.	6 675
1	London	To attend 'Project Managed Organisation' (PMO) world congress.	1 500 (half of \$3K cost of flights paid by (AIPM – council)
TOTAL \$			66 445

Planning for the Future

2013-14 Performance Summary			
<p><u>Statement of Intent:</u></p> <ul style="list-style-type: none"> To plan for a sustainable future through integrated water planning and stewardship of our physical and natural assets. <p><u>Key Strategies:</u></p> <ul style="list-style-type: none"> Integrated Water Planning Asset Stewardship 	Key Performance Indicator	2013-14 Target	2013-14 Result
	Water Licence Compliance - extraction within allocation	100%	100%
	Water Licence Compliance - licence conditions	100%	100%
	Water main breaks (total number per 100km of water main)		
	- metropolitan	21	16
	- regional	8	9
Sewerage mains breaks and chokes (total number per 100km of water main)			
- metropolitan	52	52	
- regional	15	14	

SA Water is compliant with all water licences and is developing procedures to maintain compliance in the longer term.

SA Water is committed to maintaining assets to a high standard to ensure continuity of water and sewerage services. We continue to focus on those water and sewerage mains that have a high probability of failure, as is evident from the reduced number of metro-based water main breaks per 100km.

Integrated Water Planning Strategy

Water security planning

During 2013-14, SA Water continued to develop new and innovative ways of balancing water security with energy costs and water quality. Delivering water supplies in an efficient, responsive, sustainable and accountable manner is central to our business and helps to provide security for all of South Australia now and into the future. Our water security work included policy initiatives and new approaches associated with SA Water's major water sources, as well as working closely with key researchers in the water sector. In particular, during 2013-14 SA Water continued work on the Water Security Plan to deliver quality drinking services to the South East. Our Water Security Plans enable us to develop a framework for SA Water to evaluate a water resource's ability to meet future demand and help guide decision making around the management and investment in our water infrastructure. A significant focus of the Water Security Plan for the South East this year was the long term security of water supply for Mount Gambier, the region's largest urban centre. Our next focus will look at the Kingston, Bordertown and Naracoorte supplies.

Asset Stewardship Strategy

Managing our natural assets – supply catchments, land and natural resources

SA Water develops, maintains and implements frameworks and plans for the management of the corporation's land, property, supply catchments and water assets which deliver strategic, risk, regulatory and on-ground outcomes. During 2013-14, SA Water continued to implement its extensive fire management program across its land holdings. This included cross land tenure collaborative efforts on planning, such as the South Para Fire Management Plan and delivery of a comprehensive prescribed burn program as part of cross government cooperative arrangements for fire management on public land. SA Water continues to participate in interagency bushfire and natural hazard management arrangements, and provided extensive support and resourcing to a number of large fire events including the Eden Valley and Bangor fires.

Catchment inflows are an important part of SA Water's source water portfolio. Since most of SA Water's drinking water supply catchments are open to human activities (multi-use catchments) and not under the direct control of SA Water, the corporation puts special emphasis on working collaboratively with other natural resources management agencies and organisations to achieve positive water quality outcomes that benefit our customers. Efforts in the past year have concentrated on fine-tuning our spatial catchment risk assessment methodology, keeping our catchment status reports updated and conducting specific investigations into the sources and mitigation of pathogens (*Cryptosporidium* risk). Routine water quality monitoring information from primary supply catchments in the Mount Lofty Ranges watershed is provided through over 10 automated flow and water quality composite samplers.

Capital Projects Highlights

Ongoing projects from 2013-14

North South Interconnection System Project (NSISP)

The NSISP is a \$403 million project that connects Adelaide's northern and southern water supply networks. Works include construction of three new pump stations, over 30 kilometres of new pipe work, installation of a number of pressure regulating and sustaining valves and a range of ancillary works across the SA Water metropolitan water supply network.

The NSISP has delivered new levels of flexibility and reliability of water supply through a significant increase in network transfer capability to meet future demand across the Adelaide metropolitan area.

In September 2013, the NSISP team was the recipient of the state's top Project Management Award for a Construction & Engineering project worth more than \$100 million.

In October 2013, the NSISP team also received the Urban Development Institute of Australia SA Awards for Excellence for "Local Community Development".

All construction activities are now complete. Project Operational Handover was achieved on 31 December 2013 and Project Close-out was achieved on 30 June 2014. All major milestones were met on time and the project has been completed under budget.

The NSISP was a ground breaking project for SA Water and has already changed the way we operate the network. The benefits of this system are being realised and will ensure we are better able to serve the needs of our customers well into the future.

Major work undertaken in the past year included:

- Commissioning of the Happy Valley and SA Water House control facilities
- Completion of a minor works package (construction finalisation) contract by Leed Engineering
- Completion of equipment supply, installation, site testing and commissioning of the Seacliff mini-hydro facility that is now producing power back to the SA Power Networks grid.
- Completion of operations management and control systems on 30 June 2013 in accordance with the project schedule.
- Completion and commissioning of the Distribution Optimisation Tool used by the SA Water Control Centre.
- Operational controls of all completed systems & major assets have been handed over to Allwater.

Capital projects highlights

In 2013-14, SA Water's overall capital expenditure was \$296.6 million with a range of water, wastewater and recycled water projects either commenced, under way or completed across the state. The following pages provide a summary of the year's highlights.

Swan Reach to Paskeville pipeline switchboard replacements: A \$7.8 million upgrade of the electrical infrastructure at three of the Swan Reach to Paskeville Pipeline pumping stations is nearing completion. This work includes high voltage and low voltage switchboards, earthing system upgrade and associated cable installation. This project will deliver water supply security in line with SA Water's customer service standards.

Major work undertaken in the 2013-14 financial year:

- completion of detailed design
- completion of building fit-outs (new high voltage switch rooms)
- electrical construction works to install new high voltage switchboards.

Mount Barker development water and wastewater services: To support the State Government's *30 Year Plan for Greater Adelaide*, investigations were undertaken into expansion of the existing water and wastewater supply networks to facilitate the projected growth and development of the Mount Barker region.

An initial concept design for the project has been completed. However based on the current market conditions and the progress in development of the rezoned land, the project has been placed on hold. The networks will be augmented as required by the rate of development.

Barker Inlet – stormwater re-use scheme: An \$8.85 million project to harvest, treat, store and distribute stormwater collected from the Barker Inlet wetlands at Wingfield to industrial, commercial and irrigation customers in the Regency Park area. The Barker Inlet wetlands are fed by four stormwater drainage systems, carrying urban and industrial stormwater runoff from approximately 4 500 hectares of north western Adelaide. It is anticipated that the scheme will provide up to 150 million litres of dual reticulation standard stormwater for industry use each year, reducing the use of drinking water and thereby improving the security of water supplies for metropolitan Adelaide.

Completion of all major site construction work was achieved within the past year, with practical completion and operational handover undertaken in June 2014.

Adelaide Airport – stormwater scheme: This \$9.8 million project involves the harvesting and treatment of up to 150 million litres of stormwater from the Brownhill and Keswick Creek networks. Following a full season of injection, water will be available for subsequent extraction and sale to Adelaide Airport and surrounding industry, reducing the use of potable water and thereby improving the security of water supplies for metropolitan Adelaide.

The project achieved practical completion with the completion of all major site construction work by February 2014, with commissioning and trials completed thereafter.

Christies Beach Wastewater Treatment Plant project: A \$272 million project to upgrade the existing wastewater treatment plant to increase pumping capacity from 30 million litres per day to 45 million litres per day. This upgrade will ensure the plant can cater for the population growth demands outlined in the State Government's *30 Year Plan for Greater Adelaide*. Construction commenced in January 2009, with major construction works completed in 2012. Works are now substantially complete, with only completion of the chlorination refurbishment remaining. The project is currently forecast for completion in September 2014.

Work undertaken in the 2013-14 financial year included:

- completion of the existing A&B Treatment Plant process trains upgrade
- completion of construction for the sludge digestion upgrade
- chlorination upgrade (additional scope) to maintain reuse compliance criteria
- establishment and maintenance of plantings for the Noarlunga Downs Wetlands

Hawker desalination project: A \$5.75 million project to install a packaged desalination plant and associated infrastructure on a new site outside the Hawker township. The new plant will deliver a long-term, reliable and sustainable potable water supply for Hawker that meets the Australian Drinking Water Guidelines health and aesthetic requirements, SA Water targets and parameters, as well as addresses customer expectations.

Major work undertaken in the 2013-14 financial year included:

- Design & Construct contract awarded to Guidera O'Connor
- construction in progress, expected to be completed in August 2014.
- continued engagement with stakeholders including the Flinders Ranges Council and the local community.

Hope Valley and Happy Valley water treatment plants upgrade: A \$23 million project to upgrade the Hope Valley and Happy Valley Water Treatment Plants to improve the management of pathogens, especially *Cryptosporidium*. The works include:

- refurbishing filters at each plant
- upgrading the monitoring and controls equipment.

Major work undertaken in the 2013-14 financial year included:

- installation of all principal supplied materials, including under-drain filter blocks, 16 large filter outlet valves and filter media
- commissioning of all refurbished filters, newly installed instrumentation and filter controls at Hope Valley and Happy Valley
- commencement of the process optimisation phase
- achievement of practical completion is planned for June 2015, with a final project completion date by December 2015.

Bolivar WWTP main pump station upgrade: A \$23.9 million project to replace the existing pumps with new submersible pumps which will provide a 25% increase in wastewater pumping capacity. This upgrade will ensure the plant can cater for the population growth demands outlined in the State Government's *30 Year Plan for Greater Adelaide*.

New electrical and control systems will support the new Infrastructure along with the refurbishment of the pump station building. Construction commenced July 2012 and the project practical completion is 4Q 2014.

Major work undertaken in the 2013-2014 financial year included:

- commissioning of new electrical supply system
- installation of five of the seven new sewer pumps completed, with the remaining two in progress
- installation and certification of the new OET crane.

Bolivar WWTP energy utilisation optimisation: A \$25.8 million project to connect and install new infrastructure to create electricity from the available biogas created as a by-product of the sewage treatment process. Modifications to the electrical arrangements will allow export of excess electricity into the National Electricity Market once approvals and licences are obtained.

The project will deliver a reduction in greenhouse gas emissions of more than 11 000 tonnes CO₂ annually, increase the reliability and security of energy supply to the Bolivar treatment plant and ensure all available biogas generated is used as efficiently as possible.

Construction commenced in August 2012, with completion now expected early in the 2014-15 financial year.

Major work undertaken in the 2013-14 financial year included:

- commissioning of the three new reciprocating engines
- installation of balance of auxiliary systems
- electrical cable installation and termination at the switch-rooms
- installation and commissioning of a new natural gas pipeline and metering station
- commencement of modifications to the gas turbine system.

Port Wakefield water supply upgrade: This \$17.1 million project involves the construction of a 43km pipeline from the existing Upper Wakefield Storage (near Auburn) to Port Wakefield township via Balaklava and Bowmans in order to:

- facilitate the expansion of the existing poultry industry
- enable potential increase in residential development in the region
- provide water to Rex Minerals' proposed mining operations at Hillside Mine on the Yorke Peninsula.

The Wakefield Regional Council, in partnership with SA Water, secured grant funding of \$5.7 million from the Federal Government through the Regional Development Australia Fund (RDAF) toward part of the project cost. An agreement was reached with Rex Minerals to contribute funds for the upsizing of the pipeline to provide the additional capacity required for its mining operation. SA Water own and operate the infrastructure now that construction is complete.

Major work undertaken in the 2013-14 financial year included:

- 43km water pipeline and three Pressure Reducing Valve (PRV) installations at Port Wakefield, Bowmans and Balaklava completed and commissioned
- power supply installations to the PRV installations completed
- project operational handover completed in April 2014 on schedule.

Marion Road, Holbrooks Road trunk water main renewal: The 6.9km trunk water main between Anzac Highway and Grange Road was originally constructed in 1898 and is one of the oldest in the state. Due to the age and continued deterioration of the asset, the main has experienced above average bursts and was identified for replacement.

Delivery of this project will reduce the number of unplanned disruptions to water supply in the surrounding area, resulting in improved security of water supply to customers.

The project was completed on the 29 November 2013, inside the planning completion date. Major work undertaken in the 2013-14 financial year included:

- final testing and commissioning of the pipeline and valves
- reinstatement of the road
- operational handover.

Happy Valley water treatment plant chlorine station upgrade: A \$17.8 million upgrade of the current chlorine storage and dosing facilities at the Happy Valley Reservoir. This upgrade will ensure water distributed from the plant continues to meet the Australian Drinking Water Guidelines. The new facility is being built to comply with Major Hazard Facility (MHF) requirements under the new Work Health and Safety (WHS) regulation which came into effect in South Australia from 1 January 2013.

The project received full financial approval in April 2011 from Cabinet and the Public Works Committee. Construction commenced in November 2012, with project completion including decommissioning of the existing facility expected in late 2014.

Major construction works undertaken in the 2013-14 financial year included:

- completion of new building works
- installation of chlorination system, including alarm and shutdown systems
- installation of new switchboards, control equipment and SCADA system
- commissioning of new chlorine plant
- plant run-in period (28 days) testing has been successfully completed and the new plant has been handed over to operations
- existing chlorination and injector building decommissioning works are progressing.

Queensbury wastewater pump Station: An \$18 million project to replace the existing wastewater pump station that is 78 years old and has suffered significant structural deterioration.

The Queensbury wastewater pump station was originally constructed in 1935 and is a key pump station in the SA Water network, collecting wastewater from around 20 000 properties and supporting a population of almost 50 000 people in Adelaide's north western suburbs.

The project will see construction of a new pump station to meet the current and future demands of the area and increased pumping capacity to prevent the risk of wastewater overflow. The project will include construction of an odour control plant to address a history of odour complaints from local residents.

Construction commenced in January 2013 and project practical completion is expected in August 2014.

Major work undertaken in the 2013-2014 financial year included:

- completion of the pumps station building
- installation and commissioning of the pump station and odour control plant
- demolition of the existing facility.

Paralowie, Bolivar Road wastewater trunk rehabilitation: A \$12.65 million project to rehabilitate 6.2 km of the existing wastewater trunk main.

This critical trunk main runs from Gawler to Bolivar wastewater treatment plant, collecting wastewater from Gawler and a significant portion of the Playford District. The existing main was at the end of its practical life. The trunk main was refurbished by inserting a structural PVC lining into the existing pipe. The project scope also included refurbishing the existing access holes as well as installing additional access holes.

Construction commenced in February 2013, with practical completion achieved in July 2013.

Projects commenced in 2013-14

Port Wakefield to Pine Point water supply upgrade: A \$25.6 million project to upgrade the currently limited potable water supply on the Yorke Peninsula, as well as providing supply to the proposed Rex Minerals Hillside mining operation.

Concept design has been completed. Commencement of major works on the project is currently forecast for March 2015, based on Rex Minerals completing their feasibility study and securing all necessary approvals for its mine.

Wingfield Capelli Road wastewater pump station upgrade: A \$6.6 million project to address wastewater overflow and safety risks identified with the ongoing operation of the existing pump station.

The project upgrade will include the construction of a new 10 metre deep wet well with new wastewater pumps, a new building to house new switchboards and control equipment, construction of an odour control plant, and backup generator equipment.

Project work commenced in January 2014, with practical completion expected at the end of 2014.

Major work undertaken in the 2013-2014 financial year included:

- completion of all design work
- construction of site buildings completed
- commenced construction of the main wet well and new odour control plant.

Minnipa High Level Tank Replacement: A \$4.9 million project to replace the function of two dilapidated concrete tanks with an 18 Megalitre (ML) earthen bank storage (EBS) asset. The concrete tanks are to be demolished as part of this project.

Project work on site commenced in March 2014, with practical completion expected before the end of the 2014 calendar year.

Major work undertaken in the 2013-14 financial year was the completion of major earthworks.

Myrtle Bank, Cross Road water trunk main: This \$7.3 million project will improve the security of water supply to customers and reduce the number of unplanned disruptions as a result of leaks and bursts to a 2.2km trunk main originally constructed in 1913, located in Myrtle Bank.

The project scope includes renewal of the main through close fit lining and relay techniques, as well as replacement of associated valves. This method was primarily designed to minimise the impact to traffic, residents and other associated stakeholders.

The commencement date on site was March 2014, and is approximately 80% complete as of 30 June 2014. All work is expected to be completed by the end of October 2014, thereby containing impact to a period outside of the high water demand summer period.

Major work undertaken in the 2013-14 financial year included:

- concept design and site investigations
- engagement of local community
- procurement of materials
- initiation of construction
- isolation of main.

Ethelton Wastewater pump station renewal: The \$6.9 million project involves rehabilitating the Ethelton wastewater pump station (WWPS) which due to its age and condition presents a high risk of network overflows. This will be achieved by rehabilitation of the existing infrastructure, a mechanical and electrical upgrade of the existing building, and construction of a new switchboard building.

The project commenced in December 2013, with design work complete in June 2014. The project practical completion is forecast for the start of 2015.

Telemetry and radio equipment replacement: metropolitan & outer metropolitan regions: This \$20.3 million upgrade project is targeted to improving system reliability and functionality to the existing Supervisory Control and Data Acquisition (SCADA) telemetry. This involves the replacement of 525 Remote Telemetry Units (RTUs) at 500 SA Water sites, and replacement of the associated analogue radio communications network at these sites with a digital radio network and digital radio repeater sites where required. This will ensure vital communication interruption and system monitoring of services in the metropolitan and outer metropolitan regions are eliminated.

The project commenced in December 2013, and will continue over the next four years with an expected completion date of June 2017.

Major work undertaken in the 2013-14 financial year included:

- Design & Construct contracts awarded for 248 of 500 RTU sites
- RTU site audits in progress
- construction of RTU equipment cabinets commenced
- concept design for remaining 252 RTU sites commenced.

Bolivar wastewater treatment plant primary grit, pre-aeration & sedimentation tanks concrete rehabilitation: The \$34.9 million project involves the rehabilitation of 50 year old sedimentation tanks at the Bolivar wastewater treatment plant (WWTP), which have been experiencing increasing rates of corrosion. In addition, the capacity of the tanks is being increased and a more energy-efficient method of grit removal introduced in order to provide additional confidence in the plant's ability to reliably handle the predicted wastewater stream through to 2050.

The project commenced in October 2013, and is currently scheduled for completion in the first half of 2016.

Major work undertaken in the 2013-2014 financial year included:

- award of the Design & Construction contract to York Civil Pty Ltd
- completion of detailed design
- site mobilisation
- placement of orders for major mechanical equipment
- commencement of major site construction works.

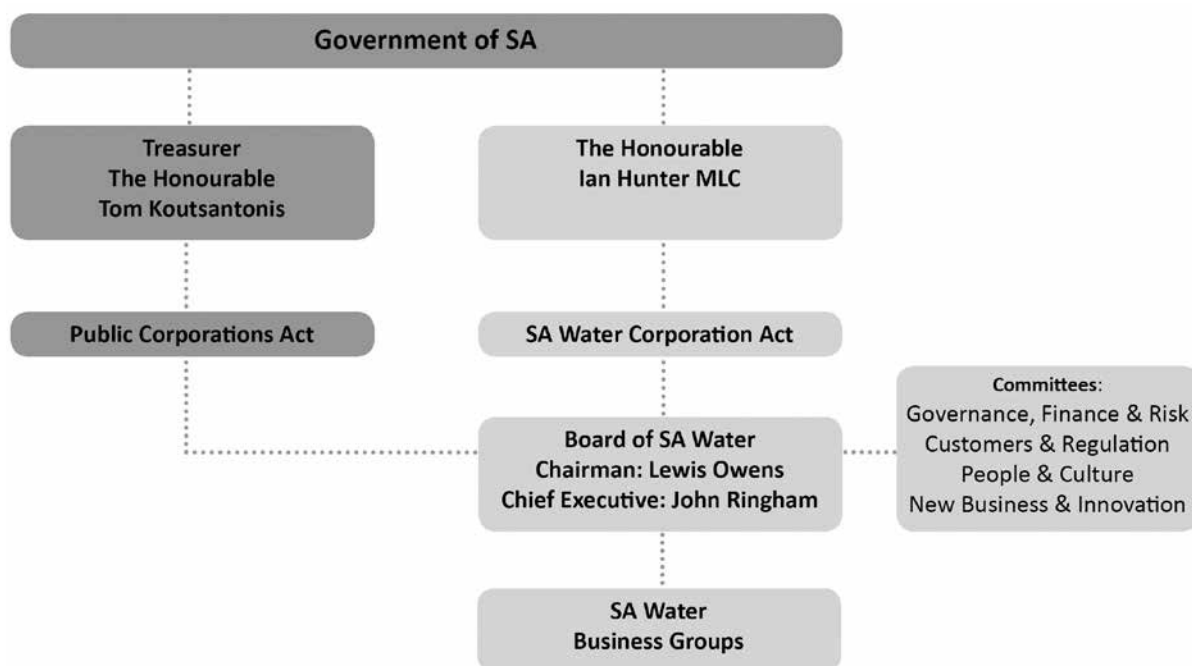
Gawler wastewater network capacity upgrade: The \$7.3 million project is designed to upgrade the capacity of the Gawler wastewater network to meet the current and future wastewater flow demands in the network. The project scope of works includes the construction of a new submersible wastewater pump station, the construction of 2.6km of rising main, minor electrical and mechanical upgrades and decommissioning of the existing infrastructure.

The project commenced in May 2014 with the awarding of a construction contract, and is currently forecast for completion in October 2015.

Major work undertaken in the 2013-14 financial year included:

- project detail design works have been completed
- major equipment order placement has been completed
- new rising main installation works have commenced.

Corporate Governance



Our Charter

The corporation's Minister and the Minister for Finance, in consultation with the corporation, are required to prepare a charter for SA Water and to review it annually. The charter is effectively a statement from the government which guides the board in pursuing its functions under the *South Australian Water Corporation Act 1994*. The charter seeks to balance community service with prudent commercial principles in the conduct of SA Water's business.

The 2014 review of the charter took into account the changing legislative and regulatory environment under which SA Water is operating. The review concluded that a number of changes to the charter were not necessary and the updated charter to apply for 2014-15 is expected to be published in September 2014.

As required by the Act, the charter will be reviewed again in 2015.

Delegation of functions

Under section 18 of the *South Australian Water Corporation Act 1994*, the Minister may delegate any of the Minister's powers or function to SA Water. The Minister has delegated authority to the board of SA Water to approve expenditure up to \$4 million on any one project.

The board has established appropriate financial delegations to corporation officers. All delegations are reviewed annually by the Governance, Finance and Risk Committee and referred to the Board for approval. Officers are required to exercise these delegations in accordance with SA Water's policies and guidelines. There are no delegations to Board committees.

Directors' interests

A register of directors' interests is published with the papers for every Board and Committee meeting. 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 2013-14 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. One director declared a potential conflict of interest in relation to a matter listed for decision and was absent from the meeting when the decision was taken.

Directors' benefits

In 2013-14, 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

After reviewing its committee structure in August 2013 the Board established four 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. Charters are reviewed annually and are available on request. Membership of the committees is reviewed regularly.

Governance, Finance & Risk Committee – to support and advise the Board in fulfilling its corporate governance and oversight responsibilities (audit) in relation to SA Water's financial planning and reporting, internal control processes, risk management systems, legal compliance and the internal and external audit functions. Members of the Committee in 2013-14 were:

- Sybella Blencowe (chair)
- Cathy Cooper
- Kevin Osborn

In 2013-14 a feature of the Governance, Finance & Risk Committee's work was its continued focus on enhancing the effectiveness of risks management and reporting, improvements in procurement, fraud control and the establishment of the Independent Commission Against Corruption.

Customers & Regulation Committee – to support and advise the Board on matters associated with the preparation of the Regulatory Business Proposal to ESCOSA, the condition, performance and efficiency of the corporation's assets, matters regarding the maintenance, upgrading, installation of new or replacement assets, delivery of services to

customers, compliance with the corporation's licence and Customer Charter, issues relating to third party access to infrastructure and the corporation's relationship with regulators.

Members of the Committee in 2013-14 were:

- Sue Filby (chair)
- Lew Owens
- Carolyn Pickles

In the past year the committee focused in particular on customer service standards, pricing and preparations for RBP 2016.

New Business & Innovation Committee – to support and advise the Board on matters relating to new business opportunities and initiatives (both regulated and non-regulated) and oversee the effectiveness of the corporation research, development and innovation activities. Members of the committee in 2013-14 were:

- Kevin Osborn (chair)
- Lew Owens
- Sybella Blencowe

In 2013-14 the work of this committee has focused in particular on opportunities for growing non-regulated business activity, potential joint ventures and possible acquisitions.

People & Culture Committee – to support and advise the Board on matters associated with the planning, remuneration and culture of the corporation's workforce, taking into account the corporation's strategic plan, government policy, relevant Board policies, business needs and regulatory requirements. Members of the committee in 2013-14 were:

- Cathy Cooper (chair)
- Sybella Blencowe
- Lew Owens
- Sue Filby

During the year the committee took particular interest in issues relating to workplace health and safety, remuneration policy and employee implications of the Business Transformation Program.

Directors' meetings

The number of meetings of the Board of Directors (including meetings of committees of Directors) held in 2013-14 was:

- Board of Directors –meetings
- HR Committee –meeting
- Asset Management Committee – meeting
- Customers and Regulation Committee - meetings
- People and Culture Committee – meetings
- Governance, Finance and Risk Committee – meetings
- New Business and Innovation Committee - meetings

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

2013-14

	Board		Human Resources		Asset Management		People & Culture		Customers & Regulation		New Business & Innovation	
	A	B	A	B	A	B	A	B	A	B	A	B
Sybella Blencowe	11	11	1	1	1	1					6	6
Catherine Cooper	12	10	1	1			3	3				
Carolyn Pickles	11	10					3	3	3	3		
Sue Filby	11	8*					3	3	3	3		
Kevin Osborn	12	11			1	1					6	6
Lew Owens	12	12	1	1	1	1			3	3	6	6
John Ringham	12	12	1	1	1	1	3	3	3	2	6	4

A = number eligible to attend B = number attended

NB: Sybella Blencowe, Carolyn Pickles and Sue Filby appointed from 25 July 2013.

*Sue Filby granted leave of absence until 31 October 2013.

Board Committee Members with new committee structure commencing 1 September 2013

People and Culture – Catherine Cooper (Chair), Carolyn Pickles and Sue Filby

Customers and Regulation – Sue Filby (Chair), Carolyn Pickles and Lew Owens

New Business and Innovation – Kevin Osborn (Chair), Sybella Blencowe, Lew Owens

Governance, Finance and Risk – Sybella Blencowe (Chair), Catherine Cooper and Kevin Osborn

Relevant legislation

Key legislation guiding SA Water includes:

- *South Australian Water Corporation Act 1994* – establishes SA Water as a public corporation and sets out SA Water’s primary functions, including:
 - for the supply of water by means of reticulated systems
 - for the storage, treatment and supply of bulk water
 - for the removal and treatment of wastewater by means of sewerage systems.

The Act makes SA Water subject to the Public Corporations Act 1993.

- *Public Corporations Act 1993* – subject to this Act, SA Water must perform its commercial operations in accordance with prudent commercial principles and use its best endeavours to achieve a level of profit consistent with its functions.
- *Water Industry Act 2012* – this grants a licence to SA Water to provide water and sewerage services; brings the water sector under the economic regulation framework administered by the Essential Services Commission of South Australia for water and sewerage pricing and customer service standards; establishes the role of the Technical Regulator in ensuring the safety and quality of technical and infrastructure services and ongoing technical regulation.
- *Environment Protection Act 1993* – establishes the framework for the protection of South Australia’s land, air and water environments. Requires sewerage treatment plants and other operations to be licensed.
- *Safe Drinking Water Act 2011* – requires drinking water to be fit for purpose; requires registration of drinking water providers.
- *Work, Health and Safety Act 2012* – establishes health and safety duties, provides for worker representation.
- *South Australian Public Health Act 2011* – sets in law the standards, rules and powers used to preserve, protect and promote the public’s health.

Legislation update

The application of the Save the River Murray levy was amended to fulfil the requirements of the *Water Industry Act 2012*. This meant that properties would be exempted from paying the levy where they are:

- not supplied with water
- supplied with water that is part of a water supply system that is not in any way connected to a water resource that is sourced (directly or indirectly and wholly or in part) from the River Murray.

Fraud

We have a code of conduct in place to inform employees and contractors of what activities might constitute fraud and to warn against committing fraud. There is also a specific Fraud Control Policy and Fraud Control Procedure which deal with the treatment of any detected frauds. Additionally, SA Water has a Whistleblower’s Procedure.

The policy and procedures are regularly reviewed, updated and communicated to employees. The 2013-14 review saw changes made to take account of the establishment of the Independent Commission Against Corruption (ICAC). The updated policy and procedures provided a basis for formal training about the operation of ICAC and fraud control more generally.

Allegations or suspicions of fraudulent activity may be reported openly to management or anonymously to the Corporation Secretary in his capacity as Fraud Control Coordinator. All reports are investigated promptly and the outcome of any investigation is reported to the Governance, Finance & Risk Committee. We also undertake proactive fraud detection exercises in which irregularities are identified and investigated, supplemented with a

corporation wide fraud risk assessment. Suspected fraudulent activities are referred to relevant law enforcement agencies when appropriate.

SA Water has 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. For the year ended 30 June 2014, no reports were received through this facility.

As part of the annual Internal Audit Plan, data mining of accounts payable, payroll and purchase card expenditure is performed and anomalies investigated. In the year to 30 June 2014 these exercises did not uncover any instances of fraud or corruption.

Compliance with legislative requirements

SA Water is committed to best practice and the highest standards of compliance with legislative requirements. Systems have been implemented to assist managers in monitoring compliance with a large range of legislative and regulatory obligations. A risk assessment has been conducted on all relevant legislation indicating additional training requirements, including an ongoing focus on areas such as the new *Water Industry Act 2012*, regulatory compliance and the *Competition & Consumer Protection Act 2010*. Action has been taken to address these training needs.

Quarterly monitoring and reporting programs are in place to ensure adherence to laws, Australian standards, treasury instructions and internal policy. The results of the monitoring programs and the resolution of matters are reported to the Essential Services Commission of South Australia (ESCOSA), SA Water Senior Leadership Team and to the Governance, Risk and 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

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 are a key component of strategic and business unit planning, project

management, capital and asset planning, emergency response and business continuity planning.

The Governance, Finance & Risk Committee has been delegated responsibility, via the Committee's Charter, for the overall review and evaluation of risk management processes within SA Water. This high level focus on risk recognises the critical role risk management plays in ensuring the Board fulfils its corporate governance and supervisory responsibilities. The 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 the Chief Executive and the Governance, Finance & Risk Committee:

- The Senior Manager Assurance and Risk reports, via the Corporation Secretary, to the Governance, Finance & Risk 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 Leadership Team, other management, employees, contractors and our key partners) play a role in the identification, assessment and management of risks.

Policy development

SA Water's Policy Management Framework comprises both strategic (Board approved) and management (Senior Leadership Team approved) policies that are aligned to our corporate strategic objectives. There is also 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 Work Health and Safety issues.

The policy management system underpinning the framework emphasises targeted and general consultation of draft documents along with performance indicators to measure policy effectiveness. With a view to continuous improvement practice, the policy framework is reviewed annually 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.

Freedom of Information

SA Water is committed to openness, transparency and accountability while at the same time recognising the right of stakeholders to privacy. Throughout 2013-14 we continued to ensure our website delivered a broad scope of free educational and informative material to the public.

In 2013-14 SA Water received 45 new applications for information under the *Freedom of Information Act 1991* (FOI Act). Ten applications were also carried over from 2012-13, leading to an overall total of 55 applications in 2013-14. Members of Parliament submitted 27 applications for information, the public made eight applications, lawyers/agents made

three applications, the insurance industry made four applications and media organisations made three applications under the FOI Act.

The outcome of the applications processed in full in 2013-14 was as follows:

- Access granted in full – 17
- Access granted in part – 18
- Applications refused – 9
- Applications withdrawn – 3
- Applications transferred to other departments – 1.

Nine applications are being carried over into the 2013-14 period.

In addition to the FOI applications received, SA Water responded to 11 third party consultation requests from local and state government departments.

SA Water received four applications for internal review and three applications for external review by the Ombudsman.

A complete *Freedom of Information Statement* is published on the SA Water website.

Director Profiles

Lew Owens

BE (Hons), MSc, BA, MAICD

Chair of the Board since July 2011

Member of the Customers & Regulation and New Business & Innovation Committees

Lew is currently the Chairman of SA Water Corporation and Country Arts SA, and a non-Executive Director on the Board of Regional Arts Australia. He is also a member of the Resources and Energy Sector Infrastructure Council and the City of Marion Audit Committee, and Chair of the Energy, Water and Resources Sector Aboriginal Employment Cluster.

He was previously the CEO of ETSA Utilities, Funds SA and WorkCover Corporation, the SA Independent Industry Regulator, and the Chairman of the Essential Services Commission of SA.

He was appointed a Reconciliation Ambassador in 2009.

Sybella Blencowe

BA, MTP, LLB, GDLP

Non-executive director since July 2008

Chair of the Governance, Finance & Risk committee and member of New Business & Innovation Committee

Sybella has been in private legal practice for 25 years specialising in environment, planning and local government law. She was a partner in national commercial law firms before establishing her own specialist law firm. She has been 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 Presiding Member of the City of Marion Development Assessment Panel and Member of the Major Developments Panel. She is currently a Member of the City of Port Adelaide Development Assessment Panel.

Catherine Cooper

LLB, GDLP

Non-executive director since July 2008

Chair of the People & Culture Committee and Member of the Governance, Finance & Audit Committee

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, Dairy Authority of SA and Fisheries Council of SA. She is also Chair of the Fleurieu Regional Waste Authority.

Kevin Osborn

FAICD, FIPA

Non-executive director since February 2012

Chair of the New Business & Innovation Committee and Member of the Governance, Finance & Risk Committee

Mr Osborn is Deputy Chairman of the Economic Development Board of South Australia, Chairman of Invest in South Australia, a non-executive Director of SA Water, Deputy Chairman of the Port Adelaide Football Club, Director of the Accounting Professional & Ethical Standards Board. Kevin is the SA/NT AICD Division President, mentors in the Chairman's ASX 200 Women's mentoring program and serves as a Director on the National Board of the Australian Institute of Company Directors (AICD). Some of Kevin's past roles have included, Director of Calgary based Viterra Inc. He was also Deputy Chairman of Bendigo Adelaide Bank Limited and Chairman of the Advisory committee for the governance aspects of the Adelaide Desalination Project. In his executive career Kevin was a Senior Vice President for Bank One (now part of J P Morgan Chase) managing the bank's business in Australia, New Zealand and Singapore. He is currently a Foundation Fellow of the Australian Institute of Company Directors, and a Fellow Professional of the Institute of Public Accountants.

Hon Carolyn Pickles

Non-executive director since July 2013

Member of the Customers & Regulation and People & Culture Committees

Elected to the Parliament of South Australia in 1985, Carolyn served as a Member of the Legislative Council until 2002, during which time she was Government Whip, Chair of the Industries Development Committee, Chair of the Social Development Committee and Chair and Member of Several Select Committees. She held the position of Leader of the Opposition in the Legislative Council until her retirement. She was a member of the Adelaide Symphony Orchestra (ASO) Board and later elected Deputy Chair of the Board. Carolyn has also been Chair of the Child and Youth Health Board, Chair of the Board of Children, Youth and Women's Health Service and a member of the Health Performance Council. She is currently a member of the ASO's Concert Hall Committee and elected Chair of the Board of the Foundation of the State Library of South Australia.

Sue Filby

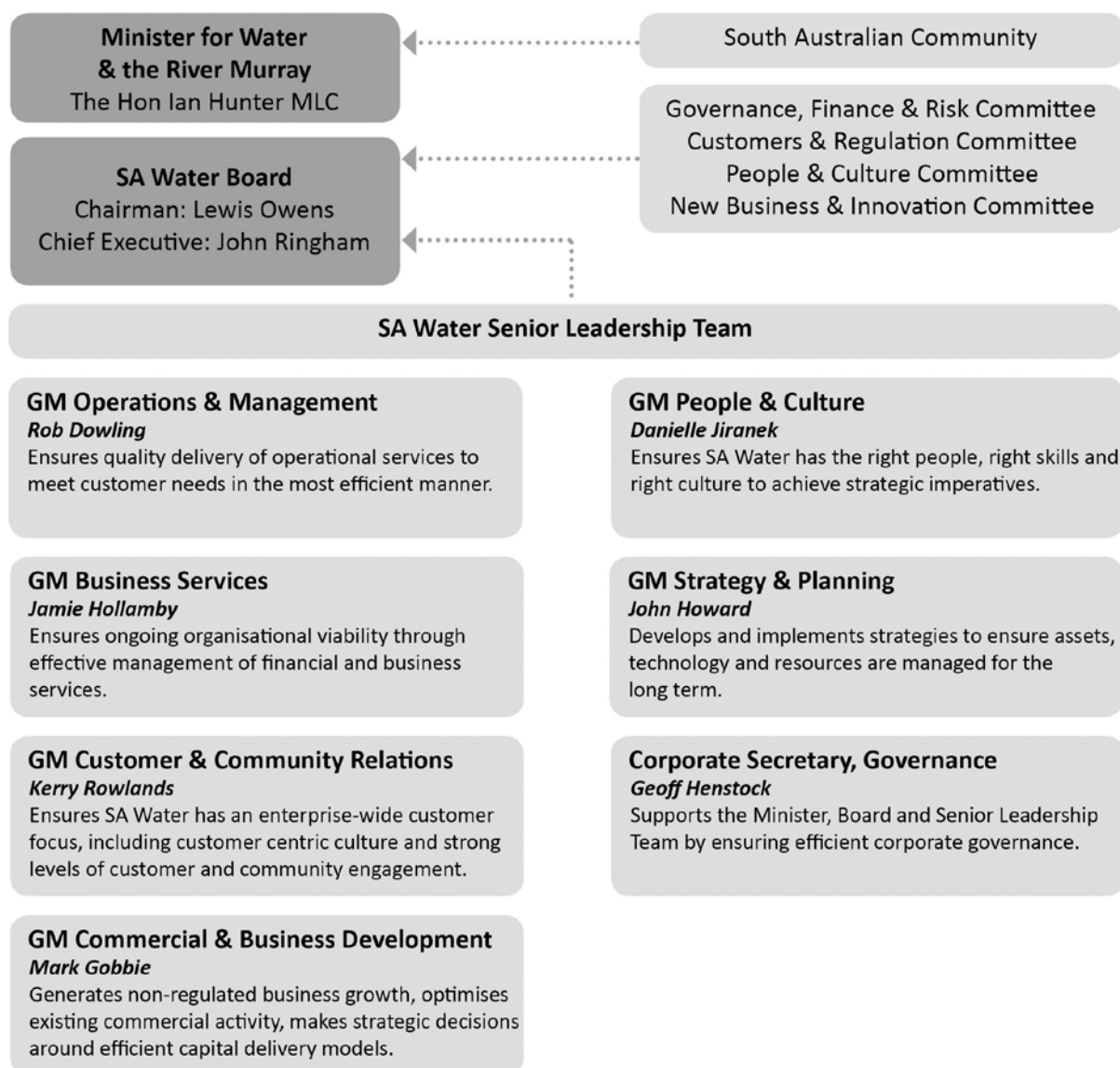
LL.B, FAICD

Non-executive director since July 2013

Chair of the Customers & Regulation Committee and member of the People & Culture Committee

With executive and Board level experience in utilities and other large businesses in the private and public sectors, Sue has particular expertise in customer service, funding strategies and proposals, performance standards, and stakeholder engagement. She is a member of the Development Policy Advisory Committee.

Organisational Chart



Senior Leadership Team Profiles

John Ringham, Chief Executive

BSc (Hons), C.Eng, MBA, Dip Geotech (UK) MICE, MCIWEM, MAICD, FIEAust

John has more than 40 years of experience in the water industry and was appointed to the role of Chief Executive in December 2010. John joined SA Water in 2000 as Head of Operations and was appointed Chief Operating Officer in 2005. Prior to joining SA Water, John was General Manager of Network Services for United Utilities in the UK and he has held numerous senior roles in UK water utilities. As Chief Executive, John is also a director of SA Water. He is also a Director and Deputy Chair of WaterAid Australia and a Director of the Water Services Association of Australia.

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 of 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 all 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 was 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 35 years and been involved in corporate governance for 20 years, including a senior corporate governance role at Sydney Water. Geoff is SA Water's Corporation Secretary and is an experienced company director, serving with property development, finance, agribusiness and engineering companies and as a director of Carbon ReGen Pty Ltd.

Dr John Howard, Head of Water, Quality and Environment

BSc (Hons), PhD (UK), FAICD

John has 30 years of experience in water quality and water resource management, gained in the United Kingdom, South Africa and Australia. In South Africa he was Water Quality and Environmental Manager for a regional authority providing water to over four million people. Joining SA Water as Principal Water Quality Scientist, John was subsequently appointed General Manager of SA Water's Australian Water Quality Centre before moving to his current position. John serves on the Allwater Alliance Leadership Team. John is a director of both Water Research Australia and the Australian Water Association.

Danielle Jiranek, Head of People & Culture

BA (Psych), Hons Psych, Registered Psychologist

Danielle has more than 25 years of 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). She is currently Deputy Chair of not for profit organisation, Finding Workable Solutions.

Jamie Hollamby, GM Business Services

CA

Jamie joined SA Water in September 2013 as the General Manager, Business Services and leads the finance, IT, procurement, facilities and regulation teams. He previously held senior financial and general management roles in BAE Systems including the Head of Finance, Maritime and General Manager of the Henderson shipyard. He is a Chartered Accountant with broad experience in finance, governance, project management and risk management. His previous employers include Santos, KPMG and the Australian Taxation Office. Jamie has work experience in the USA and the UK.

Mark Gobbie, GM Commercial & Business Development

BE MEngSc FIEAust CPEng EngExec

Mark commenced at SA Water as General Manager Commercial & Business Development in August 2013 to oversee initiatives to drive growth and capital delivery excellence. Mark has more than 30 years' experience as a professional engineer, with specialist expertise in water and wastewater. Previous to this appointment, Mark was employed with Kellogg, Brown and Root (KBR), most recently as its Vice President Water in the Companies Infrastructure Business Unit. Mark has been involved in major projects in the water, transport, minerals, oil and gas, environment and buildings areas.

Kerry Rowlands, General Manager Customer & Community Relations

BComm, CPA

Kerry has more than 20 years of business experience holding senior commercial, customer interfacing positions within organisations such as Kimberly Clark Australia and Faulding Pharmaceutical before joining SA Water in 2004. Kerry is committed to customer service excellence and driving a customer focused organisation. Kerry is currently on the Energy & Water Ombudsman SA Board, is part of the Allwater Alliance Leadership Team and is an active Water Services Association of Australia's Customers and Community Network member.

Operations Overview 2013-14

Length of mains	2013-14
Total length of water mains	26 772
Metropolitan	9,190
Country	17 582
Major pipeline lengths	
Murray Bridge to Onkaparinga	50
Morgan/Whyalla no 1 via Port Augusta	358
Morgan/Whyalla no 2 undersea from Baroota	283
Mannum Adelaide	87
Swan Reach/Paskeville	189
Tailem Bend/Keith	132
Eyre Pipelines	970
Length of sewers (km)	
Total length of sewers	8 807
Metropolitan	7 337
Country	1 470
Length of recycled water mains (km)*	
Metropolitan	188
Country	24
Accounts	
Accounts billed	745 216
Number of water treatment plants	
Metropolitan	6
Country	35
Adelaide Desalination Plant	1
Number wastewater treatment plants	
Metropolitan	6
Country	19
Wastewater reuse	
Metropolitan	27.9%
Country	22%

Population served water supply (at 30 June)	
Estimated population supplied metropolitan	1 173 000
Estimated population served country	432 000
Total	1 605 000
Population served wastewater (at June 30)	
Estimated population served metropolitan	1 113 000
Estimated population served country	168 000
Total	1 281 000
Average volume water delivered statewide for past five years (ML)	
Metropolitan	138 495
Country	73 183
Statewide water consumption facts	
Total volume delivered (ML)	213 926
Average residential consumption per household (kL)	178
Highest daily consumption recorded in 24 hours to 8am (ML) Metro	825
Metropolitan water consumption facts	
Total volume delivered (ML)	141 789
Average residential consumption per household (kL)	183
Country water consumption facts	
Total volume delivered (ML)	72 138
Average residential consumption per household (kL)	162
Water sources	
Total water (ML)	213 926
% provided by River Murray	36.2
% provided by surface water	29.7
% provided by ground water	5.6
% provided by sea water	28.5

Five Year Comparisons 2009-2014

	2009-10	2010-11	2011-12	2012-13	2013-14
Water supply					
Adelaide					
Volume delivered (ML)	139 753	129 000	135 276	146 657	141 789
Average daily volume delivered (ML)	383	353	370	402	388
Average daily per capita consumption, including commercial, industrial and residential (L)	340	310	323	346	331
Estimated population served	1 125 000	1 140 000	1 149 000	1 162 000	1 173 000
Length of mains (km)	8 980	9 020	8 997	9 047	9 190
Country					
Volume delivered (ML)	76 378	67 665	72 868	76 826	72 137
Estimated population served	411 000	417 000	427 000	430 000	432 000
Length of mains (km)	17 297	17 532	17 594	17 627	17 582
Total (rounded)					
Total water (ML)	216 131	196 665	208 144	223 483	213 926
% provided by River Murray	44	46	45.6	55	36.2
% provided by surface water	50	48	46.6	23	29.7
% provided by ground water	6	6	6	6	5.6
% provided by sea water	<0.1	<0.1	1.8	16	28.5
Wastewater					
Adelaide					
Number of wastewater treatment plants	4	4	5	5	6
Estimated population served	1 064 000	1 076 000	1 087 000	1 102 000	1 113 000
Length of sewers (km)	7 202	7 252	7 267	7 309	7 337
Length of recycled wastewater supply main (km)	82	127	168	186	188
% wastewater re-use	29.5	22.5	26.4	32.4	28.4
Country					
Number of wastewater treatment plants	20	20	19	19	19
Estimated population served	161 000	163 000	167 000	168 000	168 000
Length of sewers	1 436	1 451	1 436	1 458	1 470
Length of recycled wastewater supply main (km)	9	9	12	23	24
% wastewater reuse	25.7	20.1	19.3	22.3	21.8
Wastewater re-use					
Total %	27.7	21.3	25.6	31.3	27.6

	2009-10	2010-11	2011-12	2012-13	2013-14
Finance					
Revenue					
Water sales and rates	396 367	492 885	646 718	840 872	747 584
Sewerage rates	292 175	305 729	325 636	339 015	349 167
Contributions and grants	65 023	69 883	63 995	50 361	56 223
CSO funding	198 547	180 780	153 274	106 773	125 751
Sundries	113 934	105 424	80 341	98 984	95 051
Total revenue	1 066 046	1 154 702	1 269 964	1 436 005	1 373 776
Operating expenditure					
Operations and services	440 051	456 392	479 743	549 923	554 200
Interest	143 562	206 297	228 586	233 873	225 325
Depreciation	211 129	234 293	245 514	290 080	318 195
Total operating expenditure	794 742	896 982	953 843	1 073 876	1 097 720
Capital expenditure					
Water supply	875 048	456 064	469 636	278 562	167 461
Sewerage	120 269	181 574	98 667	110 109	98 307
Other	174 185	55 486	35 155	45 648	30 814
Total capital expenditure	1 169 502	693 124	603 458	434 319	296 582
Water/wastewater services					
Total expenses per customer \$	1 102	1 243	1 289	1 356	1 369
Expenses recovery					
Revenue as a % of expenses	134	129	133	134	126
Contracts customer service					
% of developer contracts prepared within 90 days	100	100	100	100	100
Water supply performance					
Metropolitan					
Service calls per 1000 customers	91	91	86.6	83.9	81.5
Number of priority calls, bursts, leaks per 1000 customers	2.18	2.10	3	2.4	1.8
Service interruptions restored in 5 hours (target 80%)	90	87	91.3	89	86
Water quality complaints per 1000 customers	0.73	1.05	1.23	1.18	1.32
% of samples free from E. coli	100	99.96	100	99.96	99.98
Operating expenses per customer (\$)**	251	243	299	393	413

	2009-10	2010-11	2011-12	2012-13	2013-14
Country					
Mainbreaks per 1000 customers	7.5	8.7	9	9	8
Mainbreaks per 100 km of main	8.9	11	10	10	9
% interruptions responded to within 1 hour	93	98	97	96	94
% of samples free from E. coli **	99.99	99.94	99.94	99.91	100
Operating expenses per customer (\$)***	558	643	676	633	686
Wastewater services performance					
Metropolitan					
Chokes in sewer mains per 100 km of main	48.8	48.4	39	57	52
Chokes in sewer mains per 1000 customers	7.11	7.01	6	8	7
Chokes in property connections per 1000 customers	30.9	28.71	35	38	31
Restoration of service, mains and connections (full loss of service) restored within 5 hours (target >75%)	97	97	90	90	89
Restoration of service, mains and connections (partial loss of service) restored within 18 hours (target >90%)	98	98	84	91	91
Wastewater overflows reported, % attended within 4 hours	100	100	92	99	100
Treated wastewater total BOD - Christies Beach, Glenelg, Bolivar HS - mg/L (target <20)	3	2.8	3.0	3.0	4
Treated wastewater soluble BOD - activated sludge plant - Bolivar - mg/L (target <10)	2.2	2.2	2.1	2.0	3
Treated wastewater suspended solids / Bolivar High Salinity, Glenelg, Christies Beach	8.6	8.3	4.0	7.0	8
Treated wastewater % compliance with EPA targets	100	100	100	100	100
Operating expenses per customer (\$)***	185	179	156	224	187

	2009-10	2010-11	2011-12	2012-13	2013-14
Country					
Chokes in connections per 1000 customers	17	12.9	19	20	18
Chokes in sewers per 100 km of sewer	11	14.1	15	15	15
% internal overflows responded to within one hour	98	100	96	100	100
Treated wastewater BOD (activated sludge/extended aeration plant) mg/L	<2	<2	<2	2	6
Treated wastewater soluble BOD (lagoon plants) mg/L	2	2	<2	2	6
Treated wastewater suspended solids (activated sludge/extended aeration) mg/L	5	3	3	4	7
Operating expenses per customer (\$)**	305	405	368	384	369

*** E. coli should not be detected in samples of drinking water. However the Australian Drinking Water Guidelines (ADWG) recognise that occasional detections may occur. In accordance with the guidelines any detection is immediately communicated and investigated and corrective action is implemented as agreed with SA Health.*

**** Operating Expenses have previously been reported as 'Total expenses' but have been adjusted to align with the National Performance Reporting guidelines for this report.*

South Australian Water Corporation **Charter**

June 2010



Government
of South Australia



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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 Security

'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
 - 11.1. 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 minimise 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 its 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.
- Charter was signed by Paul Caica, Minister for Water on 23 June 2010
 - Charter was signed by Paul Holloway, Acting Treasurer on 4 July 2010

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 Commission (MDBC) in South Australia and upstream to Lock 9 (reimbursed by the MDBC)
 - 1.5. manage and operate assets on behalf of the MDBC
 - 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

ADP	Adelaide Desalination Project
ADWG	Australian Drinking Water Guidelines
BFF	Barossa Fine Foods
BOD	Biochemical Oxygen Demand
BPL	Baiada Poultry
BT	Business Transformation
BTSG	Business Technical Services Group (SA Water)
CCSA	Climate Change Sector Agreement
CE	Chief Executive
COAG	Council of Australian Governments
CSO	Community Service Obligation
DECD	Department of Education and Child Development
DWQMS	Drinking Water Quality Management System
EPA	Environmental Protection Authority
EPOs	Environment Protection Orders
ESCOSA	Essential Services Commission of South Australia
FOI	Freedom of Information
FTE	Full Time Equivalent (employee)
GL	Gigalitre – 1 billion litres
GM	General Manager
KL	Kilolitre – 1 000 litres
km	Kilometre
KPI	Key performance indicator
LTIFR	Lost Time Injury Frequency Rate
ML	Megalitre – 1 million litres
MP	Member of Parliament
NSISP	North South Interconnection System Project
NSW	New South Wales
RAP	Reconciliation Action Plan
R&I	Research and Innovation
RECs	Renewable Energy Certificates
SA	South Australia
SAIPP	South Australian Industry Participation Policy
SCADA	Supervisory Control, Automation and Data Acquisition
SIFR	Significant Injury Frequency Rate
SME	Small to Medium Enterprise
SMS	Safety Management System
TWES	Trade Waste and Encumbrance System
WHS	Work Health & Safety
WiSAW	Women in SA Water
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant
YTD	Year to Date

South Australian Water Corporation – Appendix **Annual Financial Statements**

For the year ending 30 June 2014



Government
of South Australia



**South Australian Water Corporation
Annual Financial Statements
for the year ended 30 June 2014**

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To the Chairman South Australian Water Corporation

As required by section 31(1)(b) 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 2014. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2014
- a Statement of Financial Position as at 30 June 2014
- a Statement of Changes in Equity for the year ended 30 June 2014
- a Statement of Cash Flows for the year ended 30 June 2014
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chairman, Chief Executive Officer and the General Manager Business Services.

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 the 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 2014, 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
25 September 2014

Certification of the Financial Statements

We certify that the:

- Financial Statements of SA Water Corporation:
 - are in accordance with the accounts and records of the authority;
 - comply with relevant Treasurer's instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by SA Water Corporation over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.


Signed in accordance with a resolution of the Board Members.



John Ringham
Chief Executive Officer



Jamie Hollamby
General Manager Business Services



Lew Owens
Chairman

Date 18TH SEPTEMBER 2014

**South Australian Water Corporation
Statement of comprehensive income
For the year ended 30 June 2014**

	Notes	2014 \$'000	2013 \$'000
Income			
Revenue from ordinary activities	5	1,373,776	1,436,005
Other income	6	7,802	576
Total income		<u>1,381,578</u>	<u>1,436,581</u>
Expenses			
Depreciation and amortisation expense	7	(318,195)	(290,080)
Borrowing costs	7	(225,325)	(233,873)
Electricity expense		(68,919)	(54,560)
Services and supplies		(177,281)	(187,713)
Operational and service contracts		(181,544)	(184,335)
Employee benefits expense		(126,456)	(123,315)
Total expenses		<u>(1,097,720)</u>	<u>(1,073,876)</u>
Profit before income tax equivalents		283,858	362,705
Income tax expense	8	(83,960)	(98,982)
Profit after income tax equivalents		<u>199,898</u>	<u>263,723</u>
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Gain(loss) on revaluation of infrastructure, plant and equipment assets	29(a)	347,543	(141,879)
Revaluation of financial assets		2,525	1,812
Income tax relating to components of other comprehensive income	8(c)	(104,664)	40,310
Other comprehensive income for the year, net of tax		<u>245,404</u>	<u>(99,757)</u>
Total comprehensive result		<u>445,302</u>	<u>163,966</u>
Total comprehensive result for the year is attributable to:			
The SA Government as owner		<u>445,302</u>	<u>163,966</u>

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 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	26	1,507	1,856
Receivables	9	188,436	217,637
Inventories	10	5,586	5,113
Other current assets	11	6,231	10,862
Total current assets		<u>201,760</u>	<u>235,468</u>
Non-current assets			
Available-for-sale financial assets	12	26,444	23,919
Deferred tax assets	13	37,777	36,527
Intangible assets	14	199,460	198,593
Infrastructure, plant and equipment	15	13,663,201	13,330,507
Total non-current assets		<u>13,926,882</u>	<u>13,589,546</u>
Total assets		<u>14,128,642</u>	<u>13,825,014</u>
LIABILITIES			
Current liabilities			
Payables	16	152,896	147,614
Financial liabilities /borrowings	17	8,567	23,364
Tax liabilities	18	15,476	36,469
Provisions	19	16,202	18,010
Other current liabilities	20	26,987	29,679
Total current liabilities		<u>220,128</u>	<u>255,136</u>
Non-current liabilities			
Payables	21	2,247	2,631
Financial liabilities /borrowings	22	3,676,990	3,649,107
Deferred tax liabilities	23	1,702,389	1,631,583
Provisions	24	29,360	32,934
Other non-current liabilities	25	398,489	403,715
Total non-current liabilities		<u>5,809,475</u>	<u>5,719,970</u>
Total liabilities		<u>6,029,603</u>	<u>5,975,106</u>
Net assets		<u>8,099,039</u>	<u>7,849,908</u>
EQUITY			
Contributed equity		173,610	173,610
Asset revaluation surplus	29(a)	7,638,068	7,395,614
Retained earnings	29(b)	287,361	280,684
Total equity		<u>8,099,039</u>	<u>7,849,908</u>

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 2014**

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 1 July 2012	173,610	7,497,824	250,283	7,921,717
Profit for the year	-	-	263,723	263,723
Gain on revaluation on infrastructure, plant and equipment assets	29	(141,879)	-	(141,879)
Revaluation of investment in unlisted shares	29	1,812	-	1,812
Transfer to retained profits on disposal	29	(2,453)	-	(2,453)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	2,453	2,453
Income tax relating to components of other comprehensive income	8(c)	40,310	-	40,310
Total comprehensive result for the period		(102,210)	266,176	163,966
Transactions with the SA Government in their capacity as owners:				
Dividends provided for or paid	33	-	(235,775)	(235,775)
Balance at 30 June 2013		173,610	7,395,614	280,684

Notes	Asset			Total \$'000
	Contributed equity \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 1 July 2013	173,610	7,395,614	280,684	7,849,908
Profit for the year	-	-	199,898	199,898
Gain on revaluation on infrastructure, plant and equipment assets	29	347,543	-	347,543
Revaluation of investment in unlisted shares	29	2,525	-	2,525
Transfer to retained profits on disposal	29	(2,950)	-	(2,950)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	2,950	2,950
Income tax relating to components of other comprehensive income	8(c)	(104,664)	-	(104,664)
Total comprehensive result for the period		242,454	202,848	445,302
Transactions with the SA Government in their capacity as owners:				
Dividends provided for or paid	33	-	(196,171)	(196,171)
Balance at 30 June 2014		173,610	7,638,068	287,361

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 2014

Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities		
Receipts from customers	1,283,642	1,311,644
Payments to suppliers and employees	(602,136)	(621,095)
Interest received	1,158	920
Receipts from community service obligation funding	125,614	106,659
Receipts from contributions	18,575	19,520
Receipts from government grants	5,842	47,489
Borrowing costs paid	(223,143)	(230,721)
Income taxes paid	(140,060)	(96,447)
Net cash inflow from operating activities	27 469,492	537,969
Cash flows from investing activities		
Payments for construction and purchase of infrastructure, plant and equipment	(288,683)	(465,131)
Payments for intangible assets	(13,803)	(13,039)
Proceeds from sale of intangible assets	15,438	4,364
Proceeds from sale of infrastructure, plant and equipment	292	1,281
Net cash (outflow) from investing activities	(286,756)	(472,525)
Cash flows from financing activities		
Proceeds from borrowings	1,139,100	1,366,700
Repayment of borrowings	(1,119,650)	(1,190,700)
Dividends paid	33 (196,171)	(235,775)
Repayments of finance lease liability	(6,364)	(5,691)
Net cash (outflow) from financing activities	(183,085)	(65,466)
Net (decrease)/increase in cash and cash equivalents		
	(349)	(22)
Cash and cash equivalents at the beginning of the financial year	1,856	1,878
Cash and cash equivalents at end of the financial year	26 1,507	1,856

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

ra

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 by the *South Australian Water Corporation Act 1994*, to which the provisions of the *Public Corporations Act 1993* apply. SA Water provides retail water supply and sewerage services in accordance with its licence, provided by the *Water Industry Act 2012* (the Act) which came into operation on 1 July 2012. The Act repealed the *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936*.

The Corporation has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Corporation has applied Australian Accounting Standards that are applicable to for-profit entities, as the Corporation is a for-profit entity.

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 reporting period ending 30 June 2014.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. South Australian Water Corporation is a for-profit entity for the purpose of preparing the financial statements.

The preparation of financial statements requires:

-the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;

-accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or events is reported; and

-compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:

- a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
- b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income);
- c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the Corporation to those employees: and
- d) employee targeted voluntary separation package information.

The Corporation's Statement of Comprehensive Income, Statement of Financial Position, and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Statement of Cash Flows has been prepared on a cash basis.

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The financial statements have been prepared based on a twelve month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented.

The financial statements are authorised for issue by the Board.

Change in accounting policy

For administrative purposes SA Water uses a minimum dollar value threshold level in capitalising items of minor plant. SA Water increased its minor plant threshold to \$10,000 on the 30th of June 2014. The cost and accumulated depreciation associated with minor plant below the threshold have been expensed in SA Water's Statement of Comprehensive Income in Services and Supplies. The amount expensed was immaterial.

Historical cost convention

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

Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

Rounding

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(b) Jointly controlled operations

The Corporation's jointly controlled operation is brought to account by including its proportionate share of the operation's assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the joint controlled 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 2014. Refer to note 5.

Unbilled revenue

SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principle is to recognise revenue in the period it is earned, rather than billed. The calculation is based on state-wide water supplied, customer billing information, and an assessment of non-revenue water.

1 Summary of significant accounting policies (continued)

(c) Revenue recognition (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. The Government, after negotiations with SA Water, provides SA Water with funding to compensate for these non-commercial activities. The main CSOs relate to under recovery of country water and wastewater services (due to the requirement for state wide pricing) and the provision of water and wastewater concessions to certain properties e.g. charities, churches, public schools and remote communities.

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) Developers who make contributions where either:
 - a) water and sewerage infrastructures are constructed by developers 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 developer's request.

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

Disposal of non-current assets

The gain or loss on disposal of non-current assets is recognised at the date that 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 asset revaluation surplus 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 to the grant.

Government grants relating to construction of infrastructure, plant and equipment are initially recognised as unearned revenue (current and non-current liability) and then transferred to income over the periods, and in the proportions, in which depreciation on those assets is charged.

The Corporation received grant funding in 2013 – 2014 of \$4.15m (2013: \$46.2m). In 2013-14 grant funding was received for the Port Wakefield Supply upgrade. Refer note 20 and 25.

(d) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Corporation will occur and can be reliably measured.



1 Summary of significant accounting policies (continued)

(d) Expenses (continued)

Expenses have been aggregated according to their nature and have not been offset unless required or permitted by a specific accounting standard, or where offsetting reflects the substance of the transaction or other event.

The following are specific recognition criteria:

Employee Benefits Expenses

Employee benefit expenses are recognised as incurred and include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of employment services of current staff. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

Supplies and Services

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred. The Corporation undertakes major cyclical maintenance on its infrastructure assets. Costs associated with this are recorded as an expense unless they add to the service potential of the existing asset.

Operational and service contracts

Operational and service contracts include the Adelaide Services Alliance Agreement, Adelaide Desalination Plant operations and maintenance contract, contracts relating to information and communications technology, treatment plants and miscellaneous operational and service contracts. These items are recognised as an expense in the reporting period in which they are incurred.

Depreciation

Refer to Note 1(e).

Borrowing costs

Borrowing costs include interest expense, government guarantee fees, South Australian Government Financing Authority (SAFA) margins and finance lease charges.

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

The Corporation has not capitalised borrowing costs in 2013 - 2014 as they were assessed as not material.

(e) 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. Refer to Note 15.

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Acquisition (continued)

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 the *Accounting Policy Framework (APF) III Asset Accounting Framework*, AASB 13 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. Refer to note 3 for disclosures regarding fair value levels. The Corporation uses both Directors' valuation and independent valuation methods to measure fair value. Directors' valuation is performed using the Producer Price Index (PPI) or current contract rates. PPI measures changes over time in the price of new construction outputs. The PPI used is the Australian Bureau of Statistics Index Number 3101 "Road and Bridge Construction South Australia". Current contract rates are based on recently determined market contract rates for supplying and installing equivalent assets or components.

The Corporation's valuation methodologies, for any major class of infrastructure assets, are subjected to independent review when a change in the valuation method occurs. 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. There have been no changes to valuation methods since that time.

Revaluation adjustments are taken to the asset revaluation surplus on a class basis, with the exception of land and buildings which are adjusted on an asset by asset basis.

Accordingly the Corporation has adopted the following asset valuation methods:

Infrastructure assets

The fair value of SA Water's infrastructure assets in the majority of cases is the lower of modern equivalent reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over engineering of the asset is excluded from the value. The modern equivalent reproduction or replacement cost is determined through an independent valuation process and applied as supplied. The valuation is then reduced to allow for the age of the asset.

Infrastructure assets were valued as follows:

- The unit rates for water mains/connections and sewer mains/connections, were independently determined by Aquenta Consulting as at 1 July 2013. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.

- Other infrastructure assets are independently valued on a cyclical basis every 5 years. In the intervening periods between independent valuations the assets are indexed annually as at 1 July using the PPI. The previous independent valuations were;
 - Water filtration plants were independently valued by Aquenta Consulting as at 1 July 2013.

 - Water dosing stations and earth storages were independently valued by Aquenta Consulting as at 1 July 2012. Reservoirs were independently valued by Entura (Hydro Tasmania) as at 1 July 2012.



1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Valuations (continued)

- Leased water treatment plants, water pumping stations, water tanks, and bores and wells were independently valued by Aqunta Consulting as at 1 July 2011.
- Wastewater treatment plants and sewerage pumping stations were independently valued by Aqunta Consulting as at 1 July 2010.

Land and buildings

Land is valued independently at market value generally using valuations as at 1 July provided from the State Valuer General. In isolated cases, the Corporation may use independent valuations performed by an appropriately qualified valuer. The Valuer General uses site values of generically similar allotments to arrive at a unit rate used to assign a value to individual parcels. Rates depend on whether the site is residential, industrial or commercial.

Buildings and depots were last independently valued by WT Partnership as at 1 July 2010 and have been indexed as at 1 July 2013 using the PPI. Buildings are valued using depreciated replacement cost.

Plant and equipment

Plant and equipment is valued at historical cost which is deemed to be its fair value.

Other assets

Other assets are valued at cost and indexed annually using the PPI.

Unobservable inputs

SA Water's infrastructure, plant and equipment, with the exception of land, is disclosed as Level 3 in the fair value measurement hierarchy described in Note 3.

This is due to the fair value of the assets being determined with reference to unobservable inputs. The main unobservable input is the useful life of the asset and rates supplied from the independent valuation.

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:

<u>Class of assets</u>	<u>Useful life (years)</u>
-Water and sewer assets	7 - 170 years
-Water and sewer leased assets	20 - 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.



1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued) Financial assets (available for sale)

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 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 nonvoting class B shares has been measured at fair value, in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. Due to the nexus between the class B shares and the pipeline assets, the fair value of the shares has been determined using the projected written down current cost of the pipeline assets in 2018 discounted to 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 surplus. The methodology of valuation of VPS was independently reviewed by Leadenhall VRG Pty Ltd in 2009, and no change to the valuation method has occurred since that review.

Intangible assets

Issued water licences

The South Australian Government has issued water licences to the Corporation under the *Natural Resources Management (NRM) Act 2004*. Some of these 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 are no active markets for the rights endorsed on the licences. As there is no active market, these licences are held by the Corporation at nominal value.

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.

Licence 222596 Western Mount Lofty Ranges

River Murray water rights are conferred via multiple instruments:

Licence 2333 River Murray licence for metropolitan Adelaide.

Licence 2334 River Murray licence for country towns.



1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Intangible assets (continued) Other Water rights -

permanent

The Corporation owns a series of tradable water rights that it has purchased. The rights are perpetual and title is held by the Corporation under the relevant legislation in the jurisdiction of issue (as water access entitlements onto licences issued by the South Australian Government under the *NRM Act 2004 (SA)*, as water shares issued by the Victorian Government under the *Water Act 1989 (Vic)*, and as unit shares issued by the New South Wales Government under the *Water Management Act 2000 (NSW)*). These rights comprise;

River Murray entitlements under the *NRM Act 2004 (SA)*,

Goulburn Zone 1A and Murray Zone 7 high reliability water shares held under the *Water Act 1989 (Vic)*,

NSW Murray Regulated River high security unit shares held under the *Water Management Act 2000 (NSW)*.

The allocations made to these water rights are able to be transferred within the Southern Murray Darling Basin including South Australia.

In accordance with the requirements of *APF III* covering valuation of intangible assets, the water rights are valued at cost. The water rights have an indefinite useful life and as such are not subject to amortisation.

Seasonal water allocations

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 water needs in future years. SA Water also purchased water allocations for operational needs. Prior to June 2012 the Government has approved the water allocations being preserved beyond 2011-12 and retained as a reserve to meet critical human water needs in future years. These purchased water allocations are held as intangible assets in the accounts and are expensed as the water is used.

Prescription of the Mount Lofty Ranges

SA Water has previously contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long term protection of the water supply to Adelaide. On the 14th June 2013 SA Water was issued licence 222596 pertaining to storage and diversion rights for streams in the Western Mount Lofty Ranges.

Easements

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

1 Summary of significant accounting policies (continued)

(e) Non-current assets (continued)

Infrastructure, plant and equipment (continued)

Intangible assets (continued)

Application software

Application software is valued at cost as per AASB 138 *Intangible Assets*. The useful life is reviewed annually and has been assessed at 5 years. The software is amortised using the straight line method.

ADP Intangible Asset

An intangible asset exists in relation to the network connection agreement between SA Water and SA Power Networks. The agreement grants the Corporation the legal right to connect to the SA Power Networks substation constructed at Port Stanvac and thus acquire electricity for the Adelaide Desalination Plant (ADP) at the rates specified in the agreement. In accordance with AASB 138 *Intangible Assets*, this right was recognised in 2012/13 as an intangible asset and is measured at the construction cost of the SA Power Networks substation.

The useful life is based on the average useful life of the ADP assets belonging to SA Water upon which the intangible asset is dependent as per AASB 138 *Intangible Assets*. As with other non-current assets, the useful life of the intangible asset is assessed annually and is currently 41.75 years. The ADP intangible asset is amortised using the straight line method.

(f) 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 relevant asset revaluation surplus until fully extinguished with any remaining amount expensed in the Statement of Comprehensive Income.

The Corporation has reviewed its assets as at 30 June 2014. There have been no indications of impairment, recoverable amounts have not been estimated and no impairment losses have been recorded.

1 Summary of significant accounting policies (continued)

(g) 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 in the Statement of Comprehensive Income. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis exists that 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 previously entered into Build Own Operate Transfer (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.

(h) Expenditure on behalf of State Government

Certain expenditure is incurred from time to time on behalf of the South Australian Government which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. There were nil payments for the year ended 30 June 2014 (2013:\$0).

(i) Taxes

SA Water is liable for income tax equivalents (income tax, land tax and council rates), payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

1 Summary of significant accounting policies (continued)

(i) Taxes (continued)

Income Tax

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.

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.

Taxation Equivalents - land tax and council rates

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

Income, expenses and assets are recognised net of the amount of GST except:

-when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and

-receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office 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 and financing activities, which is recoverable from, or payable to, the Australian Taxation Office is classified as part of operating cash flows.

(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.

(k) Receivables

Receivables for rates and charges and sundry debtors are normally settled within 21 days. These are recognised in the accounts as amounts due. Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

1 Summary of significant accounting policies (continued)

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of goods and services, if any, 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

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short term employee benefits are measured at nominal amounts.

Wages and salaries, annual leave and sick leave

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability is expected to be payable within twelve months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

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 for 30 June 2014 is valued by KPMG Actuarial 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 provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation's provision is an actuarial estimate of the outstanding liability as at 30 June 2014 provided by KPMG Actuarial 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 subject to SA Water's deductible. In addition, insurance arrangements are in place for construction works, travel insurance and Director and Officer liabilities.

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



1 Summary of significant accounting policies (continued)

(p) Payables

Liabilities, whether or not yet billed to the Corporation, are recognised as 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 obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Corporation expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted for the time value of money and the risks specific to the liability.

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.

Employee benefits and workers compensation

SA Water provides for employee benefits expenditure and workers compensation claims as described in note 1(m) and 1(n).

(r) Borrowings

All SA Water borrowings are measured at historical value. The Corporation has a long term and short 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 debt portfolio is managed by SAFA under a Liability Management Service Agreement and within requirements outlined in SA Water's Treasury Risk Management Policies.

1 Summary of significant accounting policies (continued)

(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.

Interest rate derivatives

The Corporation's exposure to movements in interest rates arises from its borrowings. Prior to 10 December 2012, the Corporation used interest rate swaps and interest rate futures contracts to manage borrowing costs. Effective from 10 December 2012, interest rate derivative instruments are no longer permitted in accordance with Treasury Risk Management Policies.

Interest rate risk arising from borrowings is managed in accordance with the debt management strategies outlined in note 2(a)(i).

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 include spot and forward foreign currency contracts and currency options to maximum maturity of 3 years. In all instances, SA Water's foreign exchange hedging requirements are arranged through SAFA.

As at 30 June 2014, SA Water had no outstanding 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 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.

1 Summary of significant accounting policies (continued)

(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.

(u) Adelaide Services Alliance Agreement

In March 2011 the Corporation 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 the Corporation 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.

(v) Adelaide Desalination Plant (ADP)

In 2008/09 SA Water Corporation awarded the Design, Build, Operate and Maintain (DBOM), Transfer Pipeline System and ETSA (SA Power Networks) Agreements for the Adelaide Desalination Project. These contracts comprise the design and construction of a seawater desalination plant, marine works, transfer pipeline system and power supply infrastructure to support a 100 GL/a capacity plant. Project Handover of the 100 GL/a plant to the Operator was achieved on 12 December 2012. The plant is currently undergoing a 24 month proving and warranty period in accordance with contractual requirements.

In addition, the Corporation has entered into contracts to:

Operate and maintain the Adelaide Desalination Plant from the project handover date for a term of 20 years and includes flexible mechanisms to manage the volume of water produced and requirements for scheduled maintenance; and

Provide Green Power accredited renewable energy from sources in SA to operate the Adelaide Desalination Plant and Transfer Pipeline System. The contract commenced on 1 June 2011 for a term of 20 years and includes the flexibility to purchase a minimum level of renewable energy certificates that can be banked for future use by the Corporation or used elsewhere in the business.

(w) New accounting standards and interpretations

The Corporation did not voluntarily change any of its accounting policies during 2013 - 2014.

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 2014. The Corporation has assessed the AASB 108 para 30 and 31 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. As part of a review of the Corporation's debt duration parameters during 2012-2013, the permissible duration range was changed from 1.75-4 years to 2.1-4.9 years based on advice from the Corporation's debt advisor and manager - the South Australian Financing Authority (SAFA). A benchmark duration of 2.95 years has been determined based on the size of the Corporation's borrowings, the level of interest rates and to ensure that risk on the Corporation's profitability from increases in interest rates is appropriate.

(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. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt and cash balances outstanding at balance date.

At 30 June 2014 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 0.5% downwards.

	Carrying amount \$'000	Interest rate risk -0.5%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2014					
Financial assets					
Cash and cash equivalents	1,507	(5)	(5)	5	5
Financial liabilities					
Short term borrowings	(1,450)	5	5	(5)	(5)
Total increase/ (decrease)		-	-	-	-
	Carrying amount \$'000	Interest rate risk -1.0%		+0.5%	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
30 June 2013					
Financial assets					
Cash and cash equivalents	1,856	(13)	(13)	6	6
Financial liabilities					
Short term borrowings	(17,000)	119	119	(60)	(60)
Total increase/ (decrease)		106	106	(54)	(54)

2 Financial risk management (continued)

(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.

Under the *Water Industry Act 2012*, water rates are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

(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.

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities

The table below analyses the non-derivative financial 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 SAFA margins. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

At 30 June 2014	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives					
Fixed rate borrowings	999,027	629,521	1,070,696	1,742,979	4,442,223
Finance lease liabilities	22,466	22,466	67,396	91,067	203,395
Non-interest bearing liabilities*	98,856	-	-	-	98,856
Floating rate borrowings	1,456	-	-	-	1,456
Total non-derivatives	1,121,805	651,987	1,138,092	1,834,046	4,745,930

At 30 June 2013	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Non-derivatives					
Fixed rate borrowings	966,765	821,199	1,222,197	1,403,964	4,414,125
Finance lease liabilities	22,067	22,067	66,201	110,945	221,280
Non-interest bearing liabilities*	97,195	-	-	-	97,195
Floating rate borrowings	17,007	-	-	-	17,007
Total non-derivatives	1,103,034	843,266	1,288,398	1,514,909	4,749,607

* 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

The fair value of financial assets and financial liabilities is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(i) Fair value of financial liabilities

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(g).

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

	2014		2013	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Long Term Borrowings	3,590,000	3,753,543	3,555,000	3,676,226

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

(ii) Fair value of financial assets

The carrying amounts and fair values of available for sale financial assets at balance date are:

	2014		2013	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Unlisted Shares	26,444	26,444	23,919	23,919

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 5.06% (30 June 2013: 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 \$1.1M (30 June 2013: \$1.2M). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by \$1.2M (30 June 2013: \$1.3M).

The fair values of all other financial assets approximate the carrying values.

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3 Fair value measurements

The Corporation measures and recognises the following financial and non-financial assets at fair value on a recurring basis:

- Available-for-sale financial assets (note 12)
- Land and buildings (note 15)
- Leased water and sewer infrastructure (note 15)
- Water infrastructure (note 15)
- Sewer infrastructure (note 15)
- Plant and equipment (note 15)
- Other (note 15)

(a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy (consistent with the hierarchy applied to financial assets and financial liabilities):

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

The following table presents the Corporation's financial and non-financial assets measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as permitted by the transitional provisions of the new standard.

The Corporation had no valuations categorised into Level 1 .

(i) Recognised fair value measurements

30 June 2014	2014	Level 2	Level 3
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Financial assets			
Unlisted shares	<u>26,444</u>	-	<u>26,444</u>
Total financial assets	<u>26,444</u>	-	<u>26,444</u>
Non-financial assets			
Land	357,163	357,163	-
Buildings	29,835	-	29,835
Water infrastructure	8,757,720	-	8,757,720
Sewer infrastructure	3,924,188	-	3,924,188
Plant and Equipment and Other	<u>127,035</u>	-	<u>127,035</u>
Total non-financial assets	<u>13,195,941</u>	357,163	<u>12,838,778</u>
Total recurring financial and non-financial assets	<u>13,222,385</u>	357,163	<u>12,865,222</u>

3 Fair value measurements (continued)

(a) Fair value hierarchy (continued)

(i) Recognised fair value measurements (continued)

There were no transfers between levels for recurring fair value measurements during the period.

The Corporation's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(ii) Disclosed fair values

The Corporation has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of cash and cash equivalents, trade receivables, payables and other current liabilities are assumed to approximate their fair values due to their short-term nature. SA Water does not hold any non-current receivables.

The fair value of financial instruments that make up the long term borrowings disclosed in note 2d(i) have been deemed to be Level 2 in the Fair Value Hierarchy. The valuation is based on SAFA bond rates (market observable) which reflects the cost of funds. The carrying amount of short term borrowings approximates its fair value, as the impact of discounting is not significant.

(b) Valuation techniques used to derive Level 3 fair values

(i) Recurring fair value measurements

The valuation techniques used to derive level 3 fair values are at note 1(e).

Although unobservable inputs were used in determining fair value, and are subjective, the Corporation considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during 2013-2014.

(ii) Non-recurring fair value measurements

SA Water has no non-recurring fair value measurements.

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3 Fair value measurements (continued)

(c) Fair value measurements using significant unobservable inputs (Level 3)

The following table is a reconciliation of fair value measurements for 30 June 2014 for recurring fair value measurements using significant unobservable inputs (Level 3):

	Buildings \$'000	Water Infrastructure \$'000	Sewer Infrastructure \$'000	Plant and Equipment and Other \$'000	Available for Sale Financial Assets \$'000	Total \$'000
Opening balance at 1 July 2013	27,670	8,204,738	3,851,753	124,684	23,919	12,232,764
Acquisitions	3,296	482,838	81,688	28,957	-	596,779
Disposals	-	-	-	(334)	-	(334)
Total gains (losses) for the period in net result:						
Asset Write-off	-	(5,210)	(2,013)	(6,516)	-	(13,739)
Reversal of previous decrement	245	-	-	-	-	245
Depreciation	(2,089)	(185,368)	(88,214)	(23,137)	-	(298,808)
	(1,844)	(190,578)	(90,227)	(29,653)	-	(312,302)
Total gains (losses) for the period in other comprehensive income:						
Revaluation increment	713	260,722	80,974	3,381	2,525	348,315
	713	260,722	80,974	3,381	2,525	348,315
Closing balance 30 June 2014	29,835	8,757,720	3,924,188	127,035	26,444	12,865,222

(i) Valuation inputs and relationships to fair value

Refer note 1(e) for information relating to unobservable inputs and valuation processes.

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4 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))
- Borrowing costs (refer note 1(d))
- Impairment of assets (refer note 1(f))
- Valuation and useful lives of assets (refer note 1(e))
- Provision for long service leave (refer note 1(m))
- Provision for workers compensation (refer note 1(n))
- Provisions (refer note 1(q))



South Australian Water Corporation
Notes to the consolidated financial statements
30 June 2014
 (continued)

5 Revenue from ordinary activities

	2014 \$'000	2013 \$'000
Community service obligations	125,751	106,773
Water and wastewater rates and charges	1,096,751	1,181,984
Recoverable works	61,971	60,094
Fees and charges	31,274	23,095
Miscellaneous	155	10,692
Government grants	11,454	7,267
Contributed assets	44,769	43,094
Rents	1,422	1,260
Interest	229	1,746
	<u>1,373,776</u>	<u>1,436,005</u>




6 Other income

	2014 \$'000	2013 \$'000
Reversal of prior year minor plant write-off	4,840	-
Net gain on disposal of infrastructure, plant and equipment	-	330
Net gain on disposal of water allocations	2,717	-
Reversal of prior year infrastructure, plant and equipment revaluation decrement	245	246
	<u>7,802</u>	<u>576</u>

7 Expenses

	2014 \$'000	2013 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation (note 15)		
Buildings	2,089	1,822
Plant and equipment	5,154	4,949
Other	17,983	15,706
Infrastructure assets - sewer	88,214	91,838
Infrastructure assets - water	185,367	156,832
Amortisation (note 14)		
Computer software	17,688	16,799
ADP intangible	1,700	2,134
Total depreciation	<u>318,195</u>	<u>290,080</u>

Borrowing Costs

Interest paid/ payable for borrowings through profit and loss	214,105	221,980
Finance charges on capitalised leases	11,220	11,893
Total borrowing costs	<u>225,325</u>	<u>233,873</u>

Net losses from fair value adjustments of derivatives held for trading

Interest rate derivatives	-	3
Foreign currency derivatives	-	26
	<u>-</u>	<u>29</u>

Finance lease contingent rentals	4,650	4,272
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7 Expenses (continued)

Profit before income tax includes the following specific Expenses(continued):

Operating lease minimum lease payments	10,801	10,363
Net bad and doubtful debts expense including movements in allowance for doubtful debts	610	117
Infrastructure, plant and equipment revaluation decrement	311	38
Write-off in value of infrastructure, plant and equipment	7,224	13,851
Write-off value of capital works in progress and minor plant	7,383	8,905
Consultancy costs	521	1,293
Superannuation contribution	16,935	15,951
Net loss on disposal of infrastructure plant and equipment	41	-
Net loss on disposal of purchased water rights/ allocations	-	880

8 Income tax expense

(a) Income tax expense

	2014 \$'000	2013 \$'000
Current tax	100,753	118,114
Deferred tax	(35,107)	(24,466)
Amounts under/(over) provided in prior years	18,314	5,334
	<u>83,960</u>	<u>98,982</u>

Deferred income tax (revenue) included in income tax expense comprises:

(Increase) decrease in deferred tax assets (note 13)	(1,250)	(1,682)
(Decrease) increase in deferred tax liabilities (note 23)	(33,857)	(22,784)
	<u>(35,107)</u>	<u>(24,466)</u>

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2014 \$'000	2013 \$'000
Profit from continuing operations before income tax expense	283,859	362,705
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	85,157	108,812



8 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable (continued)

	2014 \$'000	2013 \$'000
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
(Gain)/ loss on sale of land	-	(75)
Loss on sale of purchased water rights/ allocations	-	264
ADP intangible asset	510	-
Revaluation decrement	-	14
Government grants	(2,590)	(1,467)
Provision for employee benefits	-	(18)
	83,077	107,530
Amounts under/(over) provided in prior years	883	(8,548)
Income tax expense	83,960	98,982

(c) Tax expense (income) relating to items of other comprehensive income

	2014 \$'000	2013 \$'000
Gains on revaluation of infrastructure, plant and equipment assets	103,906	(40,854)
Revaluation of investment in unlisted shares	758	544
	104,664	(40,310)

9 Current assets - Receivables

	2014 \$'000	2013 \$'000
Receivables		
Rates receivable (water and wastewater)	146,745	169,131
Sundry debtors	29,424	35,839
Allowance for doubtful debts	(655)	(118)
	175,514	204,852
Other receivables		
Community service obligations	12,922	12,785
	188,436	217,637

9 Current assets - Receivables (continued)

(a) Impaired trade 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:

	2014 \$'000	2013 \$'000
More than 90 days overdue	655	118

Movements in the provision for impairment of receivables are as follows:

At 1 July	118	96
Provision for impairment recognised during the year	611	94
Amounts written off	(74)	(72)
At 30 June	<u>655</u>	<u>118</u>

(b) Past due but not impaired

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

	2014 \$'000	2013 \$'000
Past due 0-69 days	16,202	22,804
More than 69 days	14,955	12,890
	<u>31,157</u>	<u>35,694</u>

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 \$13.495m (2013: \$13.597m).

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

	2014 \$'000	2013 \$'000
Past due 0-30 days	2,868	1,955
Past due more than 30 days	972	1,155
	<u>3,840</u>	<u>3,110</u>

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 \$0.950m (2013: \$1.073m).

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 fair value of the non-current receivables is as follows:

The maximum exposure to credit risk at the end of the reporting period 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.

10 Current assets - Inventories

	2014 \$'000	2013 \$'000
Raw materials and stores	6,246	5,882
Allowance for obsolete stock	(1,391)	(1,321)
Work in progress - sundry debtors	731	552
	5,586	5,113

11 Current assets - Other current assets

	2014 \$'000	2013 \$'000
Interest receivable	89	1,018
Prepayments	2,984	3,274
Renewable Energy Certificates *	3,158	6,570
	6,231	10,862

*SA Water purchases Renewable Energy Certificates (RECs) in order to meet Green House Gas (GHG) emission targets. SA Water does not purchase RECs with the intention of trading for gain. Unused RECs accumulated as at 30 June are recorded at their fair value. These RECs are expected to be utilised in satisfying the Corporation's 2013-14 GHG emission targets and will be expensed at time of surrender.

12 Non-current assets - Available-for-sale financial assets

	2014 \$'000	2013 \$'000
Unlisted shares at fair value	26,444	23,919

13 Non-current assets - Deferred tax assets

	2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:		
Doubtful debts	197	35
Obsolete stock	417	396
Infrastructure, plant and equipment	6,566	3,280
Pooled assets	47	53
Payables	1,210	1,367
Audit fee payable	126	121
Government grants	11,706	10,587
Employee benefits	12,020	13,699
Deferred lease incentives	373	413
Unearned income-customer contributions	2,275	3,721
Provision for site rehabilitation	41	106
Provision for asset disposal	28	30
Provision for damages and claims	150	163
Provision for workers compensation	286	221
	35,442	34,192

Amounts recognised directly in equity

Unearned income-customer contributions	2,335	2,335
Net deferred tax assets	37,777	36,527

Movements:

Opening balance at 1 July	36,527	34,845
Credited to the statement of comprehensive income (note 8)	1,250	1,682
Closing balance at 30 June	37,777	36,527

Deferred tax assets expected to be recovered within 12 months	10,483	12,507
Deferred tax assets expected to be recovered after more than 12 months	27,294	24,020
	37,777	36,527

14 Non-current assets - Intangible assets

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP intangible \$'000	Purchased water rights \$'000	Seasonal water allocations \$'000	Total \$'000
Year ended 30 June 2013							
Opening net book amount	6,149	4,500	37,735	70,209	41,142	54,408	214,143
Additions from external acquisitions	64	-	12,862	-	-	-	12,926
Amortisation charge	-	-	(16,798)	(2,134)	-	-	(18,932)
Disposals	-	-	-	-	(9,544)	-	(9,544)
Closing net book amount	6,213	4,500	33,799	68,075	31,598	54,408	198,593
At 30 June 2013							
Cost	6,213	4,500	103,622	70,982	31,598	54,408	271,323
Accumulated amortisation and impairment	-	-	(69,823)	(2,907)	-	-	(72,730)
Net book amount	6,213	4,500	33,799	68,075	31,598	54,408	198,593

14 Non-current assets - Intangible assets (continued)

	Easements \$'000	Prescription rights \$'000	Computer software \$'000	ADP intangible \$'000	Purchased water rights \$'000	Seasonal water allocations \$'000	Total \$'000
Year ended 30 June 2014							
Opening net book amount	6,213	4,500	33,799	68,075	31,598	54,408	198,593
Additions from external acquisitions	-	-	28,675	-	-	-	28,675
Amortisation charge	-	-	(17,688)	(1,700)	-	-	(19,388)
Disposals	-	-	-	-	(8,420)	-	(8,420)
Closing net book amount	6,213	4,500	44,786	66,375	23,178	54,408	199,460
At 30 June 2014							
Cost	6,213	4,500	132,297	70,982	23,178	54,408	291,578
Accumulated amortisation	-	-	(87,511)	(4,607)	-	-	(92,118)
Net book amount	6,213	4,500	44,786	66,375	23,178	54,408	199,460

15 Non-current assets - Infrastructure, plant and equipment

	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2013										
Opening net book amount	2,140,377	362,358	26,789	23,426	25,880	6,910,203	3,637,975	96,965	93,810	13,317,783
Revaluation surplus	-	(6,071)	973	851	-	(204,361)	60,002	3,525	3,409	(141,672)
Additions	434,319	308	1,730	-	6,177	1,562,031	228,396	-	16,131	2,249,092
Transfers	(1,799,848)	-	-	-	-	-	-	-	-	(1,799,848)
Depreciation charge	-	-	(1,822)	(726)	(4,949)	(149,845)	(91,113)	(6,987)	(15,706)	(271,148)
Asset write down	(8,905)	-	-	-	-	(6,793)	(7,058)	-	-	(22,756)
Disposals	-	(876)	-	-	(68)	-	-	-	-	(944)
Closing net book amount	765,943	355,719	27,670	23,551	27,040	8,111,235	3,828,202	93,503	97,644	13,330,507
At 30 June 2013										
Cost	765,943	-	-	-	63,164	-	-	-	-	829,107
Valuation	-	355,719	73,758	28,486	-	13,325,113	6,258,671	194,721	201,513	20,437,981
Accumulated depreciation	-	-	(46,088)	(4,935)	(36,124)	(5,213,878)	(2,430,469)	(101,218)	(103,869)	(7,936,581)
Net book amount	765,943	355,719	27,670	23,551	27,040	8,111,235	3,828,202	93,503	97,644	13,330,507

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

	Work in progress \$'000	Land \$'000	Buildings \$'000	Leased sewer infrastructure \$'000	Plant and equipment \$'000	Water infrastructure \$'000	Sewer infrastructure \$'000	Leased water infrastructure \$'000	Other property, plant and equipment \$'000	Total \$'000
Year ended 30 June 2014										
Opening net book amount	765,943	355,719	27,670	23,551	27,040	8,111,235	3,828,202	93,503	97,644	13,330,507
Revaluation surplus	-	1,444	958	816	-	257,486	80,158	3,236	3,381	347,479
Additions	296,582	-	3,296	-	4,395	482,815	81,688	23	24,562	893,361
Transfers	(594,398)	-	-	-	-	-	-	-	-	(594,398)
Depreciation charge	-	-	(2,089)	(752)	(5,154)	(179,904)	(87,462)	(5,463)	(17,983)	(298,807)
Asset write down	(867)	-	-	-	(6,516)	(5,211)	(2,013)	-	-	(14,607)
Disposals	-	-	-	-	(334)	-	-	-	-	(334)
Closing net book amount	467,260	357,163	29,835	23,615	19,431	8,666,421	3,900,573	91,299	107,604	13,663,201
At 30 June 2014										
Cost	467,260	-	-	-	43,091	-	-	-	-	510,351
Valuation	-	357,163	77,926	29,473	-	14,189,301	6,472,404	201,483	232,969	21,560,719
Accumulated depreciation	-	-	(48,091)	(5,858)	(23,660)	(5,522,880)	(2,571,831)	(110,184)	(125,365)	(8,407,869)
Net book amount	467,260	357,163	29,835	23,615	19,431	8,666,421	3,900,573	91,299	107,604	13,663,201

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

(a) Carrying amounts that would have been recognised

If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	2014 \$'000	2013 \$'000
Freehold land		
Cost	44,850	44,920
Net book amount	<u>44,850</u>	<u>44,920</u>
Buildings		
Cost	45,533	48,148
Accumulated depreciation	<u>(21,246)</u>	<u>(25,501)</u>
Net book amount	<u>24,287</u>	<u>22,647</u>
Leased sewer infrastructure		
Cost	18,792	18,792
Accumulation depreciation	<u>(4,228)</u>	<u>(3,758)</u>
Net book amount	<u>14,564</u>	<u>15,034</u>
Water infrastructure		
Cost	4,248,637	3,782,513
Accumulated depreciation	<u>(886,572)</u>	<u>(814,467)</u>
Net book amount	<u>3,362,065</u>	<u>2,968,046</u>
Sewer infrastructure		
Cost	1,936,579	1,870,154
Accumulated depreciation	<u>(735,704)</u>	<u>(654,096)</u>
Net book amount	<u>1,200,875</u>	<u>1,216,058</u>
Leased water infrastructure		
Cost	124,183	124,183
Accumulation depreciation	<u>(65,864)</u>	<u>(62,670)</u>
Net book amount	<u>58,319</u>	<u>61,513</u>
Other		
Cost	190,869	166,317
Accumulated depreciation	<u>(97,225)</u>	<u>(81,559)</u>
Net book amount	<u>93,644</u>	<u>84,758</u>




16 Current liabilities - Payables

	2014 \$'000	2013 \$'000
Interest payable	39,661	37,479
Trade creditors	95,036	94,439
Other creditors	18,199	15,696
	152,896	147,614

17 Current liabilities - Financial liabilities /borrowings

	2014 \$'000	2013 \$'000
Lease liabilities (note 30)	7,117	6,364
Short term borrowings	1,450	17,000
	8,567	23,364

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

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 2.

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.

18 Current liabilities - Tax liabilities

	2014 \$'000	2013 \$'000
Provision for current income tax movements during the year were as follows:		
Balance at the beginning of the year	36,469	9,468
Income tax paid	(140,060)	(96,447)
Current year's income tax provision	100,753	118,114
Amounts under/(over) provided in prior years	18,314	5,334
	15,476	36,469




19 Current liabilities - Provisions

	2014 \$'000	2013 \$'000
Employee benefits	14,289	16,042
Asset disposal	20	20
Site rehabilitation	135	355
Damages and claims	532	544
Workers compensation	1,226	1,049
	16,202	18,010

(a) 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
2014					
Current					
Carrying amount at the start of the year	20	355	544	1,049	1,968
Additional provisions recognised	-	-	180	1,761	1,941
Payments made during the year	(9)	(128)	(192)	(504)	(833)
Re-measurement adjustments	-	(92)	-	(1,080)	(1,172)
Transfer from non-current provision	9	-	-	-	9
Carrying amount at end of period	20	135	532	1,226	1,913

20 Current liabilities - Other current liabilities

	2014 \$'000	2013 \$'000
Government grants	9,952	11,020
Lease incentives	134	134
Unearned income	15,367	16,470
Deposits from contractors	1,534	1,273
Carbon trading scheme*	-	782
	26,987	29,679

*Under the Clean Energy Act 2011 (Cth), SA Water is obligated to surrender carbon units to the Clean Energy Regulator, to offset its greenhouse gas emissions from the Bolivar Waste Treatment Facility. As at 30 June 2014 there was no expected liability from greenhouse gas emissions in 2013/14.

21 Non-current liabilities - Payables

	2014 \$'000	2013 \$'000
Other payables	<u>2,247</u>	<u>2,631</u>

22 Non-current liabilities - Financial liabilities /borrowings

	2014 \$'000	2013 \$'000
Lease liabilities (note 30)	86,990	94,107
Long term borrowings	3,590,000	3,555,000
	<u>3,676,990</u>	<u>3,649,107</u>

23 Non-current liabilities - Deferred tax liabilities

	2014 \$'000	2013 \$'000
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The balance comprises temporary differences attributable to:

Prepayments	338	343
Unlisted shares at fair value	(2,406)	(2,406)
Seasonal water allocations	16,322	16,322
Depreciation and amortisation	36,327	70,181
	<u>50,581</u>	<u>84,440</u>

Amounts recognised directly in equity

Revaluation of infrastructure, plant and equipment	1,645,924	1,542,017
Unlisted shares at fair value	5,884	5,126
Sub-total other	<u>1,651,808</u>	<u>1,547,143</u>

Total deferred tax liabilities	<u>1,702,389</u>	<u>1,631,583</u>
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23 Non-current liabilities - Deferred tax liabilities (continued)

Movements:

Opening balance at 1 July	1,631,583	1,694,677
Credited to the Statement of Comprehensive Income (note 8)	(16,427)	(8,901)
Charged to equity (note 29)	103,906	(40,854)
Unlisted shares at fair value	758	544
Amounts under provided in prior years	(17,431)	(13,883)
Closing balance at 30 June	<u>1,702,389</u>	<u>1,631,583</u>

Deferred tax liabilities to be settled within 12 months	338	343
Deferred tax liabilities expected to be settled after more than 12 months	<u>1,702,051</u>	<u>1,631,240</u>
	<u>1,702,389</u>	<u>1,631,583</u>

24 Non-current liabilities - Provisions

	2014 \$'000	2013 \$'000
Employee benefits	25,777	29,620
Workers compensation	3,511	3,233
Asset disposal	72	81
	<u>29,360</u>	<u>32,934</u>

(a) Movements in provisions

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

2014 Non-current	Workers compensation \$'000	Asset disposal \$'000	Total \$'000
Carrying amount at start of year	3,233	81	3,314
Transfer to current provision	-	(9)	(9)
Re-measurement adjustments	278	-	278
Carrying amount at end of period	<u>3,511</u>	<u>72</u>	<u>3,583</u>

25 Non-current liabilities - Other non-current liabilities

	2014 \$'000	2013 \$'000
Government grants	397,379	402,472
Lease incentives	1,110	1,243
	<u>398,489</u>	<u>403,715</u>

26 Reconciliation of cash

	2014	2013
	\$'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	1,507	1,856

(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 profit after income tax to net cash inflow from operating activities

	2014	2013
	\$'000	\$'000
Net profit for the year	\$'000	\$'000
Add/(less) non-cash items:	199,898	263,723
Depreciation and amortisation	318,195	290,080
Amortisation of government grant revenue	(11,454)	(7,267)
Contributed assets	(26,218)	(27,675)
Net loss(gain) on disposal of infrastructure, plant and equipment	41	(338)
Net(gain)loss on disposal of purchased water rights/ allocations	(2,717)	880
Infrastructure, plant and equipment revaluation decrement reversal	(245)	(246)
Infrastructure, plant and equipment revaluation decrement	311	38
Write-off in value of infrastructure, plant and equipment	7,223	13,851
Write-off value of capital works in progress and minor plant	7,383	8,905
Reversal of prior year minor plant write-off	(4,840)	-
Change in assets and liabilities:		
Decrease/(increase) in rates and sundry receivables	24,851	(41,359)
(Increase) in inventories	(472)	(280)
Decrease/(increase) in prepayments	290	(668)
Decrease/(increase) in other operating assets	4,337	(2,983)
Decrease in fair value of derivative financial assets	-	154
(Increase) in deferred tax assets	(1,250)	(1,679)
Increase/(decrease) in trade creditors	1,266	(13,657)
(Decrease) in provision for employee benefits	(5,596)	(1,829)
Increase in provision for workers compensation	455	334
Increase in other operating liabilities	7,282	7,135
(Decrease) in fair value of derivative financial liabilities	-	(249)
Increase in government grants	5,842	47,489
(Decrease) in provision for deferred income tax	(33,857)	(22,787)
(Decrease) in other provisions	(240)	(604)
(Decrease)/increase in provision for income taxes payable	(20,993)	27,001
Net cash inflow from operating activities	469,492	537,969

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 including SA Water's customers.

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 2012 -2013, was to maintain a gearing ratio within 15% to 25%. The gearing ratios based on continuing operations at 30 June 2013 and 30 June 2014 were as follows:

	2014	2013
	\$'million	\$'million
Interest bearing liabilities (notes 17, 22)	3,686	3,672
Less: Cash and cash equivalents (note 26)	(2)	(2)
Net debt	3,684	3,670
Total assets	14,129	13,825
Gearing ratio	26.1%	26.5%

Outside of the Financial Ownership Framework, the Corporation is not subject to any externally imposed capital requirements.

SA Water and the SA Government continue to review the parameters of the Financial Ownership Framework to ensure the appropriateness of the targets. The target range for the gearing ratio will be reviewed during 2014-2015 subject to finalisation of the \$2.7billion debt transfer from the SA Government to SA Water (refer note 39).

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29 Asset revaluation surplus and retained profits

(a) Asset revaluation surplus

	2014 \$'000	2013 \$'000
Revaluation surplus - Infrastructure, plant and equipment	7,624,340	7,383,653
Available-for-sale financial investments	13,728	11,961
	7,638,068	7,395,614

Movements:

<i>Infrastructure, plant and equipment revaluation surplus</i>		
Balance 1 July	7,383,653	7,487,131
Revaluation of infrastructure, plant and equipment *	347,543	(141,879)
Movements in deferred tax liability (note 23)	(103,906)	40,854
Transfer to retained profits on disposal	(2,950)	(2,453)
Balance 30 June	7,624,340	7,383,653
<i>Available-for-sale investments revaluation surplus</i>		
Balance 1 July	11,961	10,693
Revaluation of investment in unlisted shares	2,525	1,812
Movements in deferred tax liability (note 23)	(758)	(544)
Balance 30 June	13,728	11,961

(b) Retained profits

Movements in retained profits were as follows:

	2014 \$'000	2013 \$'000
Balance 1 July	280,684	250,283
Net profit for the period	199,898	263,723
Dividends (note 33)	(196,171)	(235,775)
Transfers from infrastructure, plant and equipment revaluation surplus	2,950	2,453
Balance 30 June	287,361	280,684

(c) Nature and purpose of other asset revaluation surplus

(i) Infrastructure, plant and equipment revaluation surplus

The infrastructure, plant and equipment revaluation surplus is the cumulative balance of asset revaluation increments and decrements.

(ii) Available-for-sale revaluation surplus

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation surplus.

*The 2012/2013 revaluation decrease relates to a decrease in infrastructure valuations, principally pipe replacement prices, reservoirs, earth storages and water dosing stations.

The 2013/2014 revaluation increase relates to moderate (around 3%) increases in pipe replacement prices, together with similar increases in other assets.

30 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements, are payable as follows:

	2014 \$'000	2013 \$'000
Within one year	58,188	95,348
Later than one year but not later than five years	29,660	42,045
	87,848	137,393

(b) Operating lease commitments

	2014 \$'000	2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	11,260	10,750
Later than one year but not later than five years	46,629	45,452
Later than five years	53,101	66,982
	110,990	123,184

The operating lease commitments relate to property leases which are non-cancellable leases. The rentals are payable monthly and reviewed annually. The annual increases are based on CPI of 2.5-3.5%. 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

	2014 \$'000	2013 \$'000
Future other expenditure commitments not provided for in the financial statements are payable as follows:		
Within one year	166,095	170,623
Later than one year but not later than five years	621,915	613,194
Later than five years	1,067,567	1,261,336
	1,855,577	2,045,153

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(u).

Operate, maintain and provide energy for the Adelaide Desalination Plant. Refer to note 1(v).

30 Commitments (continued)

(c) Other expenditure commitments (continued)

Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

(d) Finance leases

	2014 \$'000	2013 \$'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	63,639	81,223
Minimum lease payments	151,558	169,142
Future finance charges	(57,451)	(68,671)
Recognised as a liability	94,107	100,471
Total lease liabilities	94,107	100,471
Representing lease liabilities:		
Current (note 17)	7,117	6,364
Non-current (note 22)	86,990	94,107
	94,107	100,471

The present value of finance lease liabilities is as follows:

Within one year	7,117	6,364
Later than one year but not later than five years	37,969	33,941
Later than five years	49,021	60,166
Minimum lease payments	94,107	100,471

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities.

(e) Contingent rentals

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on CPI and other related indexes. Commitments in relation to contingent rentals are payable as follows:

	2014 \$'000	2013 \$'000
Within one year	4,882	4,483
Later than one year but not later than five years	19,527	17,933
Later than five years	27,428	29,722
	51,837	52,138

The amount of contingent rentals paid during the year is disclosed in note 7.

30 Commitments (continued)

(f) Remuneration commitments

	2014 \$'000	2013 \$'000
Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities, are payable as follows:		
Within one year	13,682	15,027
Later than one year but not later than five years	25,045	21,843
	38,727	36,870

31 Joint operation

Jointly controlled operations

The Corporation holds an interest of 50% in the output of the jointly controlled operation named SA Water/Lofty Ranges Power - Jointly Controlled Operation. The principal activity of the operation is to generate electricity from the use of water energy stored in/ around 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 jointly controlled operation, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2014 \$'000	2013 \$'000
Current assets		
Cash and cash equivalents	9	44
Receivables	31	3
Total current assets	40	47
Non-current assets		
Infrastructure, plant and equipment	1,611	1,610
Total assets	1,651	1,657
Current liabilities		
Payables	26	21
Total liabilities	26	21
Net assets	1,625	1,636

32 Remuneration of auditors

	2014	2013
	\$'000	\$'000
Audit fees paid/payable to the Auditor General's Department relating to:		
Financial statement audit	383	401
Regulatory accounts audit	35	-
	418	401

33 Dividends

	2014	2013
	\$'000	\$'000
Dividends paid	196,171	235,775

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

	Current		Current	
	Employees	Ex-Employees	Employees	Ex-Employees
	2014	2014	2013	2013
The number of employees whose remuneration paid and payable falls within the following bands is:				
\$138,000 - 141,499*	7	-	18	1
\$141,500 - 151,499	41	1	40	1
\$151,500 - 161,499	21	-	26	1
\$161,500 - 171,499	13	1	15	1
\$171,500 - 181,499	8	-	8	-
\$181,500 - 191,499	5	-	5	2
\$191,500 - 201,499	7	-	7	-
\$201,500 - 211,499	5	-	3	-
\$211,500 - 221,499	-	1	1	-
\$221,500 - 231,499	1	-	2	-
\$231,500 - 241,499	1	1	2	-
\$241,500 - 251,499	1	-	1	-
\$251,500 - 261,499	1	1	-	-
\$261,500 - 271,499	2	1	2	1
\$271,500 - 281,499	-	-	1	-
\$281,500 - 291,499	1	1	3	-
\$291,500 - 301,499	1	-	2	1
\$301,500 - 311,499	2	1	2	-
\$311,500 - 321,499	1	3	-	-
\$321,500 - 331,499	1	2	-	1
\$331,500 - 341,499	2	-	-	-
\$341,500 - 351,499	-	-	-	1
\$371,500 - 381,499	-	-	1	-
\$381,500 - 391,499	-	-	-	1
\$391,500 - 401,499	-	2	1	-
\$401,500 - 411,499	-	1	-	-
\$411,500 - 421,499	-	2	-	-
\$421,500 - 431,499	1	2	-	1
\$461,500 - 471,499	-	1	-	-
\$531,500 - 541,499	-	1	-	-
\$541,500 - 551,499	-	-	1	-
\$551,500 - 561,499	1	-	-	-
\$591,500 - 601,499	-	1	-	-
\$891,500 - 901,499	-	1	-	-

The total remuneration paid and payable for those employees ongoing and separated was \$22.2 million and \$8.9 million (2013: \$24.8 million and \$3 million). This amount includes separation payments, lump sum payments for annual leave and long service leave, fringe benefits and superannuation payments.

*This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration for 2012-13.

34 Remuneration of employees (continued)

	2014 \$'000	2013 \$'000
Targeted voluntary separation packages (TVSPs)		
Amount paid during the reporting period to separated employees:		
TVSPs	4,488	3,486
Annual leave and long service leave paid to those employees	1,996	1,381
Net cost to SA Water	6,484	4,867

The number of employees who received TVSPs during the reporting period was 27 (2013:27).

35 Remuneration of directors

The Board of SA Water was established under the *South Australian Water Corporation Act 1994* and consists of up to seven members including the Chief Executive. Note: Although a member of the Board, the Chief Executive does not receive additional remuneration as a Board member. The remuneration of the Chief Executive is included in Note 34 and 36.

Remuneration of Directors (excluding the Chief Executive) is shown in the table below.

	2014 Number of directors	2013 Number of directors
The number of Directors of the Corporation (excluding the Chief Executive) whose remuneration paid and payable falls within the following bands is:		
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	2	1
\$50,000 - \$59,999	2	3
\$80,000 - \$89,999	1	1

The total remuneration paid and payable for those Directors was \$0.31million (2013: \$0.29 million) which includes fringe benefits and superannuation contributions.

36 Related party disclosures

(a) Directors

The following persons held the position of Director of the Corporation during the financial year:

S.G.M. Blencowe, C.S. Cooper, S.M. Filby, K.G. Osborn, L.W. Owens, C.A. Pickles and J.F. Ringham.

Ms Blencowe is a Specialist Member of the City of Port Adelaide Enfield Development Assessment Panel.

36 Related party disclosures (continued)

(a) Directors (continued)

Ms Cooper is Chair of the Dairy Authority of SA, Aquaculture Advisory Council, Council Solutions and Fleurieu Regional Waste Authority, Director of Thoroughbred Racing SA and Lawguard Pty Ltd, Company Secretary of CRC CARE Pty Ltd and a member of the Aquaculture Tenure Allocation Board, (energy markets) Consumer Advocacy Panel, Motor Accident Commission Third Party Claims Committee, District Court Panel Experts (gas) and the Natural Resources Management Council and an independent member of the City of Marion Audit Committee.

Ms Filby is a member of the Development Policy Advisory Committee.

Mr Osborn is Director of Pateka Pty Ltd., Tristar Properties Pty Ltd., Port Adelaide Football Club, Australian Institute of Company Directors and the Accounting Professional & Ethical Standards Board (APESB). He was formerly Chair of the Adelaide Desalination Cross Agency Steering Committee, Chair of Invest in South Australia, Deputy Chair of the Economic Development Board of SA Director of Adelaide University Business School Advisory Board and Director of Viterra Inc.

Mr Owens is Chair of SA Water, SA Country Arts Trust, a Director of Regional Arts Australia Ltd, a Reconciliation Ambassador for Reconciliation SA, Member of Resources and Energy Sector Infrastructure Council and Member of the City of Marion Audit Committee. He was formerly a Director of Petrathern.

Ms Pickles is the Chair of the South Australia State Library Foundation.

Mr Ringham is a Director and Chief Executive of SA Water, Deputy Chair Wateraid Australia and Director of Water Services Association of Australia (WSAA).

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

(b) Key management personnel

Key management personnel compensation for the years ended 30 June 2014 and 2013 is set out below. The key management personnel are the Directors of the Corporation (including the Chief Executive) and the Senior Leadership Team (SLT) 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	Termination benefits \$'000	Total \$'000
2014*	17	2,348	1,497	79	308	4,232
2013	15	2,601	948	78	254	3,881

*2014 includes an overlap of SLT members resulting from the organisational restructure.

37 Statement of administered items

	2014		2013	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
Administered income				
Revenue	24,271	29,500	53,771	55,908
Total administered revenues	24,271	29,500	53,771	55,908
Expenses	24,271	29,500	53,771	55,908
Total administered expenses	24,271	29,500	53,771	55,908
Operating surplus	-	-	-	-
Current assets				
Cash and cash equivalents	74	274	348	162
Receivables	1,406	-	1,406	1,640
Total current assets	1,480	274	1,754	1,802
Total administered assets	1,480	274	1,754	1,802
Current Liabilities				
Payables	1,480	274	1,754	1,802
Total Current liabilities	1,480	274	1,754	1,802
Total Administered liabilities	1,480	274	1,754	1,802
Net assets	-	-	-	-




37 Statement of Administered items (continued)

	2014		2013	
	River Murray Levy \$'000	Pensioner concessions \$'000	Total \$'000	Total \$'000
Cash flows from operating activities				
Cash inflows	24,505	29,500	54,005	55,515
Total cash inflows	24,505	29,500	54,005	55,515
Cash outflows	24,591	29,228	53,819	55,727
Total cash outflows	24,591	29,228	53,819	55,727
Net cash (outflows) from operating activities	(86)	272	186	(212)
Net (decrease) in cash held	(86)	272	186	(212)
Cash at the beginning of the reporting period	160	2	162	374
Cash at the end of the reporting period	74	274	348	162



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38 SA Government transactions

(a) Income received/receivable from entities within the SA Government

	2014 \$'000	2013 \$'000
Rates and charges	64,179	63,847
Community service obligations	125,751	106,773
Recoverable works	7,341	3,567
Fees and charges	11	20
Miscellaneous	2	2
Government grants	1,793	672
Interest received	175	907
Total revenue – entities within the SA Government	199,252	175,788

(b) Expenses

Supplies and services

Provided by entities within the SA Government

Operational services	32,712	33,210
Administration	35,283	34,989
Materials Other	1	993
Total Supplies and services - entities within the SA Government	67,996	69,192

Operational and service contracts

Provided by entities within the SA Government

Operational and service contracts	1,473	2,118
Operational and service contracts provided by entities within the SA Government	1,473	2,118

Borrowing costs

Provided by entities within the SA Government

Interest expense	214,105	221,980
Total borrowing costs provided by entities within the SA Government	214,105	221,980

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38 SA Government transactions (continued)

(c) Receivables

Receivables from entities within the SA Government

Community service obligations	12,922	12,785
Rates receivable (water and wastewater)	709	7,180
Sundry debtors	5,254	6,247
	<u>18,885</u>	<u>26,212</u>

(d) Payables

Current

Payables to entities within the SA Government

Trade creditors	5,079	5,093
Interest payable	39,661	37,479
Other creditors	4,608	4,470
	<u>49,348</u>	<u>47,042</u>

Non-Current

Payables to entities within the SA Government

Other creditors	1,300	1,511
	<u>1,300</u>	<u>1,511</u>

39 Events occurring after the reporting period

(a) Transfer of debt from treasury

On 1 July 2014 the SA Government announced that \$2.7 billion of debt will be transferred to SA Water. On 16 September 2014 the Treasurer requested the Board recommend an interim dividend of \$2.7 billion be paid.

On 18 September the Board made the recommendation.

The financial effects of this transaction have not been brought to account at 30 June 2014 as the transaction had not occurred. The transfer of debt will increase interest expense, decrease profit and reduce the level of contributions (income tax equivalent payments and dividends) payable to SA Government.

Details of the effect on liabilities and equity of the debt transfer are:

	\$'000
Core debt borrowings	(2,700,000)
Equity	2,700,000




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