



Water, for growth, development and quality

of life for all South Australians



Government
of South Australia

SA Water's Story...

Who are we?

SA Water is a government business enterprise, wholly owned by the Government of South Australia. SA Water has a requirement to fulfil its statutory functions as set out in the *South Australian Water Corporation Act 1994*. SA Water's Charter provides the organisation with a statement of the Government's strategic directions for SA Water that focuses on quality in water and wastewater services and the promotion of economic development. Further information on the SA Water Charter is available in the Corporate Governance and Charter sections contained in the SA Water Annual Report 2002–03 available at www.sawater.com.au.

SA Water's head office functions are based in South Australia's capital city, Adelaide, with offices, assets and sites throughout the State.

Where have we come from?

South Australian Water Corporation (SA Water) was established by the proclamation of the *South Australian Water Corporation Act 1994* (the Act), effective 1 July 1995. The Act transferred the employees, assets and operations of the Engineering and Water Supply (E&WS) Department to the SA Water Corporation. Through the history of the E&WS Department, SA Water can trace a long tradition of service and commitment to the people of South Australia.

What do we do?

SA Water provides water, wastewater and related services throughout South Australia to approximately 1.4 million people. Managing water, wastewater, infrastructure assets and contracts is a significant aspect of our business. SA Water retains ownership of all assets including over 25,000 km of water mains and over 8,000 km of sewer mains, 20 water treatment plants and 24 wastewater treatment plants. Unique outsourcing contracts enable delivery of operation and maintenance services to Adelaide by United Water, and some country water filtration plants by Riverland Water. As of 1 January 2003 United Water entered its eighth year of a 15-year contract with SA Water to manage, operate and maintain the metropolitan water and wastewater systems under a fee-for-service arrangement.

In support of its statutory functions, SA Water works with the private sector to build opportunities for South Australian companies to export and participate in economic development for the benefit of South Australia.

Where are we going?

To focus SA Water's future direction, the SA Water Strategic Plan was developed in consultation with key stakeholders and ratified by the SA Water Board in November 2001. The Strategic Plan covers the period 2001–2006 and sets out the organisation's vision:

"Water, for growth, development and quality of life for all South Australians"

The Strategic Plan includes SA Water's:

- Mission
- Core values
- Strategic objectives
- Initiatives

The Strategic Plan outlines SA Water's six strategic objectives and supporting initiatives through to 2006 for:

- Water quality
- Commercial success and optimising business value
- Service delivery valued by our customers
- A high achieving culture
- Business growth through innovation and partnerships
- Playing a leading role in a sustainable future for South Australian communities

SA Water's Strategic Plan provides a common focus for collaboration, achievement and accountability. The SA Water Strategic Plan is scheduled to be reviewed in the second quarter of 2003–04.

Further information on the Strategic Plan is available in the Corporate Governance section of SA Water's Annual Report 2002–03.

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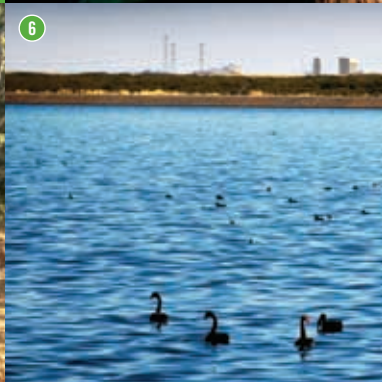
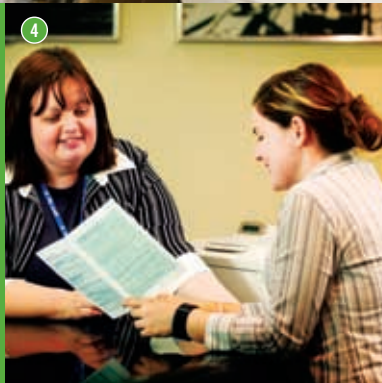
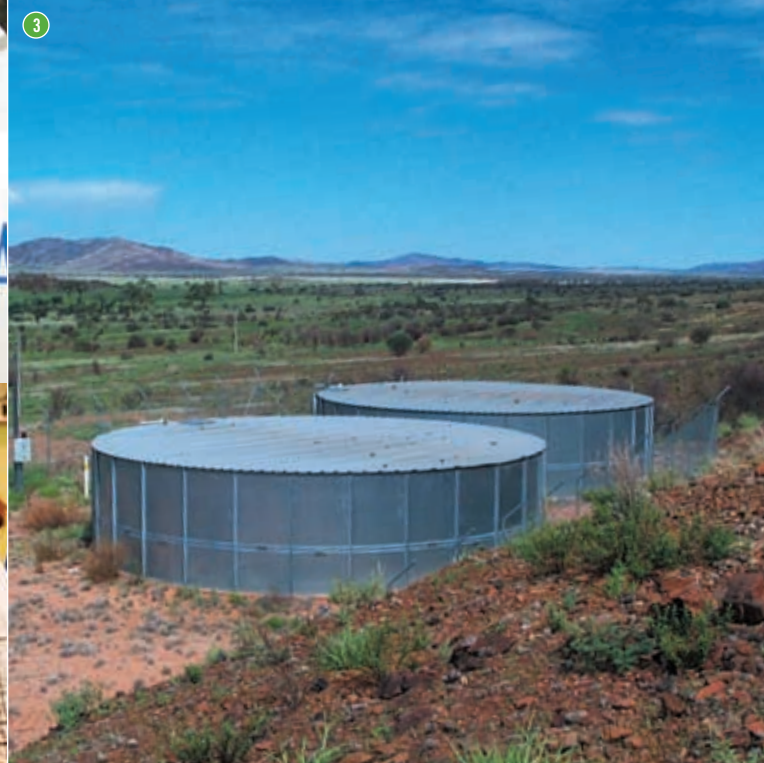
This Report

This Annual Report is one of a suite of three reports produced by SA Water covering the reporting period 1 July 2002 to 30 June 2003, including:

- Annual Report – reporting on SA Water's operations, regulatory framework, and financial and operating performance.
- Sustainability Report – reporting on the organisation's progress towards social, economic and environmental sustainability. The Sustainability Report builds on the SA Water Environmental Report that has been produced for the past four years. The introduction of sustainable reporting reinforces SA Water's commitment to sustainable practices and, as a result, a commitment to a sustainable future for South Australian communities.
- Drinking Water Quality Report – reports in summary on SA Water's water quality performance and allows for comparison of water quality performance with previous years, facilitating assessment of water quality improvements and initiatives. This year's report is structured around the National Health and Medical Research Council (NHRMC) Framework for Drinking Water Quality Management and is used to facilitate a review of South Australia's drinking water systems and to audit SA Water's Quality Management Framework.

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HIGHLIGHTS 2003



Pictured — 1 Barker Inlet Wetlands. 2 Sampling at Myponga Reservoir. 3 Two 195KL water storage tanks adjacent to the Pipalyatjara community located in the Tomlinson Ranges of the Anangu Pitjantjatjara Lands in the far north west of South Australia. 4 Jane and Loretta at the Customer Service Counter. 5 Excavating pipeline trench as part of the Clare Valley Water Supply Scheme. 6 Sedimentation lagoons at the Bolivar Wastewater Treatment Plant. 7 Damien and Peter taking a water sample at the Oak Valley community in the Maralinga Tjarutja Lands (approx. 450km NW of Ceduna).

WATER QUALITY MANAGEMENT AND TRAINING

- National recognition for Waikerie and Woolpunda Salt Interception Schemes.
- Over 300 staff participated in formal Water Quality Management Training.
- Significant improvement in water quality and disinfection control in country areas.
- Early warning control points identified in each country system.
- 19 Wastewater Treatment Plants and the Morgan Water Treatment Plant accredited to ISO14001 for Environmental Management Systems.
- The Framework for Drinking Water Quality Management implementation project commenced – two-year implementation plan.
- Australian Water Quality Centre/Cooperative Research Centre continued excellent work, receiving national recognition.

COMMERCIAL SUCCESS, COMPETITION AND OPTIMISED BUSINESS VALUE

- Achieved a record profit of \$258 million, up 15% on 2001–02.
- Contribution to Government up 18.1% to \$243 million.
- 150 Staff participated in Accredited Purchasing Officer training.
- Expenditure on consultants and temporary staff reduced by 15%.
- Internal Audit strengthened via revised Audit Committee Charter.
- Focus on Risk Management and risks integrated into business plans.
- Significant enhancement of Emergency Risk Management and Security.

CUSTOMER SERVICE

- SA Water Customer Contact Centre in top three of 23 centres for quality of customer service, in utilities across Australia – in the midst of a 15% increase in work volume.
- Customer Relationship Management Framework approved and implementation commenced.
- SA Water and Department of Aboriginal Affairs and Reconciliation partnership formed to improve services and water quality in remote areas.
- Extensive technology improvements – aquamap, e-conveyancing, plumbing audit system.

HIGH ACHIEVING CULTURE

- WorkCover commendation of SA Water OHS&IM systems following external audit.
- Achievement of a 56% reduction in Lost Time Injury Frequency Rate since 1998 and a 43% reduction in claims frequency this year.
- Workforce Refreshment Year one was successfully implemented in Operations with 29 employees accepting Voluntary Early Retirement Packages.
- Focus on Youth Employment – Graduate Recruitment enhanced, 42 clerical and water industry trainees employed during the year, a further eight trade apprentices taken on to complement the existing 17.
- Organisation Culture Inventory completed and results published.
- Over 1200 staff and contractors participated in Performance Management workshops.
- 174 Service Awards presented to staff for 4525 years of service.

GROWTH THROUGH INNOVATION AND PARTNERSHIPS

- MIEX® (Magnetic Ion Exchange) process gaining international recognition and income stream growing.
- Off-Peak Transportation of bulk water created new revenue and improved asset utilisation.
- Barossa Infrastructure Limited (BIL) supply scheme to wine growers generated \$14.3 million in farm gate revenue and \$43 million in benefits to South Australia.
- Support for Water Industry Alliance continued with \$180 million in gross exports.
- Riverland Water contract varied to achieve an extra \$30 million in benefits over 22 years, most of which relate to country water quality improvements.

SUSTAINABLE FUTURE

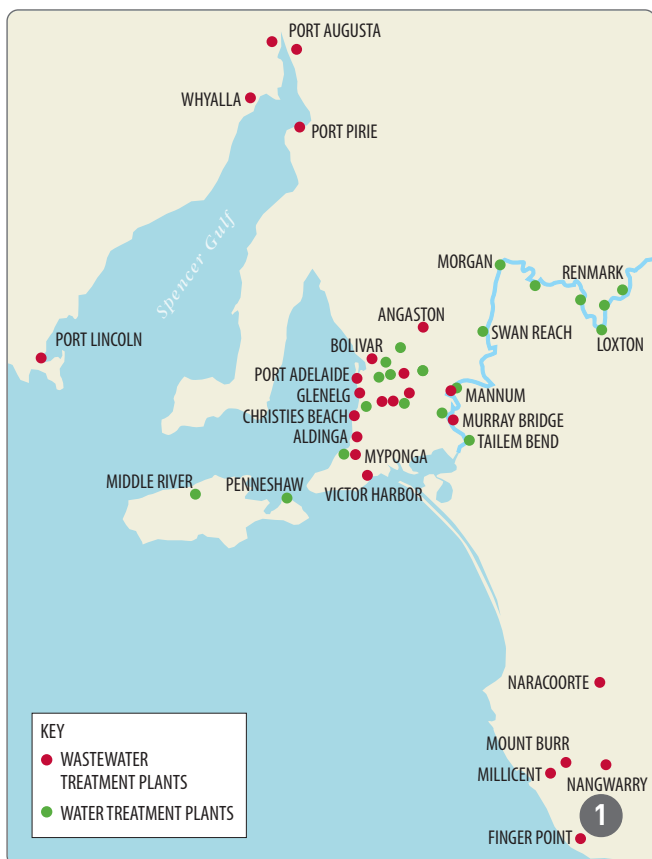
- Formation of Sustainable Business Unit.
- Strong involvement in Water Conservation Partnerships project in conjunction with many stakeholders.
- Botanic Gardens Partnership to promote water conservation implemented.
- Held 4th annual internal Environmental Management Awards.
- Establishment of Sustainability Advisory Group.
- Participation in Greenhouse Challenge.

Major Assets

SA Water provides water, wastewater and related services throughout South Australia to approximately 1.4 million people. The services are provided via a network of pipelines, water treatment plants and wastewater treatment plants.



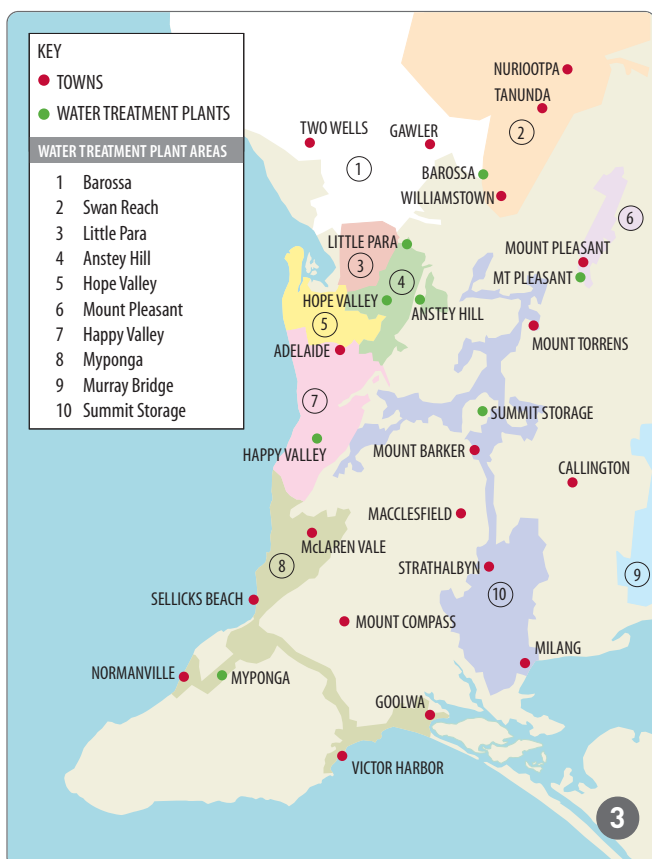
TREATMENT PLANTS STATEWIDE



METROPOLITAN STORAGE REGION



WATER TREATMENT PLANTS AND AREAS



SA WATER NETWORK

SA Water provides water, wastewater and related services throughout South Australia to approximately 1.4 million people. The services are provided via a network of pipelines, water treatment plants and wastewater treatment plants. The network includes:

- 20 water treatments plants – refer map 1
- 24 wastewater treatment plants – refer map 1
- over 25,000km of water mains
- over 8,000 km of sewer mains

SA Water draws water supplies from a number of sources including the River Murray, various surface water sources and ground water.

The Murray-Darling Basin is the catchment area from which water flows into the River Murray (a large portion via the Darling River). The area of this basin is 1,061,469 square kilometres – one seventh of the Australian land mass. The South Australian portion of the Murray-Darling Basin encompasses an area of about 70,000 square kilometres. In a year of average rainfall 40% of the States water supply is drawn from the River Murray. In 2002–03, 72% of the State's water supply was drawn from the River Murray.



LETTER TO THE MINISTER

The Honourable Mr Jay Weatherill M.P.
Minister for Administrative Services
Parliament House
North Terrace
Adelaide SA 5000

30 September 2003

Dear Minister,

On behalf of the Board of the South Australian Water Corporation I have pleasure in providing the Annual Report for the year ended 30 June 2003.

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

Yours sincerely,


Philip Pledge
CHAIRMAN



CHAIRMAN'S MESSAGE 2003

THE 2002–03 FINANCIAL YEAR HAS BEEN AN EXTREMELY SUCCESSFUL PERIOD FOR SA WATER. SA WATER CONFIRMED ITS REPUTATION AS A LEADING WATER SERVICE PROVIDER. PROFIT AGAIN INCREASED, WATER AND WASTEWATER SERVICES WERE IMPROVED AND LEADING EDGE TECHNOLOGY CONTINUED TO BE INTRODUCED.

The organisation moved strongly ahead in financial performance, achieving a record profit of \$258 million, an increase of 15% (\$35 million) on 2001–02. This performance enabled SA Water to contribute a total of \$243 million to the State Government by way of dividend, capital repayments and tax equivalent payments. This is an increase of \$37 million over the previous year.

The drought that gripped most of the State during the year pushed water consumption to an all-time high. Increased water use due to extremely dry weather conditions was a major contributing factor to SA Water's record profit.

However, the increased demand for water supply resulted in an extremely high reliance on the River Murray, with approximately 72% of the State's water supply being drawn from the River during the year. A total of 87% of Adelaide's water was drawn from the River Murray in 2002–03, compared with 40% during a year of average rainfall.

The drought and its effect on the River Murray led to the South Australian Government introducing water restrictions for both domestic and industrial water users on 1 July 2003. SA Water supports these water restrictions, as they will contribute to a sustainable future for the River. The restrictions mean South Australians will consume less water in 2003–04 on gardens and other non-essential purposes. However, while essential from a sustainability perspective, this decreased water use by the State may mean lower profit for SA Water in the 2003–04 financial year.

Commercial success for members of the South Australian water industry was enhanced through the collaborative efforts of key water industry stakeholders such as the Water Industry Alliance, which receives funding of \$750,000 a year from SA Water.

SA Water is targeting opportunities to export its products and expertise, such as the MIEX® (Magnetic Ion Exchange) project. The MIEX® water treatment



Pictured – 1 Graham and Rod preparing for water sampling on Myponga Reservoir. 2 Barker Inlet Wetlands. 3 David at SA Water's Customer Connections Desk at Thebarton.

“SA Water confirmed its reputation as a leading water service provider. Profit again increased, water and wastewater services were improved and leading edge technology continued to be introduced.”

Philip Pledge
CHAIRMAN

process removes dissolved organic carbon and other natural organic matter that has a major impact on the taste, odour and appearance of drinking water. Such projects have cemented the organisation's reputation for technical excellence and innovation.

SA Water and its contractual partners are working together to respond positively to changing community expectations.

For example, South Australians will benefit from amendments to SA Water's contract with Riverland Water. Under the changes, Riverland Water will make significant capital improvements to six of the 10 Riverland water and wastewater plants and operate all 10 plants to more stringent performance standards.

Provision of services to the State's regional areas is an important focus for SA Water. In line with this, the Eyre Peninsula Master Plan was completed during the year. SA Water is investigating alternative water supplies for Eyre Peninsula, including desalination of the Tod Reservoir and increased use of treated wastewater.

During 2002–03 the SA Water Board established the Sustainability Advisory Group to guide the Board, SA Water Management Team and the Sustainable Business Unit through the significant and complex sustainability issues facing the organisation. This is a significant step forward in SA Water's commitment to a sustainable future for all South Australians.

The 2002–03 financial year has been a period of growth and development for SA Water. Many exciting projects are underway which will result in some significant outcomes in the year ahead. Our achievements have only been made possible through the diverse expertise and commitment of our Board and Executive and the dedication of our staff.

I would like to acknowledge the contribution of three Board members who left the Board. Carolyn Hewson who left in June 2002, and Roger Cook and Sandra McPhee who left in 2002–03 were highly valued members and we thank them for their efforts. At the same time, we have welcomed three new Board members – Susan Doyle, Rosemary Owens and Frank Blevins – and look forward to working with them in the year ahead.

On behalf of the Board, I thank all employees for their valued contribution during the year. We look forward to another successful year in 2003–04.

Philip Pledge
CHAIRMAN



CHIEF EXECUTIVE'S MESSAGE 2003

SA WATER SURGED AHEAD IN MEETING THE OBJECTIVES OF ITS NEW STRATEGIC PLAN DURING THE 2002-03 FINANCIAL YEAR. THE STRATEGIC PLAN IS INTEGRAL TO SA WATER'S GOVERNANCE, BUSINESS PLANNING, PERFORMANCE MANAGEMENT AND SUSTAINABILITY. IT PROVIDES A COMMON FOCUS FOR COLLABORATION, ACHIEVEMENT AND ACCOUNTABILITY FOR THE ORGANISATION FOR THE NEXT FIVE YEARS AND BEYOND.

In just one year since implementing the Strategic Plan, SA Water has made significant progress towards achieving its six key objectives.

The Executive is pleased with progress made towards delivering on the plan, which has become a vital and valued tool in the day-to-day operations of the organisation.

Among SA Water's major achievements in line with the plan is the formation of a Sustainable Business Unit during 2002-03 to drive the implementation of sustainability principles across SA Water's business activities. This year for the first time SA Water will produce a separate Sustainability Report.

SA Water has also made a commitment to the development of a Blueprint for Sustainability, a tool for implementing sustainability decision making across the organisation. Environmental successes during the year include national recognition for the Woolpunda and Waikerie Salt Interception Schemes and international

certification for the Environmental Management Systems (EMS) implemented at the 19 country wastewater treatment plants.

SA Water's Australian Water Quality Centre gained international recognition for its work in algal detection for United States water authorities, while the Commonwealth Government commended the work of the closely associated Cooperative Research Centre for Water Quality and Treatment.

Substantial progress was made towards improving safety and reliability of drinking water for remote Aboriginal communities, including working towards the implementation of the National Health and Medical Research Council approved Water Quality Management Framework to boost water quality. This is being followed up with more formal arrangements in 2003-04.

These improvements for remote communities are among a number of customer service achievements made in line with the Strategic Plan. The SA Water Executive is



2

Pictured – 1 Volunteers tree planting at Mt Pleasant as a part of SA Water's Revegetation Program. 2 A branch of the Morgan–Whyalla pipeline, one of the major pipeline lengths in South Australia. 3 Water supplied by SA Water being enjoyed by children.



3

“The organisation has put a lot of emphasis on recognising and rewarding its people and has made significant progress in workforce planning. A key initiative introduced this year was the Workforce Refreshment Program.”

Anne Howe
CHIEF EXECUTIVE

exceptionally proud of its customer service achievements in what was a challenging year. A long dry summer contributed to a 15% increase in calls to the Customer Contact Centre. Independent monitoring of the contact centre's activities placed the organisation's customer service levels at “best practice” among utilities nationally. SA Water is also proud of progress in creating a high achieving culture within the workforce.

The organisation has put a lot of emphasis on recognising and rewarding its people and has made significant progress in workforce planning. A key initiative introduced this year was the Workforce Refreshment Program.

This program ensures the potential loss of knowledge and expertise for the future is transferred to a new generation of employees. Increased emphasis has also been placed on recruiting young workers and increasing the representation of female and indigenous workers.

The Strategic Plan also has been important in determining the focus of SA Water's community sponsorship. A new sponsorship policy was implemented to closely align sponsorship with the plan's objectives. In line with this, the State Government's Economic Development Summit and the Overland Corner Wetlands received the bulk of SA Water's sponsorship funds during 2002–03.

As a result, the Economic Development Summit recognised that water is one of the most significant issues facing the State in the future.

SA Water continues to work together with other Government agencies to plan for South Australia's sustainable future. The Water Proofing Adelaide study as an example, sees SA Water working in partnership with the Department of Water, Land and Biodiversity Conservation to develop a blueprint for the effective management and sustainable use of all the major water resources available to Adelaide and adjacent ‘peri-urban’ areas.

The past year has seen great strides forward and SA Water will continue to further its achievements against the Strategic Plan in the year ahead, for the benefit of the State and all South Australians.

Anne Howe
CHIEF EXECUTIVE

CORPORATE GOVERNANCE

LEGISLATIVE FRAMEWORK

The Corporation

The South Australian Water Corporation, trading as SA Water, is a government business enterprise of the Government of South Australia.

The organisation's head office functions are based in South Australia's capital, Adelaide, with offices, assets and sites throughout the State.

Public Corporations Act

As a Corporation subject to the *Public Corporations Act 1993*, SA Water is a commercial entity in that it provides services in accord with "prudent commercial principles", including striving to provide a commercial return to Government. Non-commercial operations may be carried out, but must be provided in an efficient and effective manner (Section 11).

The Public Corporations Act imposes other requirements on SA Water including to:

- operate within the Parliament and Government's intentions for the nature and scope of Corporation activities as expressed by the *South Australian Water Corporation Act 1994* and the Charter respectively (Sections 12 & 14(2)(e)). The current Charter for SA Water is enclosed on page 78;
- act in accord with the control and direction of its Minister, the Minister for Administrative Services (Sections 6(1)(b) and 14(2)(e)); and
- publish in its Annual Report any direction issued by the Minister (Section 6(5)(b)).

South Australian Water Corporation Act

The *South Australian Water Corporation Act 1994* ('The Act') establishes SA Water and makes it subject to the *Public Corporations Act*. The Act is committed to the Minister for Administrative Services.

The functions of the South Australian Water Corporation are set out in Section 7 of the Act which states:

1. The Corporation's primary functions are to provide services:
 - a) for the supply of water by means of reticulated systems,
 - b) for the storage, treatment and supply of bulk water, and

- c) for the removal and treatment of wastewater by means of sewerage systems.

2. The Corporation has the following further functions:

- a) to carry out research and works to improve water quality and wastewater disposal and treatment methods,
- b) to provide consultancy and other services within areas of the Corporation's expertise,
- c) to develop commercially and market products, processes and intellectual property produced or created in the course of the Corporation's operations,
- d) to advise users of water in the efficient and effective use of water,
- e) 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, and
- f) any other function conferred on the Corporation by this Act, any other Act or the Minister, or delegated to the Corporation by the Minister.

Relevant Legislation

Other than the *South Australian Water Corporation Act*, the Acts committed to the Minister for Administrative Services which directly relate to SA Water are:

Waterworks Act 1932

- empowers the Corporation to construct and operate water supply systems.

Sewerage Act 1929

- empowers the Corporation to construct and operate sewerage systems.

Metropolitan Drainage Act 1935

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

Rates and Land Tax Remission Act 1986

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

Relationship with other agencies within the Minister's area of responsibility

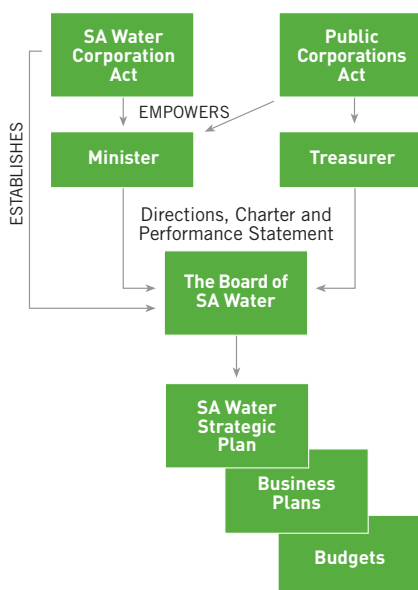
In addition to the South Australian Water Corporation, the Minister for Administrative Services is responsible for parts of the Department of Administrative and Information Services (DAIS) and Planning SA.

SA Water maintains significant relationships with the sections of DAIS which manage whole-of-government functions affecting SA Water.

STRATEGIC FRAMEWORK

Strategic Planning

Within the legislated powers and responsibilities of SA Water and the strategic directions of Government expressed in the Charter, the *Public Corporations Act* requires SA Water to establish strategic and business plans and targets. Also, the organisation must put in place supporting management structures and systems for monitoring management performance against plans and targets (Section 14(2)(a) and (b)). The following diagram represents the relationships between the Acts, Minister, Treasurer, SA Water and its supporting internal planning documents.



As stated in the scope for this report, the SA Water Strategic Plan is a five-year plan that runs from 2001–06.

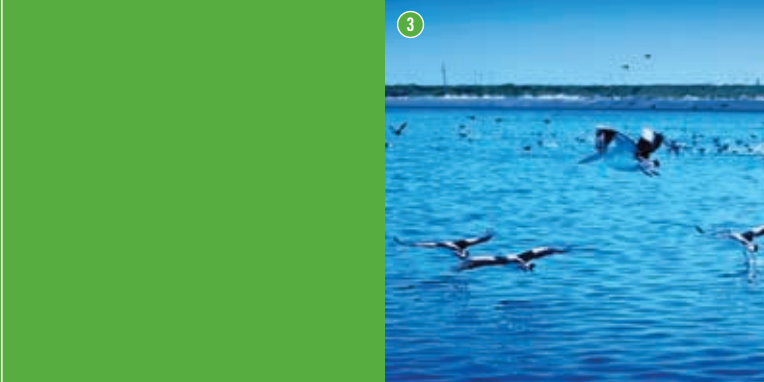
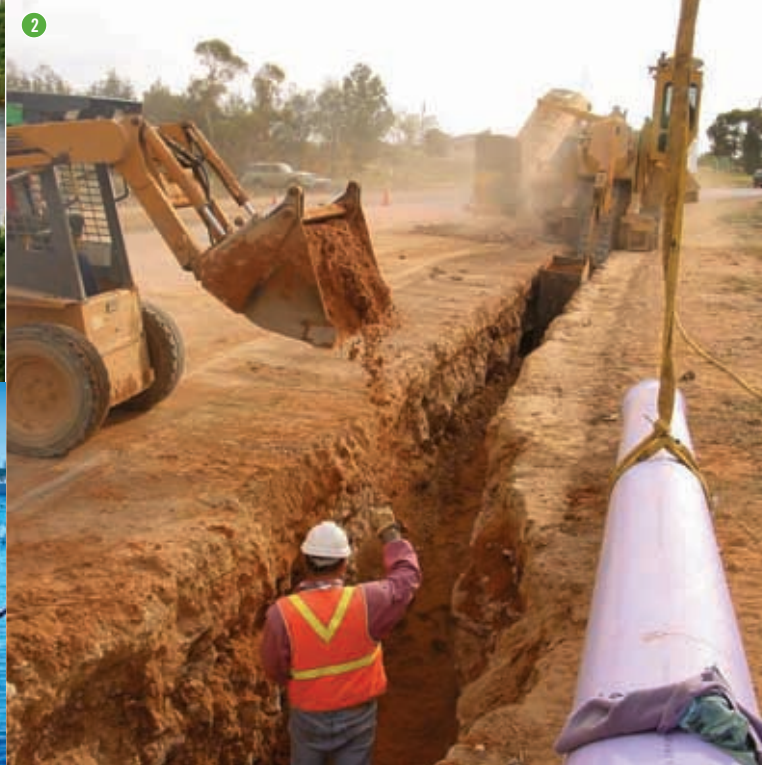
The development of the Plan was a consultative process and took into account:

- The first six years of SA Water's history and performance following corporatisation in July 1995;
- Feedback from staff and results from customer surveys;
- Discussions with a wide range of stakeholders, both internal and external; and
- Trends and research on the future of a range of issues that directly relate to SA Water's business.

A number of emerging key issues were identified. These covered: water cycle management; regulation and competition; sustainability and the environment; innovation and technology; customer service; security, hazard identification and response; demographics and forecasting; organisational development; and partnerships and relationships.

Responding to these emerging issues represented both a substantial challenge and investment of resources. The organisation has factored this into the Strategic Plan at both a practical and aspirational level. On the latter, objectives and supporting initiatives were deliberately built into the Strategic Plan. Progress and performance against the Strategic Plan objectives and initiatives are monitored regularly and reported on at six-monthly intervals to the Board and communicated internally. The following represents the various elements of SA Water's Strategic Plan.





VISION
MISSION
CORE VALUES
OBJECTIVES

Pictured – 1 Mount Bold Reservoir. 2 Pipelaying as part of the Waikerie Stage 2A Salt Interception Scheme. 3 Pelicans on lagoon at Bolivar. 4 Anne-Marie at SA Water's Customer Connections desk at Thebarton.

VISION

“Water, for growth, development and quality of life for all South Australians”

MISSION

Provide innovative water and wastewater solutions that:

- Safeguard public health
- Sustain water resources and the environment for the future
- Deliver increasing value for our customers, the Government and the community
- Foster our people's talent and commitment

CORE VALUES

- Honesty, integrity and openness in all our dealings
- Always act in the interest of the public, the Government and our people
- Recognise that our customers, suppliers and partners are the source of our success
- Achieve commercial success while balancing economic, social and environmental responsibility
- Recognise and reward our people's contribution and innovation
- Always search for better ways and new opportunities

OBJECTIVES

The Strategic Plan encompasses six strategic objectives:

1. Be the Australian benchmark in Water Quality Management and Technology
2. Be commercially successful, competitive and optimise business value for the benefit of the people of South Australia
3. Deliver services valued by our customers
4. Create a high achieving culture
5. Create growth for South Australia and SA Water's business through innovation and partnerships
6. Play a leading role in a sustainable future for South Australian communities

The six Strategic Objectives are each supported by between five and eight strategic initiatives, which in turn are supported by business unit plans and individual position descriptions containing key accountabilities and behavioural competencies. The alignment achieved creates a link between individual accountabilities and outcomes and strategic outcomes.



Pictured left to right –
Andrew Thomas, Graham Allison,
Anne Howe, Philip Pledge,
Rosemary Owens, Susan Doyle
and Frank Blevins.

The Board is committed to ensuring that the highest standards of corporate conduct and accountability are met in accordance with best practice principles of corporate governance.

STRATEGIC LEADERSHIP

THE BOARD

A Board of Directors governs SA Water on behalf of the South Australian Government.

The Board's functions and specific responsibilities are set out in the *Public Corporations Act 1993*. The Board's responsibilities include approving the strategic plan and values, monitoring performance and evaluating senior management.

The Board is committed to ensuring that the highest standards of corporate conduct and accountability are met in accordance with best practice principles of corporate governance.

Pursuant to s.8 of the *Public Corporations Act*, the Minister has appointed a representative to attend Board meetings.

Directors

Mr Philip Pledge

BEC, FCA, MAICD
Chair of the Board

Mr Pledge was appointed Chairman in March 2002. He was a Partner of Ernst & Young from its formation in 1989 until his retirement in 2001, and served as the National Chairman of Ernst & Young from 1992 to 1994. From January 1996 to September 1998 Mr Pledge was Chairman of the TAB in South Australia, as well as President of the South Australian State Council of the Institute of Company Directors from October 1996 until 1998. Mr Pledge serves in many honorary positions within South Australia. His particular skills are financial management advice, business planning and corporate restructuring.

Mr Pledge is Chair of the Board's Asset Management Committee and the Remuneration Committee.

Mr Andrew Thomas

Deputy Chair of the Board

Mr Thomas was appointed non-executive Director in July 1998 and Deputy Chairman in February 2003. He is a Director of Michell Australia Pty Ltd, Australia's largest wool buyer, processor and exporter. Mr Thomas is a former Chairman of the South Australian Wool Industry Development Board and of the South Australian Research and Development Institute Advisory Board. He is also a Director of Engelhardt Eyewear Pty Ltd and a former Director of the Ribloc Group of Companies.

Mr Thomas is a member of the Board's Asset Management Committee, the Remuneration Committee and was formerly a member of the Audit Committee.

Dr Graham Allison

FTSE, BSc (Hons), PhD (Chem)
Non-Executive Director

Dr Allison was appointed non-executive Director in July 2001. He has many years of involvement with hydrology in Australia and overseas. Dr Allison has been involved with many water and environment related organisations. These include Cooperative Research Centres for Waste Management and Pollution Control, Catchment Hydrology and Freshwater Ecology. Prior to his current consulting role, he was Chief of the CSIRO Division of Water Resources, a national research body.

Dr Allison is a member of the Board's Asset Management Committee.

Ms Susan Doyle

BA (Acc)
Non-Executive Director

Ms Doyle was appointed non-executive Director in August 2002. She enjoyed a long and successful career in the funds management and insurance industry working with Commonwealth Funds Management, Suncorp Metway and IAG. She is currently Chairman of the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme.

Ms Doyle is Chair of the Board's Audit Committee.

Hon Frank Blevins

Non-Executive Director

Mr Blevins was appointed non-executive Director in December 2002. He was elected to the South Australian Legislative Council in 1975 and to the House of Assembly in 1985. Mr Blevins served the

State as Deputy Premier and across a range of Ministerial portfolios including Treasury, Mineral Resources, Transport and Agriculture and Fisheries for 10 years of his 22 years in Parliament. Having held senior government Ministries over many years, Mr Blevins brings valuable knowledge and experience, particularly in the field of economics and finance, to the SA Water Board.

Mr Blevins is a member of the Board's Audit Committee.

Ms Rosemary Owens

BA (Hons), Dip Ed, LLB (Hons)
Non-Executive Director

Ms Owens was appointed non-executive Director in January 2003. She has a long association with the University of Adelaide as a Senior Lecturer in Law and has undertaken a number of research studies in the areas of Labour and Industrial Relations Law, Australian Constitutional Law and Feminist Legal Theory. Ms Owens has served on many Law School, University and community based committees and has co-edited two legal text books as well as contributing to a large number of chapters to legal text books and articles to law journals. Ms Owens brings a strong legal, research and analytical background to the SA Water Board.

Ms Owens is a member of the Board's Audit Committee and the Remuneration Committee.

Ms Anne Howe

Chief Executive

Ms Howe was appointed Chief Executive in March 2001 following a period as Acting Chief Executive since 23 October 2000. In her previous role as Chief Executive of Services SA and more recently as Deputy Chief Executive in the Department of Administrative and Information Services, Ms Howe achieved significant benefits for the Government in the development of partnerships between the public and private sectors in the delivery of Government services. Ms Howe has also provided national leadership as the Chair of the Australian Procurement and Construction Council, sponsoring such initiatives as the National Code of Practice for the building and construction industry. She is currently Deputy Commissioner of the Murray Darling Basin Commission and Deputy Chair of the Water Services Association of Australia. Ms Howe shares the Board's commitment to continue to drive to improve the value of our business.

Ms Howe is a member of the Remuneration Committee.

BOARD COMMITTEES

The following committees have been established by the Board to assist with its responsibilities.

Audit Committee

As required under the *Public Corporations Act 1993*, SA Water has established and maintains an Audit Committee and an internal audit function.

Ernst & Young is contracted to manage the internal audit process with the full-time assistance of a number of SA Water staff. This unit reports regularly to the Audit Committee which comprises up to four Board members. A Charter guides the functions and duties of the Committee, which in turn reports to the Board.

Internal audit serves a key role in providing independent and objective analysis of SA Water's business processes and internal control systems.

The Audit Committee also monitors SA Water's risk management framework (including Treasury Risk) and its legal and Trade Practices compliance programs.

Asset Management Committee

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

Remuneration Committee

The Remuneration Committee reviews and makes recommendations to the Board on the conditions of employment including the level of remuneration paid to the Chief Executive and other Senior Executives.

Sustainability Advisory Group

The Sustainability Advisory Group was established by the Board in 2002–03. Members are predominantly external, except one representative from the SA Water Board. The aim of this group is to support the Board, SA Water Senior Management Team and the Sustainable Business Unit with expert advice in working through the significant and complex sustainability issues facing SA Water.

DELEGATION OF FUNCTIONS

Under Section 18 of the *South Australian Water Corporation Act*, the Minister may delegate any of the Minister's powers or functions under any Act to SA Water.

The Minister has delegated to the Board authority to incur expenditure up to \$4 million.

The Board has established financial delegations to officers for expenditure up to \$1 million. Officers exercise (and can sub-delegate) these delegations in accord with the policies and guidelines of SA Water.

There are no delegations to Board Committees.

DIRECTORS' INTERESTS IN CONTRACTS

For the financial year ending 30 June 2003, 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.

DIRECTORS' BENEFITS

During the year ended 30 June 2003, no contract involving Directors' interest has arisen and no Director of SA Water has received, or become entitled to receive, a benefit (other than a remuneration benefit included in Note 31 to the Financial Statement) 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 been made with SA Water, other than dealings in the normal course of business as set out in Note 32 of the Financial Statements.

DIRECTOR'S MEETINGS

The number of meetings of the Board of Directors (including meetings of committees of Directors) held during the year ended 30 June 2003 was:

Board of Directors	12 meetings
Audit Committee	4 meetings
Remuneration Committee	2 meetings
Asset Management Committee	4 meetings

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

Director	Director's Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Asset Management Committee	
	A	B	A	B	A	B	A	B
Mr P Pledge	12	11			2	2	4	4
Ms S McPhee (1)	6	6	2	2	1	1		
Mr R Cook (1)	2	2						
Mr A Thomas	12	12	2	2	1	1	4	4
Ms A Howe	12	11			2	2		
Dr G Allison	12	12					4	4
Ms S Doyle	11	9	2	2				
Mr F Blevins	7	7	2	2				
Ms R Owens	6	6	2	1	1	1		

A = Number Eligible to Attend, B = Number Attended (1) Left the Board during 2002–03

Director's Remuneration

The remuneration of each Director during the financial year is shown in the following table:

Remuneration of Directors

The number of Directors whose remuneration received and receivable falls within the following bands is:

	\$	2003 Number of Directors	2002 Number of Directors
The total remuneration received and	10,000 – 19,999	2*	1
receivable by those Directors was	20,000 – 29,999	2*	–
\$0.58 million (2002: \$0.56 million).	30,000 – 39,999	1	1
This amount includes fringe benefits	40,000 – 49,999	1	2
and superannuation payments made	50,000 – 59,999	1	2*
to the Department of Treasury and	60,000 – 69,999	–	1*
Finance. These figures include two	70,000 – 79,999	–	–
Directors (2002: two Directors) who	80,000 – 89,999	1	–
are no longer with the Corporation	250,000 – 259,999	–	1
(denoted by *).	290,000 – 299,999	1	–

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.

ORGANISATIONAL CHART

SA Water is appropriately structured and resourced to ensure all activities of the organisation are run in an efficient and effective manner. The Executive Team consists of the Chief Executive and the six business division heads.

	HEAD OF WATER SERVICES Mr John Ringham BSc (Hons), MBA, Dip Geotech (UK), CEng, MICE, MCIWEM	Key Responsibilities: <ul style="list-style-type: none">– Retail– Infrastructure– Operations– Engineering & Projects– Contract Operations– Water Engineering Technologies– Australian Water Quality Centre	
	HEAD OF BUSINESS SERVICES Mr Jeremy Randell BEng (Hons), MBA, Dip Log Mgt, MIE Aust	Key Responsibilities: <ul style="list-style-type: none">– Procurement– Economic Development– Shared Services– Information Services– Fleet– Energy– Contract Management	
		HEAD OF STRATEGY & CHANGE Mr Peter Ward AF-AHRI, FAIM	Key Responsibilities: <ul style="list-style-type: none">– Human Resources– Strategic Planning– Learning & Development– Corporate Communications & Marketing– Corporate Performance Management– Media Liaison
CHIEF EXECUTIVE Ms Anne Howe Key Responsibilities: <ul style="list-style-type: none">– Strategic Direction– Government Liaison– Executive Management– Board Membership		HEAD OF INNOVATION & BUSINESS DEVELOPMENT Mr Jack McKean MA (Hons), DipEd	Key Responsibilities: <ul style="list-style-type: none">– Sustainable Business– Business Development– Intellectual Property– Research & Development
		CHIEF FINANCIAL OFFICER Mr Peter Mendo BComm, CPA	Key Responsibilities: <ul style="list-style-type: none">– Finance & Commercial Strategies– Risk Management– Treasury– Business Process Review– Capital Planning
		SECRETARIAT & AUDIT CORPORATION SECRETARY Mr Ian Miller BEc, LLB (Hons)	Key Responsibilities: <ul style="list-style-type: none">– Regulation & Pricing– Ministerial Liaison– Legal & Internal Audit– Corporate Facilities– Security & Emergency Response Planning

ACHIEVEMENTS TOWARDS OUR STRATEGIC OBJECTIVES

THE 2002-03 YEAR WAS THE FIRST FULL FINANCIAL YEAR OF SA WATER'S STRATEGIC PLAN 2001-06. CONSIDERABLE PROGRESS WAS MADE IN ACHIEVING THE SIX STRATEGIC OBJECTIVES WITHIN THAT PLAN. THIS SECTION OF THE ANNUAL REPORT PROFILES THE HIGHLIGHTS AND MILESTONES, AND LAYS THE FOUNDATION FOR FUTURE ACTIONS TO ACHIEVE THE OBJECTIVES OF SA WATER'S STRATEGIC PLAN.



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Water Quality

OBJECTIVE 1: SA Water's first objective encompasses our commitment to water quality: "We will be the Australian benchmark in Water Quality Management and Technology"



Over 300 SA Water employees took part in formal Water Quality Training this year. Pictured are Greg, John, Peter, Stacey and Vanessa.

SA Water's first objective encompasses our commitment to water quality: "We will be the Australian benchmark in Water Quality Management and Technology"

This objective is imperative due to South Australia's challenging potable water environment. Treatment and filtration of water to a high standard to protect public health is SA Water's highest priority.

The Australian Water Quality Centre (AWQC) and the associated Cooperative Research Centre (CRC) for water quality and treatment are nationally and internationally recognised and acclaimed for their research, testing and treatment facilities and services in water quality. The work of the AWQC has contributed towards major improvements in the quality of South Australia's drinking water.

SA Water identified a number of key initiatives to progress achievement of this objective which complement other strategic objectives that relate to

business growth and innovation, customer service, water supply and water conservation.

Implementation of Australian Drinking Water Guidelines

SA Water is making advances in complying with the water quality requirements of the new Australian Drinking Water Guidelines Framework. The framework is a result of collaboration between the water industry and the National Health and Medical Research Council and provides a preventive drinking water quality management strategy from source to consumer. It focuses on the entire drinking water system and events that could compromise water quality safety.

In line with this, a pilot water quality risk assessment of the Happy Valley supply system has been undertaken. This assessment concluded that many of the 12 elements of good drinking water quality management were already in place with specific strengths in

verification of drinking water quality and emergency response. The pilot was followed by the development of a more detailed implementation plan and further risk assessments at a range of water supply systems. SA Water is currently up to 80% compliant with the most critical framework components.

In May 2003, SA Water commenced a two-year implementation plan to achieve full compliance with the framework. Moving towards national compliance is a priority for SA Water during 2003–04.

Enhancing Water Quality Capability within SA Water

SA Water is making excellent progress in safeguarding public health and drinking water quality through employee training. Operations staff developed a formal two-day **training program** titled 'Overview of Water Quality Management'. This program targets South Australian water quality issues covering the complete water cycle from catchment to customer tap.

Graham and Rod water sampling on the Myponga Reservoir.



Eighteen courses were presented during 2002 to more than 300 SA Water employees, mostly field-based staff in regional locations. The courses focussed on specific water quality issues for each region. More training courses have been scheduled for 2003–04.

Another initiative, the Waterscope System, allows SA Water to advance one of its core business functions – the acquisition, reporting, analysis and management of all water and wastewater sampling, reporting and support operations. Taking advantage of proven information technologies, the system allows SA Water managers to more effectively access vital water quality information for the benefit of the end customer.

Country Water Quality Improvements

SA Water also made significant progress in improved disinfection control of chloraminated water supply systems in country areas. SA Water has identified

strategic control points in each of the chloraminated networks. Each system is now managed in accordance with a written management plan that sets corrective actions if analytical results fall outside of the required range. This formalised “early warning” approach has resulted in improvement in the performance of each system and has lowered operating costs through the virtual elimination of urgent corrective actions required in the past.

Salt Interception

SA Water's work in addressing increasing salinity problems in the Murray-Darling Basin was recognised at a national level during 2002–03.

The Woolpunda and Waikerie Salt Interception Schemes, in the South Australia's Riverland, received praise as “environmental engineering on an unprecedented scale” at the Engineers Australia's 2002 Engineering Excellence Awards held in Canberra. The Sir William Hudson Award which recognises the most outstanding engineering project

SA Water has a comprehensive water quality monitoring program which covers the system from catchment through to customer taps. It comprises both routine and event-based monitoring programs. Routine monitoring is based on the guidelines outlined in the Australian Drinking Water Guidelines and incorporates regular monitoring and subsequent assessment of all aspects of the system. Currently 1500 locations are sampled at varying frequencies and thousands of individual tests are scheduled annually. Event-based sampling detects potential water quality problems, arising from weather / rainfall triggered events. Sample analysis is then conducted at the AWQC.

QUALITY MONITORING

nationally was awarded to SA Water and its partners the Murray-Darling Basin Commission and Australia Water Environments.

The schemes prevent approximately **350 tonnes of salt per day** from entering the Murray River. Salinity at Morgan is now approximately 25% lower than if the Salt Interception Schemes were not in operation.

Over the next five years, SA Water, in conjunction with the Murray-Darling Basin Commission, plans to intercept a further 350 tonnes of salt per day with additional Salt interception schemes to be built at Waikerie (stage two), Loxton, Bookpurnong, Chowilla and Pike River.

This planned new program, estimated to cost \$70 million over five years, is designed to provide significant environmental benefits. These include reducing salinisation and degradation of large areas of floodplain, thereby contributing to maintaining or restoring the rich biodiversity of these areas.

International Certification to ISO14001 Standard

SA Water has achieved one of its major objectives in being awarded international certification for its Environmental Management Systems (EMS) implemented at its country wastewater treatment plants (WWTPs) and the Morgan Water Treatment Plant in 2002–03.

The certification by SAI Global Limited means SA Water's 19 country WWTPs and the Morgan Water Treatment Plant are **accredited to International Standard ISO 14001** in recognition of proactive environmental management.

Boosting international partnerships, the CRC was a founding party in the establishment of the Global Water Research Coalition which seeks to build international alliances for the resolution of water and wastewater issues. The Global Water Research Coalition has 12 participants from seven countries.

Through its continued involvement and association with the CRC and Global Water Research Coalition during 2003–04, AWQC will enhance its capacity for dealing with emerging issues in water, wastewater and renewable water resources, as well as the development of leading edge technology and expertise for the benefit of South Australians.



Dr Justin Brookes is the CRC's Reservoir Specialist. He recently won the inaugural Early Career Excellence Award from the Australian Society of Limnology. This Award recognised Dr Brookes' very substantial contribution to Australian and international limnology, both theoretical and applied, in relation to the management of blue-green algae.

CONTINUING CONTRIBUTION

Continuing Contribution

SA Water's Australian Water Quality Centre (AWQC) and Cooperative Research Centre (CRC) at Bolivar received impressive accolades in Australia. The AWQC has made excellent progress in water quality research and solutions during 2002–03. The AWQC is provided with significant networking opportunities through its association with the CRC for Water Quality and Treatment.

Together, AWQC and CRC were successful in winning more than \$2 million funding from the American Water Works Association Research Foundation (AwwaRF). The research funds were used to study methods of minimising pathogenic contamination of public water supplies. Funds were allocated to the AWQC to develop better algal toxin monitoring and technology options for toxins found in United States water resources. The AWQC provided assistance to Florida, USA water authorities during a recent algal bloom.

The CRC's reservoir specialist, Dr Justin Brookes won the Australian Society of Limnology's inaugural Early Career **Excellence Award**. Limnology is the study of inland waters. This award recognised Dr Brookes' substantial contribution to Australian and international management of blue-green algae.

Commercial Success

OBJECTIVE 2: The second strategic objective encompasses our commitment to be commercially successful: “We will be commercially successful, competitive and optimise business value for the benefit of the people of South Australia”.



Peter and Amanda reviewing end of month reports.

The second strategic objective encompasses our commitment to be commercially successful: “We will be commercially successful, competitive and optimise business value for the benefit of the people of South Australia”.

SA Water has been successful in managing its commitment to deliver a return to the Government of South Australia. In 2002–03, SA Water returned a \$243.4 million contribution to Government, up 18% on 2001–02. This increase in contribution value to the Government has a flow on benefit to South Australians.

A major impetus for the increased contribution and value is SA Water’s use of value-based management processes to improve the return on our capital and the cost effectiveness of business activities and investments. The financial achievements of SA Water over the past five years including 2002–03 are summarised in the table on page 24.

SA Water’s longer term commitment to improving its commercial success and in turn its value to the

Government and benefit to South Australians is a driving force behind a number of initiatives undertaken across the organisation. One such initiative that focuses on SA Water’s commitment to continuous improvement is the formation of the Business Process Review (BPR) project. The purpose of BPR is to analyse and recommend opportunities for continuous improvement across a range of activities throughout the organisation. The BPR team will continue to focus on opportunities for improvement in 2003–04.

Procurement and Contract Management Best Practice

With SA Water acquiring more than \$280 million in goods and services annually, achieving best practice in procurement and contract management was a major goal for 2002–03. Under the leadership of the Head of Business Services, the Procurement Team was restructured to provide comprehensive support to SA Water business units undertaking procurement activities. As a result, best practice outcomes are being achieved.

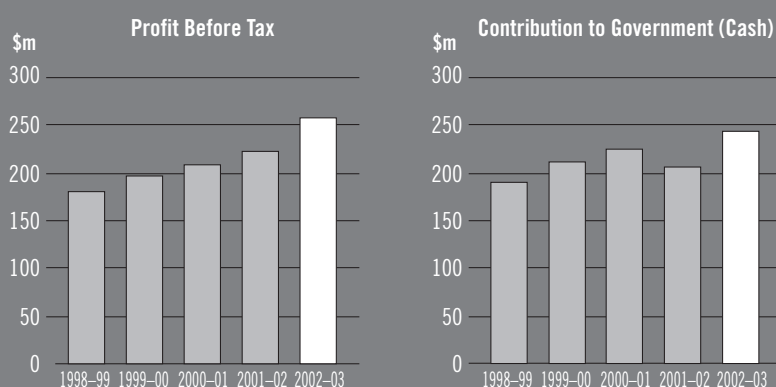
	1998-99	2000-99	2000-01	2001-2	2002-3	Total
Revenue (\$m)	565.1	604.7	613.3	639.8	702.3	3,125.2
Profit Before Tax (\$m)	179.8	196.6	207.7	223.3	258.0	1,065.4
Contribution to Government (Cash) (\$m)	190.9	212.0	225.3	206.2	243.4	1,077.8
Capital Expenditure (\$m)	92.6	103.5	102.7	117.4	131.4	547.6
Return on Assets (%)	4.6	4.7	5.1	5.2	5.3	

For example where contractual disagreements may have arisen in the past, under significant improvements in procurement management these can be addressed before they escalate to disputes. Contract managers now take a more commercial approach to dealing with the market.

Training was a major focus of the Procurement Team in order to increase procurement competency across

fleet management, banking services, account printing and distribution services and other corporate requirements were also established.

A contract with our debt collectors delivered a saving of approximately 18%. Close monitoring of expenditure on consultants and temporary staff delivered a saving of approximately 15% on these services. Renegotiation of



SA Water. An **Accredited Purchasing Officer** training program was delivered to 150 purchasing practitioners in Adelaide, Mount Gambier, Berri, Crystal Brook and Port Lincoln. A second training program, **Tender and Contract Management Awareness Training**, was delivered to 70 managers and senior staff in Adelaide, the Barossa Valley and Berri. A review of procurement practices conducted prior to the procurement training provided valuable input into the training program content. Tangible outcomes from the training programs include improved invoice processing and timely payments to suppliers.

Another significant achievement by the Procurement Team was the introduction of a **Single Contracts Register**. This will increase the availability and quality of contract information and facilitate accurate and comprehensive reporting of SA Water contracts, thereby enabling SA Water to improve service to its customers. The Single Contracts Register will improve procurement planning across the organisation, leading to increased levels of service to contract service providers.

Several major strategic contracts were established during the year. These included contracts for the supply of bulk chemicals incorporating the joint requirements of SA Water and two of its major contractors, United Water and United Utilities, delivering a 6% saving.

The chemicals are essential to ensuring the provision of safe drinking water to our customers. Contracts for heavy

other strategic contracts resulted in additional costs of 17.6% being avoided in the case of couriers and savings of 11% in the case of security guards. In 2003-04 the Procurement Team will roll out an electronic tender development and evaluation tool to support decision making and enhance transparency.

Corporate Governance

SA Water continued with sound performance in 2002-03 against its corporate governance goals. Achievement included progress in fostering a robust risk management framework and culture of accountability supported by a new Board approved **Audit Committee Charter** and policies.

The **Business Risk Management Policy and Framework** governs SA Water's business risk management ensuring risks are identified and managed. Assisting in this process, the Finance Group has established the Corporate Business Risk Team to manage risk and to identify the opportunities arising from them.

SA Water maintains an **Emergency Risk Management Plan** and supporting protocols to respond to all types of emergencies. SA Water's heightened focus on risk and security was influenced by the increased incidence of terrorism internationally including September 11 and the Bali bombings. In 2002-03 SA Water reviewed and enhanced its security arrangements resulting in upgrading of security at a number of sites and commitment to a program of security upgrades over the coming years.

Customer Services

OBJECTIVE 3: The third strategic objective is about service to customers:
“We will deliver services valued by our customers.”



The Customer Contact Centre is SA Water's primary interface with our customers. During 2002-03 over 325,000 calls were taken. Pictured is Larry.

The third strategic objective is about service to customers: “We will deliver services valued by our customers.”

SA Water and the Government of South Australia are committed to understanding customer needs and concerns. This commitment ensures SA Water is in an informed position, leading to increased confidence by the community and customers in SA Water's ability to deliver and improve water and wastewater services and associated processes.

Customer feedback through surveys, research and focus groups was a key element in shaping the initiatives to support this objective in the Strategic Plan. SA Water is committed to continuing a consultative communication process with its customers to both listen and respond to customer needs and suggestions for improvements.

In 2003 SA Water established a **Customer Council Charter** that has been approved by the Minister for implementation during 2003-04. The purpose of the Customer Council is to facilitate interaction between

SA Water and its customers. The Council will provide a mechanism to obtain the views of customers about our services and to ensure we understand and appreciate customer needs, while facilitating an out flow of information about SA Water's operations and initiatives. Representation on the Customer Council will come from residential, commercial and rural customers meeting within the guidelines of the Charter. The Chairman of the Customer Council will report to the Minister.

New technologies are opening up a wide range of possibilities for improved and more cost effective service delivery. Over the life of the Strategic Plan, SA Water will introduce new systems to expand the choices available for customers to interact with us including access to information and services.

Servicing Remote Communities

Improving the safety and reliability of drinking water for the State's remote Aboriginal communities was an important initiative in 2002-03.

SA Water's work in remote areas of South Australia will progress the implementation of the National Health and Medical Research Council approved Water Quality Management Framework to boost water quality, while enhancing water resource sustainability and the health of people living in the remote communities.

The initiative commenced early in 2003 following a request by the Department for Aboriginal Affairs and Reconciliation (DAARE) for SA Water to undertake a number of projects in remote areas of the Anangu Pitjantjatjara lands, the Maralinga Tjarutja lands and the central Aboriginal Lands Trust communities including Nepabunna, Gerard, Raukkan and Point Pearce.

SA Water's work for DAARE recognises that safe water supply and sewerage disposal is critically important in stemming the incidence of a range of health conditions suffered disproportionately by Aboriginal populations. The project has involved the establishment of a portable AWQC laboratory at the DAARE depot at Marla and regular water quality sampling across the Aboriginal lands. This laboratory will process and

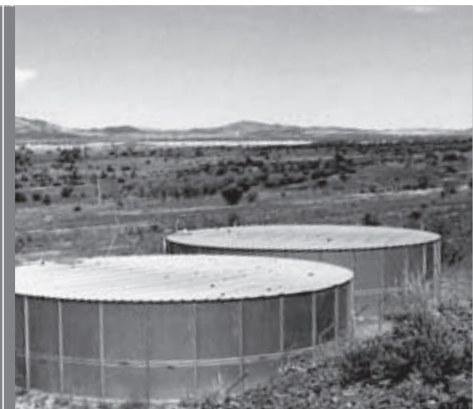
in water conservation all contributed to SA Water's Customer Contact Centre recording a 15% increase in work volumes.

SA Water participated in a **Customer Service Benchmarking Study** facilitated by the Water Services Association of Australia (WSAA). The study benchmarked customer service amongst Australian water utilities and compared the Australian water industry's performance with that of water and energy utilities internationally. Ten Australian water utilities took part in the study.

The market research indicates that safe, clean water is the highest priority for both residential and business customers. Similarly, reliability of supply and responsiveness when something goes wrong are a priority for our customers.

SA Water's customer research provides insight into customers' needs and expectations. It measures customer satisfaction with the products and services provided. Research conducted in 2002–03 includes the annual customer satisfaction benchmark study, comprising 1000 residential customers and 300 business customers.

SA Water is committed to undertake work in remote areas to boost water quality, while also enhancing water resource sustainability and the health of people living in the remote communities. Pictured right are Damien and Peter taking a water sample at the Oak Valley community in the Maralinga Tjarutja Lands, and Right, two 195KL water storage tanks adjacent to the Pipalyatjara community located in the Tomlinson Ranges of the Anangu Pitjantjatjara Lands in the far north west of South Australia.



REMOTE COMMUNITIES

analyse microbiological samples for quarterly water sampling in remote areas starting from September 2003. This facility represents a major commitment to regularly verify remote water supplies.

The project also includes a detailed water quality and quantity appraisal of 12 communities, which has resulted in a number of recommendations to be considered for future implementation. These include cost effective and suitable water treatment technologies for community water supplies and the expansion of dual reticulation and reuse schemes where appropriate.

This work represents the first stage of SA Water's involvement in the projects and will be followed by more formal arrangements for the provision of water related services in Aboriginal communities during 2003–04.

Customer Service Achievements

SA Water delivered excellent customer service standards amid a challenging 2002–03. A long dry summer, a booming real estate industry and growing public interest

A study of SA Water customers was commissioned to track customer service performance. The study results confirmed an increased workload resulting from the SA housing boom and customers experienced an increased level of customer satisfaction. This endorsed the initiatives introduced by the SA Water's Customer Connections business unit during the period 2001–02 to 2002–03 designed to increased customer satisfaction.

Study results also provided valuable input into clarifying direction for future initiatives designed to further improve customer service delivery.

The Customer Service Benchmarking Australia Pty Ltd Customer Service Grid Analysis monitored and benchmarked SA Water's Customer Contact Centre against the call centres of 22 other Australian utilities, with the results confirming that the quality of customer service provided by SA Water is "best practice" within the utilities industry. In fact, **SA Water emerged as one of the top three** utilities across a range of indicators.

In addition, SA Water's own agreed response targets were met for property settlement with conveyances, e-mail inquiries and routine correspondence. More than 90% of incoming telephone inquiries were satisfied at first point of contact. SA Water conducted training programs for Customer Contact Centre staff. Staff also participated in a major project that analysed incoming calls and identified opportunities to improve customer access to services.

More services are being integrated into the Customer Contact Centre. For example, regional calls are now being directed into the Contact Centre rather than individual depots, to enhance service consistency. This process of centralising Customer Contact for all customer groups will continue in the year ahead.

Harnessing Technology for Improved Customer Services

SA Water continued to successfully harness technology as a tool to boost customer service during 2002-03.

Among these initiatives is **AquaMap**, a new Geographic Information Systems (GIS) web based application that

three, proposed for July 2004, will eliminate nearly all manual processing for SA Water staff dealing with the conveyancing industry.

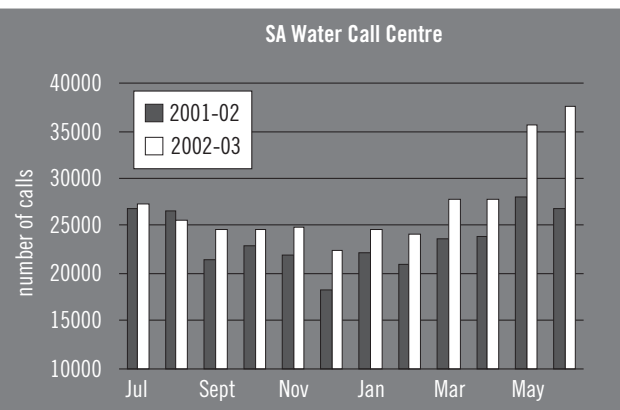
The **Plumbing Audit System** is another initiative where SA Water is harnessing technology to improve service. This project will dramatically improve an outdated method of dealing with requests from plumbers. It will use mobile technology such as Aquapads (portable input, task dispatch and process monitoring devices) to provide a more efficient method of conducting plumbing audits. For our customers, this will result in SA Water inspectors being able to conduct inspections much more efficiently.

Information gained from its research program, which serves as a primary means of obtaining information to identify issues seen as a priority by our customers, indicates the majority of SA Water's customers are satisfied with the standard of services provided.

Looking to the future, SA Water will review and update its Internet site www.sawater.com.au in the September 2003 quarter. SA Water considers this initiative of importance because of the increasing need for

SA Water is committed to delivering services which are valued by our customers. Two of the channels through which services are provided include the Call Centre and the Customer Service Counter. Over 325 000 calls were taken by the call centre during 2002-03. As seen in the graph, a significant increase in calls occurred towards the end of the financial year. This was due to a number of factors including the advertisement of pending water restrictions. Pictured (right) is Jane assisting a customer at SA Water's Customer Service Counter in Grenfell Street.

DELIVERING SERVICES



has been implemented throughout SA Water. This enables easy access to spatially referenced business information for a range of users from "dial up" users in country depots to managers' home offices in the city. AquaMap allows SA Water staff to answer a range of customer queries with increased efficiency and accuracy.

Another successful technology initiative was **e-Conveyancing** (Electronic Property Information for Conveyancing). The e-Conveyancing project will eventually allow conveyancers to conduct all of their business with SA Water electronically.

Stage one of e-Conveyancing, an interactive website, was launched in 2002. The website allows registered users to view applications for property settlement information, specific property financial details and submit new property owner information. Work on stage two will start in 2003-04. This will enable conveyancers to search property records held in the State Government's Property Assist System. Stage

education and communication with the general public on water conservation, particularly as compulsory water restrictions commenced for the first time in 40 years on 1 July 2003.

Our People

OBJECTIVE 4: The fourth strategic objective is all about our people: “We will create a high achieving culture”.



SA Water is focussing on building communication and collaborative skills, team leadership, team competencies and performance management to create a high achieving culture. Picture from AWQC are Warwick, Karen, Mira and Phil.

The fourth strategic objective is all about our people: “We will create a high achieving culture”.

A strategic review undertaken in 2002 identified a number of cultural challenges that needed attention, some resulting from change experienced through the organisation over a number of years. SA Water’s Strategy and Change business group resolved to address these challenges by developing a three-year Human Resources Strategy to drive a high achieving culture through SA Water.

SA Water staff face many and growing challenges in the work environment. For example, the impact of information technologies is rapidly changing the way staff work both in field operations and in office environments. SA Water is focussing on building communication and collaborative skills, team leadership, team competencies and performance measurement to meet this shift. Recognition for staff contribution is also a key focus.

We are committed to developing leadership at all levels within SA Water – strategic, team, business and specialist. These efforts focus on creating value for customers and stakeholders, and on enhancing a meaningful, safe and rewarding environment for SA Water’s people.

Culture Change Through Leadership

Culture change has been a major focus for SA Water during 2002–03 as we strive to create a high achieving culture within the workplace. A high achieving culture is one that supports the organisation by matching cultural messages (behaviours, symbols and systems) in ways that encourage people to achieve their best.

A key focus during 2002–03 was developing strong leadership and an understanding of the impact of leadership behaviour on culture. A culture change model was developed based on the premise that the behaviour of those in senior positions is a key

determinant of workplace culture. This gave direction to the creation of the **SA Water Leadership Program**, which raised awareness of individual leadership styles. More than 200 employees in leadership positions completed the program by the end of 2002–03. Staff who participated in the program have a greater understanding of their leadership styles, the impact they personally make on workplace culture and have developed individual plans to move the organisation towards a high achieving culture.

Simultaneously, SA Water has made excellent progress in implementing its **Performance Management System**. The Human Resources team within Strategy and Change conducted 104 workshops for more than 1200 employees. More than 80% of staff have signed a Position Description (PD) detailing key accountabilities and key performance indicators.

Similarly, more than 70% of SA Water employees experienced at least one personal performance discussion with their manager during the year, with the majority of employees having had up to five one-on-one discussions. At the end of 2002–03, more than 250 staff

decision making. This will be extended to about 120 staff in 2003–04.

In line with this, SA Water delivered a Strategic Human Resource Management subject under the **Australian National University Master of Infrastructure Program** for 28 senior employees.

Workforce Planning

Significant progress has been made in workforce planning, with a number of key initiatives implemented during 2002–03 to meet SA Water's current and future business requirements.

One of the most important initiatives launched was the SA Water **Workforce Refreshment Program**. This program seeks to address the large number of country based operational employees who are set to retire in the near future and who will take with them years of experience and critical systems knowledge. The program was introduced to ensure their retirement does not impact on operational service delivery. It allows certain categories of employees to register their interest in a Targeted Voluntary Early Retirement

During 2002-03, 175 SA Water employees received Service Awards with an average of 27.7 years of service per awarded employee. Pictured is Peter (right) receiving his 30 year service award from Peter, Head of Strategy and Change.



YEARS OF SERVICE

had annual performance appraisals conducted with their immediate manager. This is a 100% increase on 2001–02 and will continue to be rolled out across the organisation to reach the majority of employees over the next year.

SA Water has also undertaken a comprehensive **Development Needs Analysis** to understand the existing skill base and the training and development needs across the business.

The Development Needs Analysis project will allow SA Water to plan for skill development from a corporate to individual level. These needs are being incorporated into the annual training calendar for 2003–04.

To support improved people management, SA Water launched a **Front Line Management** pilot for 35 participants in the Spencer/Eyre region. The course equipped operational team leaders and supervisors with techniques to manage team motivation and performance, goal setting, project management and

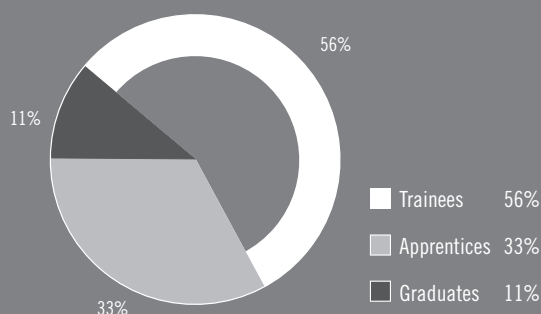
Package (TVER). SA Water's original target over the three-year life of the program was to refresh up to 25% of the Operations workforce. This equates to approximately 90 employees over the period, with 30 in the 2002–03 financial year. SA Water reached its target in 2002–03.

In 2003–04, the program will be extended to workshop employees. A target of 20% has been set for this part of the program, which will see up to 25 employees refreshed over each of the next three years.

Further workforce planning has taken place with the reintroduction of the **Corporate Graduate Recruitment Program**. Graduates were also hired into required business unit roles throughout the year as part of regular recruitment activity, while SA Water's Engineering and Projects business unit continued its successful **Engineering Graduate Program**.

SA Water is **committed to youth employment and training initiatives** and has significantly increased activity in this

Employees in designed youth initiatives



area, predominantly to meet refreshment recruitment requirements.

SA Water employed 42 clerical and water industry trainees during 2002–03, with the water industry trainees being placed predominantly in rural and regional locations across the State. Eight trade apprentices were taken on to complement the existing 17 who are at different stages through their four-year apprenticeships.

SA Water has achieved progress in employing women in non-traditional operational roles. A former trainee from the Spencer/Eyre region became the first woman to be part of a construction and maintenance crew, while the Adelaide Hills Wastewater Treatment Group has employed its first ever female plant operator.

Lost Time Injury Frequency Rate and a **43% reduction** in Claims Frequency in the period July 1998 to July 2001.

During the five-year period 1998–2003, the **cost of new claims in total decreased by 82%**, while the **average cost per new claim decreased by 70%**. Full legislative and procedural compliance was noted for both workers' compensation and rehabilitation.

OHS&W Committees have been replaced with Staff Consultative Forums where OHS&W is a significant agenda item. The minutes from these forums are made available to all employees via SA Water's intranet, called the Aquanet. In addition, Health and Safety Representatives were elected to convey information at an operational level. The

A key aspect of workforce planning is ensuring the transfer of knowledge from our more experienced employees to our new employees, including trainees, apprentices and graduates. Daniel, left, is a 4th Year fitting and turning apprentice from SA Water's Riverland Workshop at Berri. Far right, Science Graduate, Belinda discusses revegetation at Mount Bold with Arthur, an SA Water employee with 46 years service.

KNOWLEDGE TRANSFER



An **indigenous apprenticeship** position has been created at the Berri workshop in conjunction with the Department of Further Education Employment Science and Technology, while two indigenous trainees have been taken on in Spencer/Eyre region.

A total of 75 staff are in designated youth initiatives (trainees, apprentices, graduates) across SA Water. This represents 6.3% of SA Water's workforce. Further initiatives are being planned in 2003–04 to increase SA Water's indigenous workforce and the representation of women in non-traditional work areas.

Achievements in OHS&W

Staff safety is of paramount concern to SA Water as the organisation's **safety record is viewed as a barometer** of our culture. SA Water has achieved high level recognition from WorkCover for its commitment to Occupational Health Safety and Welfare (OHS&W).

Following an extensive evaluation by WorkCover from November 2001 to February 2003, SA Water's Occupational Health Safety and Injury Management (OHS&IM) systems were commended. WorkCover reported that the systems had the potential to be viewed by other OHS practitioners as a benchmark for best practice.

One major achievement noted by the WorkCover evaluator was a significant reduction in workers' compensation claims. There was a **56% reduction** in

Executive team reviews OHS Key Performance Indicators and prevention activities in its weekly meeting.

A broad range of OHS training programs has been implemented by SA Water, while new employees are inducted according to a structured process.

Another achievement noted by the WorkCover evaluator was evidence of **robust internal auditing**. The overall OHS&IM system has been reviewed at regular intervals by the OHS team and audit outcomes and emerging claims and incident trends have been discussed to identify opportunities for improvement. The WorkCover evaluator concluded that SA Water's performance in OHS&W deserved "recognition and congratulations".

In May 2003, SA Water's Chief Executive Anne Howe issued a letter of thanks and congratulations to employees in recognition that such a result required the efforts and ongoing commitment of all staff.

Employee Recognition

SA Water rejuvenated its Employee Service award program during 2002–03. During the year 175 people received service awards totalling 4855 years service, representing an average of 27.7 years of service per service award. This initiative recognises the immense contribution to and application of knowledge for the organisation and demonstrates SA Water's commitment to our people.

Creating Growth

OBJECTIVE 5: The fifth strategic objective is about creating growth: “We will create growth for South Australia and SA Water’s business through innovation and partnerships.”



Nick and Ken at SA Water's Mt Pleasant Treatment Plant which incorporates the highly successful MEX® water treatment plant.

The fifth strategic objective is about creating growth: “We will create growth for South Australia and SA Water’s business through innovation and partnerships.”

SA Water has two streams of revenue. The majority is derived from regulated revenue, with water and sewer rates being set and regulated by the Government. By leveraging SA Water’s research and innovation competencies, SA Water is able to develop new products and services producing new revenue streams. We recognise that we must explore new ways to grow our business to meet our financial obligations agreed with Government.

SA Water is an industry leader in water management in dry lands, water engineering technologies and innovation in water quality. We also have a breadth of expertise and talent in customer and water services that is recognised widely and these services may be of value to external parties. SA Water also seeks to ensure that strategic contract partners and their

parent companies contribute technology transfer and economic development to South Australia. We assist in building the export readiness and market entry of local companies where appropriate.

SA Water recognises and actively pursues appropriate opportunities to become involved in the state development plans at an early stage and will establish alliances and relationships where our expertise will add value to the development opportunities. This latter position was well recognised during the South Australian Government’s Economic Growth Summit convened in April 2003 and we can point to many instances where water is needed for development or has already been a key enabler of development around the State.

Growth Through Innovation

SA Water’s focus on creating growth through innovation has attained excellent outcomes for the organisation and for South Australia during 2002–03.

SA Water's highly successful **MIEX®** (Magnetic Ion Exchange) resin process gained international recognition and SA Water began to receive royalties from the project in early 2003. The MIEX® water treatment process removes dissolved organic carbon and natural organic matter that has a major impact on the taste, odour and appearance of drinking water. MIEX® is being marketed internationally by Orica.

The first full-scale MIEX® plant commenced operation at Mount Pleasant in 2001, delivering water to customers 24 hours a day, 365 days a year. There has been significant interest in MIEX® technology from the United States, United Kingdom, Japan, Korea and South Africa during the past year. Eighteen MIEX® trials have been conducted around the United States and there are now four MIEX® plants being designed in Florida, Alabama and Tennessee, the first of which is scheduled to be operational by mid-2004.

The Australian Water Quality Centre is currently undertaking a research and development project to further develop the MIEX® application. The project aims to optimise the MIEX® process at Mount

The **Barossa Infrastructure Limited** (BIL) scheme is SA Water's single largest customer with a contract to transport up to 7000 ML. For the 2002–03 year, SA Water transported 4760 ML. The value of this water is approximately \$14.3 million in farm gate revenue and worth approximately \$43 million to the South Australian economy.

Currently, a \$27 million water supply scheme is under construction in the Clare Valley to secure the economic prosperity of that premium wine-growing region. The immediate impact of the scheme is estimated to be worth \$15 million in farm gate revenue and approximately \$45 million to the economy of South Australia. New production over the next 10 years is estimated to be worth up to \$73 million per annum to the South Australian economy.

Strengthening Links to Grow SA's Water Industry

SA Water continued its efforts to grow the State's water industry by strengthening links with key public and private sector agencies and organisations during 2002–03.

The Clare Valley Water Supply Scheme will extend the availability of reticulated and filtered water to the townships of Watervale, Penwortham, Sevenhill, Leasingham and Mintaro, and improve the supply to Clare. This scheme will also provide a supply of water to the Clare Valley region for irrigation and other bulk water purposes, thus ensuring a lack of water does not continue to be a critical limitation to development of the region's wine industry. Completion of this project is targeted for mid 2004.

IMPROVING SUPPLY



Pleasant and in particular to detail the benefits of MIEX® on advanced water treatment processes.

The experience gained from this project will be invaluable in assisting Orica to advise MIEX® customers about their particular application. Furthermore, the knowledge gained will place SA Water in a unique position to promote the technology.

In another achievement, SA Water's **Off-Peak Transportation** (OPT) continued to provide strategic advantages for South Australians. OPT plays a part in moving water to high value users, a key objective in the National Water Reform Agenda.

The principal market for Off Peak Transportation is viticulture in the premium wine growing regions of the Barossa and Clare Valleys. In terms of farm gate revenue, the value of water transported in the past off-peak season is estimated to be in excess of \$6 million, injecting approximately \$20 million into the South Australian economy.

We continued to make a significant commitment to the **Water Industry Alliance**, a collaborative cluster group of water industry participants who combine their skills and resources to penetrate export markets. SA Water's main focus was on strengthening the export-readiness of Water Industry Alliance members, with many of those companies now recognised as industry leaders, as well as important exporters. These companies include Philmac, Osmoflo, Tonkin Consulting, Ribloc, SE Fluid Controls, Actaris (Schlumberger), AVK, Antelco, Factor UTB, Optimatics, Prophecy International and the Newell Group.

SA Water committed a further four years funding to the **Water Industry Development Program**, which is managed through the Alliance. This will enable the Alliance to drive the implementation of a five-year strategy which aims to double the State's water industry exports to \$400 million per annum by 2007.

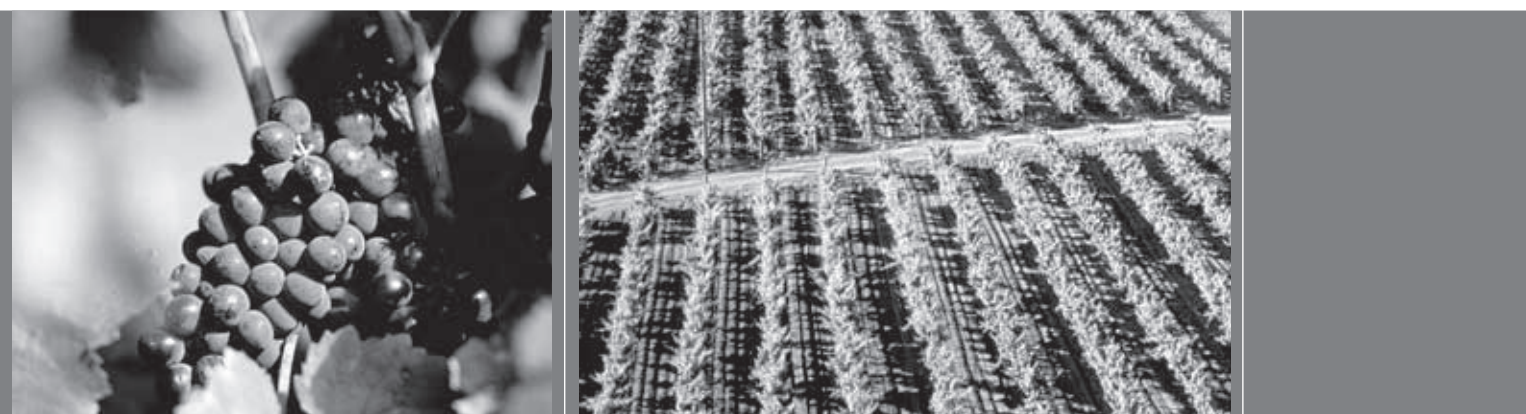
Independent surveys of export achievements show the industry has grown from gross exports of

approximately \$25 million in 1996 to \$180 million in 2001. A significant part of this growth has come via the performance of SA Water's contract partners in delivering on their economic development commitments.

Changes to the Riverland Water contract were effective from July 2003. Under the changes, the economic development component has been replaced with alternative undertakings with an approximate value of \$30 million.

Under the agreement, Riverland Water will make significant capital improvements to six of the 10 Riverland plants, operate all 10 plants to more stringent performance standards and bear the additional operating costs over the remaining 22 years of the contract. Riverland Water will maintain its head office in South Australia for the next 22 years and United Utilities for the next 10 years.

Another achievement for SA Water in strengthening links and alliances with key water industry stakeholders was its involvement with the Economic Development Board and its Economic Growth Summit held in April 2003.



SA Water's Chief Executive, Anne Howe, addressed the 280 delegates at a luncheon sponsored by SA Water. During the address Ms Howe outlined SA Water's commitment to economic development, its achievements in export through the Water Industry Alliance, the establishment of new water industry businesses and the significance of major infrastructure investment to the State's development.

SA Water aims to consolidate and expand its associations in 2003–04 to ensure the growth of South Australia's water industry, its export capabilities and the overall economic development of the State.

Sustainable Future

OBJECTIVE 6: The sixth strategic objective encompasses our pledge to a sustainable future: “We will play a leading role in a sustainable future for South Australian communities.”



Volunteers tree planting at Mount Pleasant as a part of SA Water's Revegetation Program.

The sixth strategic objective encompasses our pledge to a sustainable future: “We will play a leading role in a sustainable future for South Australian communities.”

Delivering and securing water and wastewater services in a sustainable way is a major emerging challenge for the water industry worldwide. This is particularly relevant to South Australia given the poor quality of most of our source water. Taking a sustainable approach as the way we do business requires achieving optimal balance of social, economic and environmental impacts in everything we do.

Objective six became even more critical as South Australia experienced its worst drought in 100 years and the major issue of the health of the River Murray became a priority for all South Australians.

Focus on Sustainability

SA Water's commitment to sustainability led to the formation of the **Sustainable Business Unit** (SBU) during

2002–03. The SBU incorporates and builds on the activities of the previous Environmental Management Unit, while also encompassing social and economic aspects of sustainability. It is responsible for driving the implementation of sustainability principles across all of SA Water's business activities.

SA Water produced its first Sustainability Report in 2002–03, which establishes a baseline against which the organisation's performance with respect to sustainability can be assessed in future years.

In the past financial year, SA Water has been an active participant in the **Water Conservation Partnerships Project**, which aims to encourage the use of incentive schemes for residents to reduce their water consumption. Highlights for the partnership in 2002–03 included the production of a **Water Conservation Manual** for local government, development of **Best Practice Water Conservation Principles**, production of rainwater tank fact sheets and research on rainwater tanks in the domestic environment.

While the specific partnership project concluded in July 2003, the partners are exploring options for ongoing collaboration.

SA Water is also working with **The Botanic Gardens of Adelaide** to promote water conservation, for both the gardens and the wider community.

In 2002–03, SA Water provided technical advice as part of an infrastructure review at the Botanic Gardens. In 2003–04, work will focus on community education and the development of public demonstration gardens to promote water conservation. Another successful activity promoting sustainability within SA Water was its fourth annual **Environmental Management Award**.

the Board on sustainability. Looking ahead to 2003–04, this group will advise the Board on developments in sustainability theory and practice, as well as considering stakeholder and broader community interests.

Planning for the Future

SA Water has made a number of significant achievements during 2002–03 towards delivering on its commitment to ensure a sustainable future for South Australian communities.

The organisation signed a **Joint Venture Agreement with Hydro Tasmania** to develop mini-hydro facilities within SA Water's network of assets.

Adelaide's first mini-hydro facility at SA Water's Terminal Storage site. When commissioned, the facility will provide enough power for 1,000 Adelaide homes and mitigate greenhouse gas emissions for consumers of this energy by approximately 8,170 tonnes per annum. Workers are pictured here checking the turbine runner after installation.

MINI-HYDRO FACILITY



The Environmental Management Committee selected the Border region's Water Engineering Technology team as the winner for improvements to the Murray Bridge wastewater network Supervisory Control, Automation and Data Acquisition (SCADA) system. Remote control and shutdown capabilities for 14 feeder pumping stations were added to the existing alarm capability, providing greater control and more timely responses to changing operational conditions.

A high commendation was awarded to the Capital Works team within the Contract Operations unit for the upgrade of the Glenelg Wastewater Pump Station inlet chamber. This upgrade enables the more effective isolation of sections of the station from incoming flows and allows work to be conducted safely manner, with lower risk of an environmental incident due to sewage overflows.

The Water Services Operations Group also received a high commendation for the implementation of 18 Environmental Management Systems subsequently certified to ISO 14001. Commendations were also awarded to the Engineering and Projects business unit for the Queensbury Diversion Pumping Main, and the Border North Operations Unit for control of blue-green algae at the Murray Bridge Army Wetlands.

The SA Water Board approved the establishment of a Sustainability Advisory Group to provide expert advice to

Employing world's best practice technology, the mini-hydro facilities use energy from the water supply that is currently dissipated through pressure reducing valves to generate electricity. Construction of **Adelaide's first mini-hydro facility** commenced at SA Water's Terminal Storage site on Grand Junction Road in August 2002.

When commissioned, the facility will provide enough power for 1000 Adelaide homes. The project is Green Power accredited and will mitigate greenhouse gas emissions for consumers of this energy by approximately 8170 tonnes per annum. Further opportunities for mini-hydro facilities at other locations are already being explored.

SA Water has also contributed to funding a CSIRO assessment of climate change relevant to South Australia and has committed to reducing its own greenhouse gas emissions by joining the **Commonwealth Government's Greenhouse Challenge** program. In 2003–04, SA Water will set targets for emission reductions to be achieved through water conservation and improved biogas capture and utilisation.

SA Water has developed a **Land Management Policy** designed to optimise water quality and environmental sustainability.

In addition, SA Water is developing a series of **Land Management Plans**, including Bushfire Prevention

Plans, for its considerable land holdings. These plans assess current land management programs and recommend new or continuing actions, including specific management measures for sites of high conservation significance or with severe weed invasion. During 2002–03, plans have been completed for the South Para, Warren, Barossa, Millbrook and Kangaroo Creek Reservoir Reserves. Plans have also been drafted for the Hope Valley Reservoir Reserve and Aqueduct and the Mount Bold Reservoir Reserve.

Meanwhile, SA Water has started developing a series of **Master Plans** for water supply and wastewater management activities and infrastructure.

Already, as part of this exercise, **Geographic Information Systems (GIS)** tools have been developed

Bolivar Wastewater Treatment Plant and provided interesting results in terms of sustainability outcomes. Specifically, the analysis showed that while an increase in wastewater reuse was achieved, it came at a cost of increased energy consumption and increased chemical use.

Water Proofing Adelaide

The South Australian Government has commenced preparation of an integrated 20-year strategic water plan for Adelaide and its environs, to be known as **Water Proofing Adelaide**. This is a collaborative initiative between SA Water and the Department of Water, Land and Biodiversity Conservation (DWLBC), prepared under the joint direction of the Minister for Environment and Conservation and the Minister for



SA Water continued its successful community partnerships with numerous volunteer organisations with a shared interest in sustaining the environment. Our partners include the South Para Biodiversity Project, the Upper River Torrens Landcare Group and the Bush For Life Program with eight habitat protection sites throughout our Reservoir Reserves. In September 2002, 20 SA Water staff and family members joined forces with the Upper River Torrens Landcare Group to plant over 1,700 seedlings in an effort to revegetate the surrounds of the Mt. Pleasant Water Treatment plant.

FUTURE PLANNING

and upgraded to expedite the analysis of wastewater network infrastructure capabilities.

A total of eight Master Plans addressing the projected needs for water and wastewater networks over the next 25 years allowing for growth of communities, changing patterns of land use and impacts of projected climate change, are now substantially complete.

Sustainability Research

SA Water's increased focus on sustainability has resulted in a commitment to the development of a **Blueprint for Sustainability**. The Blueprint for Sustainability will be a tool for implementing sustainability principles that can guide decision making across the organisation. The blueprint will outline SA Water's vision and policy for sustainability, in addition to providing a framework in which current and future initiatives are clearly established.

In the lead up to development of the Blueprint, several strategic initiatives to embed sustainability across SA Water have already been introduced, for example the Water Proofing Adelaide study and Life Cycle Analysis methodology.

The Life Cycle Analysis methodology was used to undertake retrospective assessment of upgrades to the

Administrative Services. The strategy, scheduled for completion by March 2005, will set out a blueprint for the management, conservation and development of Adelaide's water resources to 2025.

SA Water, in association with United Water, has undertaken a scoping study to investigate opportunities across the metropolitan area for reuse of stormwater and treated wastewater. SA Water is considering options for alternative non-potable water supply projects using stormwater. Outcomes from this work will be used in the Water Proofing Adelaide study.

Based on preliminary projections for water demands over the next 10 to 20 years for the Water Proofing Adelaide Project in June 2003, the Government approved an approach by SA Water aimed at sustainably meeting the short and long-term water needs of our customers. The strategy includes a public education campaign to promote water conservation supported by a rebate incentive scheme for water saving devices and the introduction of water restrictions backed by exemptions under some circumstances and fines for non compliance.

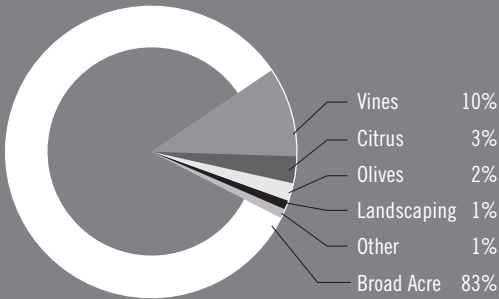
In the medium to longer term it was recognised that to meet the demands for growth brought on by increasing populations, industry expansion and the needs of the

environment, SA Water needs to increase its wastewater reuse scheme, work with local councils on harvesting and using stormwater, vigorously promote water conservation with its customers, and become a participant in the emerging water trading market.

In 2002–03, **reuse of wastewater** from the Bolivar and Christies Beach Wastewater Treatment Plants increased by 31% and 17% respectively from 2001–02. Furthermore, new infrastructure was constructed during the year at the Glenelg Wastewater Treatment Plant to enable 470 ML per annum of Class A reclaimed water to be used by the Holdfast Bay Council and other customers to irrigate recreational areas such as sports grounds, golf courses and reserves.

Further opportunities for reuse from the Glenelg plant will be explored in 2003–04.

Use of Biosolids 2002–2003



Biosolids are the organic solid residue produced by the wastewater treatment process. Biosolids typically consist of about 40% organic matter and significant amounts of macro and micro nutrients that make it a useful soil conditioner. More than 25 000 tonnes of biosolids are produced annually at the metropolitan and country wastewater treatment plants. In recent years, SA Water, in association with United Water has developed a low cost and sustainable biosolids utilisation program in accordance with EPA guidelines. Following the wastewater treatment process, the biosolids are dried and then stockpiled on site. Prior to agricultural use, the final product is milled to enable ease of spreading and even distribution onto paddocks. During the year, more than 33 700 dry tonnes of biosolids were utilised by farmers from the Bolivar site.

BIOSOLIDS

As this report was being prepared, water restrictions were announced in South Australia effective 1 July 2003. SA Water has taken a lead role in advising, raising awareness and educating the community on the scope and impact of these restrictions. Enhancing the current SA Water website at www.sawater.com.au to support water conservation will be a focus for the coming year.

OPERATIONS OVERVIEW

Water consumption in metropolitan Adelaide in 2002–03 was 178.4 GL, an increase of 2.9% from last year's 173.4 GL, but less than the highest annual consumption of 194.4 GL set in 2000–01.

The highest daily consumption of the year, 1036 ML was recorded for the 24 hours ending at 8am on 25 January 2003. This compares with the 2001–02 highest daily consumption recorded on 11 January 2002 of 985 ML.

Due to dry seasonal conditions, the Mount Lofty Ranges catchments yielded only 66 GL of run off into reservoirs compared to 150 GL in 2001–02. This increased SA Water's pumping requirements from the River Murray to meet Adelaide's water demands. In 2002–03 SA Water pumped 87% of Adelaide's water requirements from the River Murray, compared with 40% the previous year.

Water storage reservoirs in the Mount Lofty Ranges held 82 GL at 30 June 2003, representing 41% of capacity. This compared with 44% at the end of 2001–02. As at the time of committing this report to print (September 2003) the water storage reservoirs in the Mount Lofty Ranges were at 85% of capacity.

Water Meter Replacement Program

The six-year program to replace 440 000 domestic and industrial meters around the State continued with 57 447 meters supplied during 2002–03 as part of the \$25 million program. A total of 365 266 meters have now been supplied, with 83% of the program completed. The new meters are more accurate than existing meters and are installed at no cost to customers.

The new meters are supplied under contract by Actaris (formerly Schlumberger Measurement and Systems).

Asset Management

Development of a coordinated, risk-based approach to asset management continued during 2002–03.

For the country areas, a suite of management models was implemented for various classes of assets. For Adelaide, SA Water continued to work with United Water to ensure the asset management plans, produced by United Water, met the Corporation's requirements.

Capital investments for the year included:

- Adelaide Wastewater Treatment Plant Environment Improvement Plan (EIP) \$30.3 million
- Country Wastewater Treatment Plant EIP \$10.9 million
- Extension to Old Noarlunga and Adelaide Hills sewerage connections \$3.75 million
- Extension to and upgrades of telemetry and control systems \$2.9 million
- Asset rehabilitation/renewal (eg mains, pump stations, tanks) \$13.9 million
- Dam safety improvement \$7.3 million
- Extension to the water and wastewater networks \$16.6 million
- Streaky Bay Water Supply upgrade \$5.1 million
- Clare Valley Water Supply Scheme \$9.4 million
- Country Water Quality Improvement Program \$4.1 million

Dam Safety Management

Assessments of and improvements to South Australia's 17 major dams are being carried out in a program designed to meet national and international best practice management of dam structures. The program complies with the Australian National Committee on Large Dams which sets Australian guidelines in relation to international standards for dam safety.

Adelaide Pumping Demand

Pumping/Demand/Days Over 32 degrees	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003
Days 32°+	44	39	51	22	36
Demand (GL)	184	181	194	173	178
Pumping (GL)	135	126	86	70	154
Intakes/Rainfall	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003
Rain (mm) (10–year average 580)*	574	656	598	589	530
Intakes (GL) (10–year average 110)	81	86	150	150	66

*Rainfall as recorded by Bureau of Meteorology at Kent Town

Upgrade work at Happy Valley Reservoir to strengthen the dam wall, increase its flood capacity and increase its scour capacity has started and is due for completion in 2004. The project also includes excavation work for a future auxiliary spillway at Mount Bold Reservoir. This excavation is the source of weathered rock for strengthening the Happy Valley Dam wall.

Design work to repair the outlet tunnel under the Baroota Reservoir dam wall commenced. Dam safety reviews commenced for Baroota, Hindmarsh Valley, Little Para, Millbrook and Tod River Reservoirs.

Catchment Water Management Boards

SA Water continued its financial support of the activities of six Catchment Water Management Boards – River Murray, Northern Adelaide and Barossa, Torrens, Onkaparinga, South East and Eyre Peninsula. This was done through ex gratia payments or through a levy based on SA Water's water allocation.

During the year, SA Water provided direct financial support of \$2.4 million in contributions to various programs. A total of \$1.5 million was paid to the River Murray Board through the charge for water allocations.

Catchment Payments 2002–2003

River Murray Metro Water Levy Payment	\$1,000,000
River Murray Country Water Levy Payment	\$500,000
Onkaparinga ex gratia Payment	\$334,500
Torrens ex gratia Payment	\$182,000
Eyre Peninsula Water Levy Payment	\$160,000
Northern Adelaide ex gratia Payment	\$139,500
South East Water Levy Payment	\$87,000
TOTAL	\$2,403,000

Environment Improvement Program

Work continued and significant developments were made to deliver SA Water's metropolitan and country Environmental Improvement Program (EIP).

The EIP involves the construction of new, and upgrade of existing wastewater treatment plants (WWTPs) to reduce the impact on the environment from effluent discharge in response to the Government's stated intention to improve care of the environment and the wellbeing of the community.

Major progress in this period includes:

- Commencement of construction of the \$98 million Bolivar High Salinity WWTP (Relocation of the Port

Adelaide WWTP). This includes letting contracts for supply and laying of 17km of pipeline to transport high salinity sewage from Port Adelaide to Bolivar, construction of a major re-lift pump station at Port Adelaide and the construction of a new WWTP at Bolivar to treat the high salinity sewage.

- Commissioning of the \$32 million Glenelg and \$13.5 million Christies Beach WWTPs following upgrades to the existing plant processes to incorporate nutrient reduction.
- Civil works completion and nearing final stages of the \$8 million upgrade of the existing Heathfield WWTP which aims to increase hydraulic capacity of the plant and significantly reduce the nutrient levels in the disinfected treated wastewater discharged to the environment.
- Construction nearing completion of the \$6 million development and construction of new treatment processes at the Port Pirie WWTP to reduce nutrient levels in the wastewater being discharged into the local marine environment.
- Community consultation held and planning under way for the proposed construction of a new WWTP and treated effluent reuse scheme in Whyalla. This has the potential to provide much needed irrigation water for parks and reserves while significantly reducing nutrient levels discharged to the Gulf.

Industrial (Trade) Waste

SA Water manages the discharge of trade waste into the sewerage system from industrial and commercial sectors of the business community.

Monitoring and auditing of industrial premises in 2002–03 revealed an excellent 89.2% compliance by dischargers with legislative permit conditions.

A user-pays trade waste charging policy was successfully introduced in July 2002, affecting 43 of the largest dischargers.

A monitoring consultancy service was implemented on a contract basis to undertake sample collection and analysis to support the charging policy. Also, as part of the policy introduction, new agreements were issued to include Effluent Improvement Programs for companies not yet operating at best practice levels. During 2002–03 over 50 major improvements that either minimised/eliminated specific risks, reduced wastes or improved discharge performance were completed.

All companies have been required to investigate sources of salinity (TDS) in their processes, with a view to identifying opportunities for future discharge reductions.

The Trade Waste Branch actively continues to offer customers advice on waste minimisation and water conservation issues.

KEY STATISTICS AT A GLANCE

Water mains total length (km)	25 235	
Metropolitan	8 695	
Country	16 540	
Major pipeline lengths (km)		
Murray Bridge – Onkaparinga	48	
Morgan – Whyalla		
No. 1 via Port Augusta	356	
No. 2 under sea from Baroota	281	
Mannum – Adelaide	60	
Swan Reach – Paskeville	183	
Taliem Bend – Keith	133	
Major pipeline rated capacities (ML/day)		
Murray Bridge – Onkaparinga	514	
Morgan – Whyalla	206	
Mannum – Adelaide	380	
Swan Reach – Stockwell	80	
Taliem Bend – Keith	31	
Length of sewers (km)	8 166	
Metropolitan	6 855	
Country	1 311	
Number of water treatment plants	20	
Number of wastewater treatment plants	24	
Percentage wastewater reuse		
Metropolitan	19.2%	
Country	13.6%	
Accounts Billed	645 431	
Population Served	Water	Wastewater
Metropolitan	1 077 000	1 047 000
Country	415 000	144 000

Average volume of water delivered statewide p.a. in the last five years (ML)	277 000
Metropolitan	183 750
Country	93 250
Consumption (Volume of water delivered statewide this year) (ML)	281 780
Metropolitan	178 380
Country	103 400
Percentage (%) of 281 780 ML Provided by:	
River Murray	72%
Surface Water	22%
Ground Water	6%
Average daily metropolitan consumption (ML)	489
Average daily metropolitan consumption per person (L)	454
Average statewide residential consumption per household (KL/year)	278
Record daily consumption (metro) (ML) (10 December 1998)	1 153
Highest daily consumption for 2002–03 (metro) (ML) (25 January 2003)	1 036
South Australia's Annual River Murray entitlement flows (ML)	1 850 000
Monthly maximum – Dec/Jan	217 000
Monthly minimum – June	90 000
<i>Note: June entitlement reduced by 20% from 90 000 ML to 72 000 ML as a result of low storage levels in the Murray–Darling Basin</i>	
South Australia's Actual River Murray flow this year (ML)	1 835 000
Monthly maximum flow into SA (Dec)	217 800
Monthly minimum flow into SA (June)	71 900

Note: Kilolitre (KL) = 1000 litres, Megalitre (ML) = 1000 Kilolitres

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DIRECTORS' DECLARATION

The Directors of South Australian Water Corporation declare that:

- (a) the financial statements have been prepared in accordance with the Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views and the Treasurer's Instructions issued pursuant to the Public Finance and Audit Act, 1987;
- (b) the financial statements and notes are drawn up so as to fairly present the Corporation's state of affairs as at 30 June 2003 and its profit for the financial year ended on that date;
- (c) in the Directors' opinion;
 - (i) at the date of this statement, there are reasonable grounds to believe the Corporation will be able to pay its debts as and when they become due and payable;
 - (ii) internal controls over financial reporting have been effective throughout the reporting period.

Signed in accordance with a resolution of the Board of Directors.



P.W. Pledge
Chairman



A. Howe
Chief Executive

1 September, 2003

INDEPENDENT AUDIT REPORT

TO THE CHAIRMAN SOUTH AUSTRALIAN WATER CORPORATION

SCOPE

As required by section 31 of the *Public Finance and Audit Act 1987* and subsection 32(4) of the *Public Corporations Act 1993*, I have audited the financial report of the South Australian Water Corporation for the financial year ended 30 June 2003. The financial report comprises:

- A Statement of Financial Performance;
- A Statement of Financial Position;
- A Statement of Cash Flows;
- Notes to and forming part of the Financial Statements;
- Directors' Declaration.

The financial report includes the consolidated financial statements of the consolidated entity, comprising the South Australian Water Corporation and the entities it controlled at the year's end or from time to time during the financial year.

The Directors of the South Australian Water Corporation are responsible for the financial report. I have conducted an independent audit of this financial report in order to express an opinion on it to the Chairman.

The audit has been conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing and Assurance Standards to provide reasonable assurance that the financial report is free of material misstatement.

Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with my understanding of the South Australian Water Corporation's and of the consolidated entity's financial position, their financial performance and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Water Corporation and of the economic entity as at 30 June 2003, their financial performance and their cash flows for the year then ended.



K I MacPHERSON

AUDITOR-GENERAL

10 September 2003

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
		2003	2002	2003	2002
	Note	\$'000	\$'000	\$'000	\$'000
Revenue from ordinary activities	3	702,338	639,848	702,232	639,632
Expenses from ordinary activities					
Salaries and employee benefits expense		56,075	51,584	56,075	51,579
Electricity expense		37,400	25,300	37,400	25,300
Operational and service contracts		79,842	72,900	79,827	72,819
Services and supplies		77,725	69,419	78,515	69,247
Borrowing costs expense	4	82,948	89,723	82,948	89,723
Depreciation and amortisation expense	4, 12	110,322	107,582	110,322	107,582
Total expenses from ordinary activities		444,312	416,508	445,087	416,250
Profit from ordinary activities before income tax expense		258,026	223,340	257,145	223,382
Income tax expense relating to ordinary activities	5(a)	(74,233)	(61,161)	(74,224)	(60,772)
Profit from ordinary activities after income tax expense	20	183,793	162,179	182,921	162,610
Net increase in asset revaluation reserve	19(a)	322,138	130,020	322,138	130,020
Net decrease in retained profits on the initial adoption of revised APS 3 "Valuation of Non-Current Assets"	20	(9,427)	—	(9,427)	—
Total valuation adjustments recognised directly in equity		312,711	130,020	312,711	130,020
Total changes in equity other than those resulting from transactions with the State Government as owner		496,504	292,199	495,632	292,630

The Statement of Financial Performance should be read in conjunction with the notes to the financial report.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS					
Cash assets	17(a)	1,604	1,376	1,148	973
Receivables	7	125,191	130,291	125,190	130,288
Inventories	8	3,344	3,294	3,344	3,294
Other financial assets	10	—	—	402	—
Other	9	1,689	1,925	2,125	1,954
Total current assets		131,828	136,886	132,209	136,509
NON-CURRENT ASSETS					
Other financial assets	10	5,857	14,850	5,857	15,252
Infrastructure, plant and equipment	12	6,400,760	6,038,878	6,400,760	6,038,878
Deferred tax assets	5(d)	14,391	15,141	14,390	15,138
Intangible assets	11	58	116	58	116
Other	9	8,884	5,946	8,884	7,197
Total non-current assets		6,429,950	6,074,931	6,429,949	6,076,581
TOTAL ASSETS		6,561,778	6,211,817	6,562,158	6,213,090
CURRENT LIABILITIES					
Payables	13	77,748	86,350	77,711	86,327
Interest-bearing liabilities	14	57,366	19,780	57,366	19,780
Current tax liabilities	5(b)	30,226	22,190	30,219	22,190
Provisions	15	8,982	11,653	8,982	11,653
Other	16	847	1,186	847	1,186
Total current liabilities		175,169	141,159	175,125	141,136
NON-CURRENT LIABILITIES					
Payables	13	1,152	1,041	1,152	1,041
Interest-bearing liabilities	14	1,171,342	1,173,877	1,171,342	1,173,877
Deferred tax liabilities	5(c)	52,209	49,330	52,209	49,330
Provisions	15	21,227	21,390	21,227	21,390
Other	16	497	497	497	497
Total non-current liabilities		1,246,427	1,246,135	1,246,427	1,246,135
TOTAL LIABILITIES		1,421,596	1,387,294	1,421,552	1,387,271
NET ASSETS		5,140,182	4,824,523	5,140,606	4,825,819
EQUITY					
Contributed equity	18	247,950	263,950	247,950	263,950
Reserves	19	4,773,518	4,451,380	4,773,562	4,451,424
Retained profits	20	118,714	109,193	119,094	110,445
TOTAL EQUITY		5,140,182	4,824,523	5,140,606	4,825,819

The Statement of Financial Position should be read in conjunction with the notes to the financial report.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		598,935	550,786	598,883	550,871
Payments to suppliers and employees		(283,418)	(241,387)	(283,412)	(241,397)
Receipts from Community Service					
Obligation funding	1(d)	93,107	90,358	93,107	90,358
Receipts from contributions		15,155	11,752	15,155	11,752
Interest received		103	304	96	296
Borrowing costs paid		(94,371)	(98,986)	(94,371)	(98,986)
Income tax paid	5(b)	(62,568)	(58,009)	(62,568)	(57,998)
Net cash provided by operating activities	17(b)	266,943	254,818	266,890	254,896
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for construction and purchase of infrastructure, plant and equipment		(123,767)	(107,399)	(123,767)	(107,399)
Proceeds from sale of infrastructure, plant and equipment		514	16,190	514	16,190
Net cash used in investing activities		(123,253)	(91,209)	(123,253)	(91,209)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		499,300	419,615	499,300	419,615
Repayment of borrowings		(461,917)	(434,645)	(461,917)	(434,645)
Repayment of capital	18	(16,000)	(11,000)	(16,000)	(11,000)
Dividends paid	29	(164,845)	(137,175)	(164,845)	(137,175)
Net cash used in financing activities		(143,462)	(163,205)	(143,462)	(163,205)
NET INCREASE IN CASH HELD		228	404	175	482
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		1,376	972	973	491
CASH AT THE END OF THE FINANCIAL YEAR	17(a)	1,604	1,376	1,148	973

The Statement of Cash Flows should be read in conjunction with the notes to the financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Statements of Accounting Concepts, Urgent Issues Group (UIG) Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the Public Finance and Audit Act 1987. Additionally, the Corporation has undertaken to prepare its financial report in accordance with the Corporations Act 2001.

The financial report has been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings and other non-current financial assets which are stated using fair value as detailed in Note 1(e).

(b) Changes in Accounting Policies

The consolidated entity has adopted the revised Accounting Policy Statement APS 3 Valuation of Non-Current Assets for the first time from 1 July 2002.

APS 3 requires all non-current assets to be measured on the fair value basis. Previously the Corporation measured and recognised at cost, a non-current investment in unlisted shares which has now been recognised at fair value in the financial report. As a result of this change, an adjustment has been made as at 1 July 2002, to the Corporation and consolidated financial reports. This adjustment resulted in:

- \$9.5M decrease in opening retained profits
- \$9.5M decrease in other non-current financial assets

As a result of this change in accounting policy, revenue from the revaluation of the investment in unlisted shares increased by \$0.4M for the current financial year to 30 June 2003.

Note 2 shows the information that would have been disclosed had the revised APS 3 always been applied.

In accordance with Accounting Standard AASB 1028 "Employee Benefits", on 1 July 2002 the Corporation changed its policy for recognising its liability for salaries and wages and annual leave. Under the new policy, the amount of the liability is calculated using the remuneration rate that is expected to apply at the time of settlement rather than the remuneration rate that applies at reporting date.

This change in accounting policy had no material impact on the results for the period.

(c) Principles of Consolidation

Controlled Entities

The consolidated accounts incorporate the financial performance and position of all entities that, in terms of AASB 1024 Consolidated Accounts, are controlled by the Corporation as at 30 June 2003. The financial reports of subsidiary entities have been included from the date control commences until the date control ceases. Further information regarding subsidiary company activities is disclosed in Note 23. All inter-entity balances and transactions have been eliminated on consolidation.

Joint Venture Operation

A joint venture operation is jointly controlled by the consolidated entity. The consolidated entity's interest in the joint venture operation is brought to account by including its proportionate share of the joint venture's assets, liabilities, revenues and expenses in the respective items of the consolidated financial statements. Note 24 discloses the Corporation's interest in the joint venture operation.

(d) Revenue Recognition

Rates and Charges

Rates and other charges billed, but not yet received at balance date, are recognised as revenue for the period. Water consumption recorded in unread meters as at 30 June 2003 is not taken into account in determining revenue for the year ended 30 June 2003.

This method is in accordance with accepted industry practice, where cyclical readings are used to assess water charges.

Community Service Obligations (CSOs)

The Corporation provides services to the community on behalf of the Government at a lower than commercial rate of return. The government provides funding for CSOs in recognition of the non-commercial impact of these services provided to the community. The main CSOs are for the

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

pricing of country water and wastewater services, the administration of the pensioner concession scheme and the provision of water and wastewater concessions to exempt properties, which include charities, churches and public schools. These amounts are recognised as revenue for the period when advice is received from Government on the level of funding.

Contributed Assets

Contributed assets principally arise from:

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

Contributed assets and contributions to assist in the construction of assets are recognised as revenue at the fair value of the asset received when the Corporation gains control of the asset.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale.

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.

(e) Non-Current Assets

(i) Infrastructure, Plant and Equipment

Acquisition

Items of infrastructure, plant and equipment are initially recorded at cost, including capitalised borrowing costs, in accordance with AASB 1036 Borrowing Costs, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) Agreements are brought to account when commissioned and accounted for as outlined in Note 1(f).

Valuations

To comply with Treasury Accounting Policy Statement APS 3 Valuation of Non-Current Assets and AASB 1041 Revaluation of Non-Current Assets the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position.

To reflect the change in values, the Corporation annually revalues its non-current assets at Directors' valuation or independent valuation, with effect from 1 July each year. The Directors' valuation is performed using the General Cost Index (GCI) or current contract supply rates. The GCI is calculated by the Corporation's Chief Estimator from supporting indices maintained by the Australian Bureau of Statistics. The GCI is a calculation of the material and labour index for the construction industry in South Australia.

Additionally, the Corporation's valuation methodologies for all major classes of infrastructure assets are subject to a triennial review by Hunter Water Corporation Pty Ltd. The most recent independent review was completed in May 2002. The review concluded that there was, in general, a good correlation between the two organisations in terms of the methodology used and the modern equivalent replacement asset types adopted.

Accordingly the Corporation has adopted the following asset valuations:

(i) Infrastructure assets

The fair value of an asset is determined by its written-down current cost. The Corporation determines the written-down current cost as the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over-engineering of the asset is excluded.

To determine the fair value of infrastructure assets, the Corporation has utilised the following methodologies:

- a) Water mains, sewer mains – Directors' valuations predominantly based on current contract rates. These rates are applied to the actual lengths of pre-defined modern equivalent asset types.
- b) Water services, sewer connections and water meters - Directors' valuation predominantly based on current contract supply rates.
- c) Reservoirs were independently revalued by Hydro Tasmania for the current financial year to 30 June 2003.
- d) Wastewater treatment plants were independently revalued by Tonkin Consulting for the current financial year to 30 June 2003.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e) Other infrastructure assets - Directors' valuations based on the current construction cost data. These assets are indexed in between comprehensive valuations, using the GCI.

The cost of infrastructure assets constructed by the Corporation includes all materials used in construction, direct labour, an appropriate proportion of variable and fixed overheads and contract payments. Interest is capitalised to capital works in progress using funds borrowed generally at a weighted average capitalisation rate as outlined in Note 1(j).

(ii) Land and buildings

Land is brought to account at market value using valuations provided from the State Valuer-General. Buildings are brought to account at Directors' valuation using market value indexed annually using GCI.

(iii) Other assets and plant and equipment

Other assets and plant and equipment are brought to account at historical cost.

Depreciation

Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from 5 to 160 years. The useful lives of assets are reviewed annually and have been assessed as follows:

	2003 years	2002 years
Water and sewer assets	7–160	7–160
Water and sewer leased assets	40–50	40–50
Buildings	50	50
Other	5–50	5–50
Plant and equipment	5–15	5–15

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.

(ii) Other Financial Assets

The Corporation's investment in non-voting class B Shares as part of the BOOT arrangements for the Virginia Pipeline Scheme have been measured at fair value, in accordance with APS 3 Valuation of Non-Current Assets and AASB 1041 Revaluation of Non-

Current Assets (refer Note 10). Due to the nexus between the class B shares and the pipeline assets, the value of the shares has been determined using the written-down current cost of the pipeline assets in 2018 discounted to their net present value. On this basis, an independent valuation of the pipeline assets was undertaken at reporting date and Class B shares were re-valued accordingly.

(iii) Intangibles

Water licences have been recognised at cost. In accordance with AASB 1021 Depreciation and Accounting Interpretation 1 Amortisation of Identifiable Intangible Assets, the cost has been amortised using the straight-line method over 5 years, which is the term of the current lease contract.

(f) Leases

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

Operating Leases

Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Financial Performance. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

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 1008 Leases and the Corporation obtains ownership of the asset at the end of the lease term.

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

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset (refer Note 12). The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 1008 Leases. 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 Financial Performance.

(g) Investments

Investments in controlled entities are carried in the Corporation's financial report at cost (refer Note 10 and Note 24).

(h) Expenditure on Behalf of State Government

Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the South Australian Government and are disclosed in Note 4.

(i) Taxes

Taxation Equivalents

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

The Corporation has adopted the liability method of tax effect accounting for income tax equivalents, whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in accounting profit and when items are taken into account in determining taxable income, the net taxation benefit or liability, calculated at current rates, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax. Future income tax benefits relating to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt.

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as a part of the cost of acquisition of the asset or as part of an item of expense.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing activities, which is recoverable from or payable to the ATO, is classified as an operating cash flow in accordance with UIG Abstract 31 Accounting for the Goods and Services Tax (GST).

(j) Borrowing Costs

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

Borrowing costs are expensed as incurred unless they relate to the construction of a qualifying asset. Qualifying assets are assets which take more than 12 months to complete. In these circumstances, borrowing costs are capitalised to the cost of the assets.

Interest was capitalised to capital works in progress using funds borrowed generally at a weighted average capitalisation rate of 6.67% (2002: 7.07%) (Note 1(e)).

(k) Cash

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.

(l) Receivables

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

Bad debts are written off when they are identified.

(m) Inventories

Inventory is valued on a weighted average cost basis. Costs have been assigned to inventory manufactured by the Corporation, including work in progress, on a full absorption

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

cost basis. Inventories are valued at the lower of cost and net realisable value.

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

(n) Employee Benefits

Wages, Salaries, Annual Leave and Sick Leave

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

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

Long Service Leave

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

The Corporation's long service leave liability is valued by Mr. C. Papanicolas BSc, (Ma)(Hons), ASIA, FIAA of Mercer Human Resource Consulting Pty Ltd.

Superannuation

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

(o) Workers Compensation

The Corporation is registered with WorkCover as an exempt employer and is responsible for payment of workers compensation claims. The Corporation establishes a

provision for any claims arising under the Workers Rehabilitation and Compensation Act, 1986 and the repealed Workers Compensation Act, 1971 outstanding at year-end. The Corporation's outstanding claims liability is valued by Mr. L. Brett BSc FIA, FIAA of Brett & Watson Pty Ltd.

(p) Insurance

The South Australian Government Captive Insurance Corporation (SAICORP) has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation and/or the South Australian Government. In addition, insurance arrangements are in place for construction works, travel insurance and Directors' and Officers' liability.

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

(q) Payables

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

(r) Provisions

The new accounting standard AASB 1044 Provisions, Contingent Liabilities and Contingent Assets has been adopted for the first time as at 1 July 2002.

Provisions are recognised when the Corporation has a legal, equitable or constructive obligation to make future sacrifice of economic benefits to a third party as a result of past transactions or other past events. The amount is recognised in the Statement of Financial Position when it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the timing or amount is significantly uncertain.

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

Removal of Biosolids

A provision is recognised for the disposal and management of a prior accumulation of bio-solid products resulting from the operation of the Bolivar Wastewater Treatment Plant.

The Corporation has a present obligation under the Environmental Protection Act (EPA) to ensure no harm is caused to the environment. The removal of bio-solids is administered in accordance with the 1996 Biosolids Guidelines issued by the EPA.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated future cash flows are based on the processing and administration costs associated with the preparation and loading of biosolids from the stockpile for disposal off-site. These costs have been determined based on current costs, current legal requirements and current technology.

Significant uncertainties exist as to the amount and timing of expected future obligations required to settle the obligation due to the uncertainty as to the quantity of biosolids expected to be disposed off-site and the impact of changes in environmental legislation and technology.

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 Crown Law advice are 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 decommissioning non-current assets are based on past experience and current market prices. Obligations associated with the retirement or disposal of long lived assets are excluded from the scope of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets.

(s) Foreign Currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange applicable at the dates of the transactions. All monetary items in foreign currencies at balance date are converted to Australian currency at rates of exchange current at that date. Exchange differences relating to monetary items in foreign currencies are brought to account as exchange gains or losses and are included in the Statement of Financial Performance.

Translation of Controlled Foreign Operations

Overseas controlled entities are deemed to be integrated and are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency

at rates of exchange current at balance date. Exchange differences arising on translation are brought to account in the Statement of Financial Performance.

Hedges

Where hedge transactions are designated as a hedge of the purchase of goods, exchange differences arising up to the date of the purchase, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase.

The Corporation currently has a policy to hedge all of its foreign currency exposures in accordance with the Treasurer's Instruction 23 Management of Foreign Currency Exposures. An exposure is defined to exist at the firm commitment of an approved purchase or signed contract.

(t) Commodities

The Corporation's exposure to commodities is managed through a natural hedge. This exposure is monitored, and if any conditions arise that change the exposure profile of commodity prices, appropriate hedge transactions will be entered into.

(u) Interest Bearing Liabilities

All loans are measured at the principal amount. Short-term borrowings are carried in the Statement of Financial Position at their face value. Long-term borrowings are valued at their historical yield. Interest expense is accrued at the contracted rates on a daily basis and includes costs incurred in restructuring borrowings. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the Public Finance and Audit Act, 1987.

(v) Derivatives

The Corporation manages exposures to changes in interest rates, foreign exchange rates and commodity prices as per the Board approved Treasury Risk Management Policy. Derivative financial instruments as approved by the Board are used by the Corporation to implement strategies for the management of the debt portfolio, or the hedge of specific debt.

To assist in managing these exposures, the following derivative financial instruments are utilised from time to time to hedge the exposure:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *Interest Rate Swaps*

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Financial Performance as an adjustment to interest expense. Gains or losses on early termination of the swap transaction will be recognised immediately as an adjustment to interest expense in the Statement of Financial Performance. Only if the swap transaction is designated specifically to an underlying line of debt will gains or losses on early termination be deferred and amortised over the life of the debt.

(ii) *Interest Rate Futures Contracts*

Interest rate futures contracts are purchased to hedge interest rate exposures. Any gains and losses arising are immediately recognised as an adjustment to interest expense in the Statement of Financial Performance. Only if futures contracts are designated specifically to an underlying line of debt will gains or losses be deferred and amortised over the life of the debt.

(iii) *Forward Rate Agreements*

Any realised gains or losses on forward rate agreements are recognised immediately in the Statement of Financial Performance as an adjustment to interest expense during the period in which settlement occurs. Only if the agreement is designated specifically to an underlying line of debt will gains or losses be deferred and amortised over the life of the debt.

(iv) *Forward Foreign Exchange Contracts*

The accounting for forward foreign exchange contracts is set out in Note 1(s) above.

Derivative financial instruments are not held for speculative purposes.

(w) *Segment Reporting*

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets and liabilities mainly comprise tax assets, borrowings, tax liabilities and corporate assets and liabilities that cannot be allocated to segments on a reasonable basis.

Segment capital expenditure is the total cost recognised during the period to acquire and construct segment assets that are expected to be used for more than one annual reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

CONSOLIDATED		THE CORPORATION	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000
	(re-stated)		(re-stated)

NOTE 2 CHANGE IN ACCOUNTING POLICIES

Pro forma Statement of Financial Performance, the restatement of retained profits and non-current financial assets.

Restatement of Statement of Financial Performance

Profit from ordinary activities before revaluation of non-current investment in unlisted shares and income tax expense

257,592 223,340 256,711 223,382

Revaluation non current investment in unlisted shares

434 402 434 402

Profit from ordinary activities before income tax expense

258,026 223,742 257,145 223,784

Income tax expense related to ordinary activities

(74,233) (61,161) (74,224) (60,772)

Profit from ordinary activities after income tax expense

183,793 162,581 182,921 163,012

Restatement of retained profits

Reported retained profits at end of previous year

109,193 84,189 110,445 85,010

Decrease in retained profits due to change in accounting policy on initial adoption of :

Revised APS 3 "Valuation of non-current assets"

Revaluation decrement of investment in unlisted shares

(9,427) (10,573) (9,427) (10,573)

Restated retained profits at beginning of year

99,766 73,616 101,018 74,437

Profit from ordinary activities after income tax

183,793 162,581 182,921 163,012

Dividends Paid

(164,845) (137,175) (164,845) (137,175)

Restated Retained Profits at end of year

118,714 99,022 119,094 100,274

CONSOLIDATED		THE CORPORATION	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

NOTE 3 REVENUE FROM ORDINARY ACTIVITIES

Revenue from operating activities

Rates and charges

513,350 467,437 513,350 467,437

Community service obligations

91,706 90,358 91,706 90,358

Contributed assets

42,811 29,127 42,811 29,127

Recoverable works

32,378 23,679 32,378 23,679

Fees and charges

14,421 12,847 14,421 12,847

Miscellaneous

5,505 4,215 5,407 4,007

700,171 627,663 700,073 627,455

Revenue from outside operating activities

Gross proceeds from sale of infrastructure, plant and equipment

370 10,893 370 10,893

Interest received

205 159 197 151

Rents

1,158 1,133 1,158 1,133

Revaluation of investment in unlisted shares

434 – 434 –

2,167 12,185 2,159 12,177

Total revenue from ordinary activities

702,338 639,848 702,232 639,632

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		THE CORPORATION	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
NOTE 4 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Depreciation:				
Infrastructure assets – Water	66,867	62,436	66,867	62,436
Infrastructure assets – Sewer	33,620	35,151	33,620	35,151
Buildings	463	451	463	451
Other	6,526	6,951	6,526	6,951
Plant and equipment	2,788	2,420	2,788	2,420
Amortisation:				
Water licences	58	173	58	173
	110,322	107,582	110,322	107,582
Borrowing costs:				
Interest expense	77,832	81,639	77,832	81,639
Finance charges on capitalised leases	12,966	13,149	12,966	13,149
Less: Capitalised borrowing costs	(7,850)	(5,065)	(7,850)	(5,065)
	82,948	89,723	82,948	89,723
Finance lease contingent rentals	1,243	833	1,243	833
Operating lease rental expense	3,081	2,955	3,081	2,955
Net bad and doubtful debts expense including movements in allowance for doubtful debts	305	24	305	24
Net(loss)/gain on disposal of infrastructure, plant and equipment	(570)	8,170	(570)	8,170
Write-down in value of other infrastructure assets	1,869	3,008	1,869	3,008
Write-down in value of capital works in progress	2,918	–	2,918	–
Write-down in loan to controlled entities	–	–	896	–
Expenditure on behalf of State Government:				
Water Industry Best Practice Program	808	848	808	848
Cooperative Research Centre	150	300	150	300
	958	1,148	958	1,148

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		THE CORPORATION	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
NOTE 5 INCOME TAX				
a) Income tax expense				
The difference between income tax expense provided in the financial report and the prima facie income tax expense is reconciled as follows:				
Operating profit	258,026	223,340	257,145	223,382
Prima facie income tax expense calculated at 30% (2002: 30%)	77,408	67,002	77,143	67,015
Tax effect of permanent differences:				
Sundry expenses not deductible	14	11	14	10
Amortisation of intangible assets	17	52	17	52
Non deductible loss from foreign operations	13	5	—	—
Tax benefit on loss transferred from controlled entity	—	—	—	(4)
Loss/(gain) from sale of land	230	(2,670)	230	(2,670)
Accounting depreciation on revalued assets	911	—	911	—
Write-down in loan to controlled entities	—	—	269	—
Upward revaluation of investment	130	—	130	—
Non-assessable contributed assets	(1,709)	—	(1,709)	—
Additional deduction for research and development expenditure	(326)	(1,429)	(326)	(1,429)
	76,688	62,971	76,679	62,974
Amounts over provided in prior years	(2,455)	(1,810)	(2,455)	(2,202)
Income tax expense attributable to operating profit	74,233	61,161	74,224	60,772
The income tax expense comprises movements in:				
Provision for income tax	70,319	55,945	70,312	55,945
Provision for deferred income tax*	5,590	6,743	5,590	6,743
Future income tax benefit*	779	283	777	286
Amounts over provided in prior years	(2,455)	(1,810)	(2,455)	(2,202)
	74,233	61,161	74,224	60,772

* This has been calculated at the current company tax rate of 30% (2002: 30%)

b) Current tax liabilities

Provision for current income tax

Movements during the year were as follows:

Balance at beginning of year	22,190	23,635	22,190	24,017
Income tax paid	(62,568)	(58,009)	(62,568)	(57,998)
Current years income tax provision	70,319	55,945	70,312	55,945
Under-provision in prior year	285	619	285	226
	30,226	22,190	30,219	22,190

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		THE CORPORATION	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
NOTE 5 INCOME TAX (Continued)				
c) Deferred tax liabilities				
<i>Provision for deferred income tax</i>				
Provision for deferred income tax comprises the estimated liability at the applicable rate of 30% (2002: 30%) on the following items:				
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	140	40	140	40
Expenditure currently deductible for tax but capitalised and amortised/depreciated for accounting purposes	3,971	1,648	3,971	1,648
Difference in depreciation and amortisation of infrastructure, plant and equipment assets for accounting and income tax purposes	45,997	45,574	45,997	45,574
Interest receivable	34	1	34	1
Environmental expenditure	212	212	212	212
Research & development expenditure	1,855	1,855	1,855	1,855
	52,209	49,330	52,209	49,330

d) Deferred tax assets

Future income tax benefit

Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2002: 30%) on the following items:

Provisions and accruals for employee entitlements	7,343	6,801	7,343	6,801
Allowance for obsolete stock	144	143	144	143
Allowance for bad debts	158	165	158	165
Sundry provisions	862	1,802	862	1,802
Accrued interest expense	3,884	4,462	3,884	4,462
Sundry items	75	48	74	45
Provision for the disposal of assets	330	335	330	335
Capitalised finance leases	1,595	1,385	1,595	1,385
	14,391	15,141	14,390	15,138

NOTE 6 SEGMENT REPORTING

Business segments

The consolidated entity comprises the following main business segments based on the consolidated entity's management reporting system:

Metropolitan Water – Manage, operate and maintain metropolitan water filtration plants and pipelines that deliver water to customers.

Country Water – Manage, operate and maintain country reservoirs, pipelines and water filtration plants delivering peak and off-peak water to customers.

Metropolitan Sewer – Manage, operate and maintain metropolitan wastewater treatment plants and pipelines that remove wastewater from customer properties.

Country Sewer – Manage, operate and maintain country wastewater treatment plants and pipelines that remove wastewater from customer properties.

Other – Revenue and expenses associated with the Murray Darling Basin Commission, the Australian Water Quality Centre, engineering workshops and water industry business development.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 6 SEGMENT REPORTING (Continued)

Business segments	Metro Water		Country Water		Metro Sewer		Country Sewer		Other		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
Rates and charges	201,859	180,316	91,824	78,912	197,518	187,040	22,149	21,169	–	–	513,350	467,437
Community service obligations	1,353	2,023	71,656	69,444	7,638	7,815	10,489	10,509	567	567	91,706	90,358
Contributed assets	13,032	8,361	6,269	4,010	20,179	14,609	3,331	2,147	–	–	42,811	29,127
Other revenue	12,095	19,201	6,790	5,104	6,936	8,748	1,478	1,458	26,967	18,256	54,266	52,767
Total segment revenue	228,339	209,901	176,539	157,470	232,271	218,212	37,447	35,283	27,537	18,823	702,133	639,689
Unallocated interest revenue											205	159
Total revenue from ordinary activities											702,338	639,848
Result												
Segment result	107,073	101,719	59,650	50,829	145,636	132,833	19,744	17,685	(4,300)	(3,311)	327,803	299,755
Unallocated interest expense net of unallocated interest revenue											(69,777)	(76,415)
Profit from ordinary activities before income tax											258,026	223,340
Income tax expense											(74,233)	(61,161)
Profit from ordinary activities after income tax											183,793	162,179
Assets												
Segment assets	2,025,990	1,937,796	2,107,787	2,039,979	1,992,700	1,824,118	394,064	357,497	11,035	9,344	6,531,576	6,168,734
Unallocated corporate assets											30,202	43,083
Total assets											6,561,778	6,211,817
Liabilities												
Segment liabilities	19,667	25,945	142,843	146,888	27,305	30,721	6,589	6,121	14,648	8,669	211,052	218,344
Unallocated corporate liabilities											1,210,544	1,168,950
Total liabilities											1,421,596	1,387,294
Other segment information:												
Acquisition and construction of non-current assets	27,563	24,369	22,282	19,969	53,595	47,918	10,274	9,239	17,707	15,938	131,421	117,433
Depreciation and amortisation	35,432	33,905	39,007	35,082	30,220	32,138	5,663	6,457	–	–	110,322	107,582
Non cash expenses other than depreciation and amortisation	1,423	1,581	1,580	1,559	748	1,886	294	375	1,582	699	5,627	6,100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 7 RECEIVABLES					
Current					
Community service obligations		83,357	93,094	83,357	93,094
Rates receivable (water and wastewater)		17,109	18,033	17,109	18,033
Allowance for doubtful debts		(210)	(210)	(210)	(210)
		16,899	17,823	16,899	17,823
Sundry debtors		16,916	11,230	16,915	11,227
Allowance for doubtful debts		(317)	(339)	(317)	(339)
		16,599	10,891	16,598	10,888
Minister for Government Enterprises – Irrigation	33	8,336	8,483	8,336	8,483
		125,191	130,291	125,190	130,288
NOTE 8 INVENTORIES					
Raw materials and stores		3,821	3,770	3,821	3,770
Allowance for slow moving and obsolete inventory		(477)	(476)	(477)	(476)
		3,344	3,294	3,344	3,294
NOTE 9 OTHER ASSETS					
Current					
Prepayments		873	856	873	855
Interest receivable		115	4	115	4
Loans to controlled entities		–	–	436	–
Other		701	1,065	701	1,095
		1,689	1,925	2,125	1,954
Non-Current					
Preliminary investigations		8,884	5,716	8,884	5,716
Loans to controlled entities		–	–	–	1,251
Other		–	230	–	230
		8,884	5,946	8,884	7,197

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 10 OTHER FINANCIAL ASSETS					
Current					
Controlled Entities					
Unlisted shares at cost	23	—	—	402	—
		—	—	402	—
Non-Current					
Other Corporations					
Unlisted shares at fair value	10(a)	5,857	14,850	5,857	14,850
Controlled Entities					
Unlisted shares at cost	23	—	—	—	402
		5,857	14,850	5,857	15,252

- (a) The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). Its 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 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 B Class shares, issued at a price of \$1 per share.

NOTE 11 INTANGIBLE ASSETS

Water licences – at cost	289	289	289	289
Accumulated amortisation	(231)	(173)	(231)	(173)
	58	116	58	116

NOTE 12 INFRASTRUCTURE, PLANT AND EQUIPMENT

Infrastructure assets – Water				
Water infrastructure	6,228,116	5,940,791	6,228,116	5,940,791
Accumulated depreciation	(2,544,624)	(2,406,838)	(2,544,624)	(2,406,838)
	3,683,492	3,533,953	3,683,492	3,533,953
Leased water infrastructure				
Leased water infrastructure	121,018	121,018	121,018	121,018
Accumulated depreciation	(11,397)	(8,976)	(11,397)	(8,976)
	109,621	112,042	109,621	112,042
Infrastructure assets – Sewer				
Sewer infrastructure	3,171,096	3,093,289	3,171,096	3,093,289
Accumulated depreciation	(1,026,107)	(1,115,368)	(1,026,107)	(1,115,368)
	2,144,989	1,977,921	2,144,989	1,977,921
Leased sewer infrastructure				
Leased sewer infrastructure	3,377	3,305	3,377	3,305
Accumulated depreciation	(499)	(407)	(499)	(407)
	2,878	2,898	2,878	2,898

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		THE CORPORATION	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
NOTE 12 INFRASTRUCTURE PLANT AND EQUIPMENT (Continued)				
Land and buildings				
Land	191,299	172,710	191,299	172,710
Buildings	24,423	22,917	24,423	22,917
Accumulated depreciation	(3,985)	(3,565)	(3,985)	(3,565)
	20,438	19,352	20,438	19,352
Other				
Accumulated depreciation	(39,878)	(33,150)	(39,878)	(33,150)
	39,702	41,579	39,702	41,579
Plant and equipment				
Accumulated depreciation	(19,036)	(17,801)	(19,036)	(17,801)
	13,879	12,073	13,879	12,073
Capital works in progress				
	194,462	166,350	194,462	166,350
Total infrastructure, plant and equipment	6,400,760	6,038,878	6,400,760	6,038,878
Reconciliations				
Reconciliations of the carrying amounts for each class of infrastructure, plant and equipment are set out below:				
Water Infrastructure				
Carrying amount at beginning of year	3,533,953	3,392,627	3,533,953	3,392,627
Additions	66,289	72,487	66,289	72,487
Disposals	—	—	—	—
Depreciation	(64,446)	(60,186)	(64,446)	(60,186)
Net revaluation increment	147,696	129,025	147,696	129,025
Carrying amount at end of year	3,683,492	3,533,953	3,683,492	3,533,953
Leased Water Infrastructure				
Carrying amount at beginning of year	112,042	114,292	112,042	114,292
Depreciation	(2,421)	(2,250)	(2,421)	(2,250)
Carrying amount at end of year	109,621	112,042	109,621	112,042
Sewer Infrastructure				
Carrying amount at beginning of year	1,977,921	1,917,396	1,977,921	1,917,396
Additions	45,323	99,870	45,323	99,870
Depreciation	(33,536)	(35,069)	(33,536)	(35,069)
Net revaluation increment/(decrement)	155,281	(4,276)	155,281	(4,276)
Carrying amount at end of year	2,144,989	1,977,921	2,144,989	1,977,921
Leased Sewer Infrastructure				
Carrying amount at beginning of year	2,898	2,980	2,898	2,980
Depreciation	(84)	(82)	(84)	(82)
Net revaluation increment	64	—	64	—
Carrying amount at end of year	2,878	2,898	2,878	2,898

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		THE CORPORATION	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
NOTE 12 INFRASTRUCTURE PLANT AND EQUIPMENT (Continued)				
Land				
Carrying amount at beginning of year	172,710	168,665	172,710	168,665
Additions	839	286	839	286
Disposals	(405)	(1,401)	(405)	(1,401)
Net revaluation increment	18,155	5,160	18,155	5,160
Carrying amount at end of year	191,299	172,710	191,299	172,710
Buildings				
Carrying amount at beginning of year	19,352	19,031	19,352	19,031
Additions	1,636	661	1,636	661
Disposals	(307)	—	(307)	—
Depreciation	(463)	(451)	(463)	(451)
Net revaluation increment	220	111	220	111
Carrying amount at end of year	20,438	19,352	20,438	19,352
Other				
Carrying amount at beginning of year	41,579	47,413	41,579	47,413
Additions	5,796	4,125	5,796	4,125
Net revaluation increment	722	—	722	—
Depreciation	(6,526)	(6,951)	(6,526)	(6,951)
Asset value write-down	(1,869)	(3,008)	(1,869)	(3,008)
Carrying amount at end of year	39,702	41,579	39,702	41,579
Plant and Equipment				
Carrying amount at beginning of year	12,073	11,942	12,073	11,942
Additions	4,748	3,713	4,748	3,713
Disposals	(154)	(1,162)	(154)	(1,162)
Depreciation	(2,788)	(2,420)	(2,788)	(2,420)
Carrying amount at end of year	13,879	12,073	13,879	12,073
Capital works in progress				
Balance at beginning of year	166,350	212,449	166,350	212,449
Additions	128,189	118,219	128,189	118,219
Transfers	(97,159)	(164,318)	(97,159)	(164,318)
Write down	(2,918)	—	(2,918)	—
Closing balance at end of year	194,462	166,350	194,462	166,350
Total infrastructure, plant and equipment	6,400,760	6,038,878	6,400,760	6,038,878

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 13 PAYABLES					
Current					
Trade creditors		47,939	44,435	47,939	44,435
Interest payable		12,948	14,872	12,948	14,872
Other creditors		16,861	27,043	16,824	27,020
		77,748	86,350	77,711	86,327
Non-Current					
Other creditors		1,152	1,041	1,152	1,041
		1,152	1,041	1,152	1,041

NOTE 14 INTEREST BEARING LIABILITIES

Current					
Short term borrowings		55,388	18,005	55,388	18,005
Lease liability	22	1,978	1,775	1,978	1,775
		57,366	19,780	57,366	19,780

The Corporation has a \$75 million short term borrowing facility with the Department of Treasury and Finance bearing interest at the daily cash rate charged by the South Australian Government Financing Authority.

Non-Current					
Long term borrowings		1,055,966	1,056,522	1,055,966	1,056,522
Lease liability	22	115,376	117,355	115,376	117,355
		1,171,342	1,173,877	1,171,342	1,173,877

The Corporation has a fully utilised long term borrowing facility with the Department of Treasury and Finance. The loan is denominated in Australian dollars and carries both fixed and floating interest rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 15 PROVISIONS					
Current					
Employee benefits	25	6,051	5,895	6,051	5,895
Asset disposal		832	537	832	537
Workers compensation	25	750	1,102	750	1,102
Damages and claims		703	3,479	703	3,479
Removal of biosolids		488	476	488	476
Site Rehabilitation		158	164	158	164
		8,982	11,653	8,982	11,653
Non-Current					
Employee benefits	25	16,432	14,934	16,432	14,934
Workers compensation	25	3,001	3,988	3,001	3,988
Removal of biosolids		1,526	1,888	1,526	1,888
Asset disposal		268	580	268	580
		21,227	21,390	21,227	21,390

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits, asset disposal and site rehabilitation, are set out below:

Removal of Biosolids – current

Carrying amount at the beginning of the year	476	476
Payments made during the year	(415)	(415)
Transfer from non-current provision	427	427
Carrying amount at end of year	488	488

Removal of Biosolids – non-current

Carrying amount at the beginning of the year	1,888	1,888
Transfer to current provision	(427)	(427)
Re-measurement adjustments	65	65
Carrying amount at end of year	1,526	1,526

Damages and Claims

Carrying amount at the beginning of the year	3,479	3,479
Payments made during the year	(639)	(639)
Re-measurement adjustments	(2,137)	(2,137)
Carrying amount at end of year	703	703

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		THE CORPORATION	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
NOTE 16 OTHER LIABILITIES				
Current				
Deposits from contractors	657	582	657	582
Unearned income	190	604	190	604
	847	1,186	847	1,186
Non- Current				
Advances for work carried out on behalf of Murray Darling Basin Commission	497	497	497	497
	497	497	497	497

NOTE 17 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash 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 assets	1,604	1,376	1,148	973
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(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

Profit from ordinary activities after income tax	183,793	162,179	182,921	162,610
Add/(less) items classified as investing activities:				
Profit on sale of infrastructure, plant and equipment	534	(8,421)	534	(8,421)
Contributed assets	(27,307)	(16,922)	(27,307)	(16,922)
Add/(less) non-cash items:				
Depreciation	110,264	107,409	110,264	107,409
Amortisation	58	173	58	173
Write-off of capitalised expenditure	5,592	3,770	5,592	3,770
Write-down in loan to controlled entities	—	—	896	—
Revaluation of investment in unlisted shares	(434)	—	(434)	—
Provision for employee benefits	1,808	1,059	1,808	1,059
Provision for workers compensation	(1,339)	1,271	(1,339)	1,271
Adjustment for non-business operations	116	44	116	44
Decrease in future income tax benefit	748	283	747	286
Decrease/(increase) in income taxes payable	8,037	(1,445)	8,030	(1,827)
Increase in deferred taxes payable	2,880	4,314	2,880	4,314
Net cash provided by operating activities before change in assets and liabilities	284,750	253,714	284,766	253,766

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 17 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)					
Changes in assets and liabilities:					
(Increase)/decrease in rates and sundry receivables		(7,035)	14,793	(7,035)	14,936
Decrease/(increase) in prepayments		17	(132)	17	(132)
(Increase)/decrease in inventories		(50)	190	(50)	190
Decrease/(increase) in other operating assets		232	(235)	202	(251)
Decrease in trade creditors		(2,705)	(633)	(2,705)	(634)
Decrease in other operating liabilities		(5,491)	(13,608)	(5,530)	(13,708)
(Decrease)/increase in other provisions		(2,775)	729	(2,775)	729
Net cash provided by operating activities		266,943	254,818	266,890	254,896

NOTE 18 CONTRIBUTED EQUITY

Balance at beginning of year		263,950	274,950	263,950	274,950
Repayment of Capital	18(a)	(16,000)	(11,000)	(16,000)	(11,000)
Balance at end of year		247,950	263,950	247,950	263,950

(a) Repayment of Capital is included as part of the total distribution to Government.

NOTE 19 RESERVES

(a) Asset revaluation reserve

Balance at beginning of year		4,451,424	4,321,404	4,451,424	4,321,404
Add: Revaluation increment on infrastructure, plant and equipment assets	1(e)	322,138	130,020	322,138	130,020
Balance at end of year		4,773,562	4,451,424	4,773,562	4,451,424

The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.

(b) Foreign currency translation reserve

Balance at beginning of year		(44)	(44)	—	—
Balance at end of year		(44)	(44)	—	—
Total Reserves		4,773,518	4,451,380	4,773,562	4,451,424

The foreign currency translation reserve is the cumulative balance of exchange differences due to the translation of financial reports of a foreign operation from prior reporting periods when the foreign operation was classified as self sustaining, refer to Notes 1(s) and 23.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 20 RETAINED PROFITS					
Retained profits at the beginning of the year		109,193	84,189	110,445	85,010
Net effect of initial adoption of revised APS 3 “Valuation of Non-Current Assets”					
Revaluation decrement of investment in unlisted shares		(9,427)	—	(9,427)	—
Net profit from ordinary activities after income tax		183,793	162,179	182,921	162,610
		283,559	246,368	283,939	247,620
Dividends paid	29	(164,845)	(137,175)	(164,845)	(137,175)
Retained profits at the end of the year		118,714	109,193	119,094	110,445

NOTE 21 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Objectives of Holding Derivative Financial Instruments

The Corporation is exposed to the risk of adverse movements in interest rates and the Australian Dollar relative to foreign currencies. The Corporation uses derivative financial instruments solely to hedge against interest rate and foreign currency risks.

Forward exchange contracts are purchased to hedge the Australian Dollar value of foreign currency payments arising from the purchase of inventory. The forward exchange contracts commit the Corporation to purchase foreign currency at an agreed rate of exchange.

Interest rate swap agreements are used to convert interest rate exposures on certain debt from floating to fixed rates and vice versa. These swaps entitle the Corporation to either receive/pay floating interest quarterly or semi annually and receive/pay fixed interest semi annually.

Interest rate futures contracts and forward rate agreements are utilised by the Corporation to hedge interest rate exposures on borrowings.

(b) Interest Rate Risk Exposures

The Corporation's financial assets and financial liabilities are exposed to interest rate risk. The following table summarises interest rate risk for the Corporation, together with effective weighted average interest rates as at balance date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 21 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (Continued)

2003	Note	Floating Interest Rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000	Weighted average interest rate	
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000			floating	fixed
Financial Assets									
Cash	17 (a)	1,604	—	—	—	—	1,604	4.22%	—
Current receivables	7	—	—	—	—	41,834	41,834	—	—
CSO receivable	7	—	—	—	—	83,357	83,357	—	—
Other financial assets	10	—	—	—	—	5,857	5,857	—	—
Other	9	—	—	—	—	115	115	—	—
		1,604	—	—	—	131,163	132,767		
Financial Liabilities									
Short term borrowings	14	55,388	—	—	—	—	55,388	4.93%	—
Long term borrowings	14	185,399	111,572	394,823	364,172	—	1,055,966	4.60%	6.31%
Payables	13	—	—	—	—	74,604	74,604	—	—
Deposits with SA Water	13, 16	—	3,144	—	—	657	3,801	—	4.58%
Non-business advances	16	—	—	—	—	497	497	—	—
Lease liabilities	14	—	1,978	10,462	104,914	—	117,354	—	10.96%
Interest rate swaps*		(173,500)	—	37,500	136,000	—	—	4.58%	6.87%
		67,287	116,694	442,785	605,086	75,758	1,307,610		

* notional principal amount

2002	Note	Floating Interest Rate \$'000	Fixed interest maturing in:			Non interest bearing \$'000	Total \$'000	Weighted average interest rate	
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000			floating	fixed
Financial Assets									
Cash	17 (a)	1,376	—	—	—	—	1,376	4.21%	—
Current receivables	7	—	—	—	—	37,197	37,197	—	—
CSO receivable	7	—	—	—	—	93,094	93,094	—	—
Other financial assets	10	—	—	—	—	14,850	14,850	—	—
Other	9	—	—	—	—	4	4	—	—
		1,376	—	—	—	145,145	146,521		
Financial Liabilities									
Short term borrowings	14	18,005	—	—	—	—	18,005	4.93%	—
Long term borrowings	14	169,827	80,572	383,189	422,934	—	1,056,522	4.95%	6.83%
Payables	13	—	—	—	—	84,908	84,908	—	—
Deposits with SA Water	13, 16	—	1,442	—	—	582	2,024	—	4.44%
Non-business advances	16	—	—	—	—	497	497	—	—
Lease liabilities	14	—	1,775	9,384	107,971	—	119,130	—	10.96%
Interest rate swaps*		(134,500)	—	37,500	97,000	—	—	5.05%	6.77%
		53,332	83,789	430,073	627,905	85,987	1,281,086		

*notional principal amount

Interest Rate Sensitivity

In relation to borrowings, a 1% change in interest rates would impact on interest expense by \$2.03 million (2002: \$1.56 million) for the year to 30 June 2004. A 1% increase in interest rates would decrease the market value of the debt portfolio by \$45.3 million as at 30 June 2003 (2002: \$43.4 million). This analysis is based on interest rates as at 30 June 2003.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 21 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (Continued)

(c) Foreign Exchange

Contracts to buy foreign currency are entered into from time to time to offset purchase obligations so as to maintain a desired hedge position. The following table summarises by currency the Australian Dollar value of forward foreign exchange contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the Corporation.

Currency	Contract value		Weighted average exchange rate	
	2003 \$'000	2002 \$'000	2003	2002
American Dollars				
Buy				
Not later than one year	50	—	0.6617	—
	50	—		
Euro Dollars				
Buy				
Not later than one year	—	98	—	0.5985
	—	98		
	50	98		

As these contracts are hedging anticipated purchases, any unrealised gains and losses on the contracts, together with the costs of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs (refer note 1(s)). The unrecognised gains and losses, which are unrealised as at 30 June 2003, on hedges of anticipated foreign currency purchases are:

	2003 Foreign Currency Gross Unrealised		2002 Foreign Currency Gross Unrealised	
	Gains \$'000	Losses \$'000	Gains \$'000	Losses \$'000
Not longer than one year	—	1	5	—
	—	1	5	—

(d) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties to the Corporation fail to meet their obligations.

The Corporation minimises concentrations of credit risk by undertaking transactions with a large number of counterparties with low outstanding amounts and/or credit worthy counterparties.

The credit risk on futures contracts is minimised as transactions are made through a recognised futures exchange.

SA Water undertakes all foreign exchange, interest rate risk management and commodity risk management transactions with SAFA as an eligible counterparty without limit. There is no credit risk exposure as SAFA is an entity guaranteed by the Government of South Australia.

Recognised Financial Instruments

The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount, net of any allowance for doubtful debts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 21 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (Continued)

Non-Recognised Financial Instruments

The credit risk on swap contracts is limited to the amount to be received from counter parties on contracts that are favourable to the Corporation. The amount due to the Corporation as at 30 June 2003 was \$1.21m (2002: Nil).

The forward foreign exchange contracts are subject to credit risk with the South Australian Government Financing Authority. The maximum credit risk exposure on forward foreign exchange contracts is the amount of foreign currency the Corporation is entitled to receive from the counterparties when the contracts are closed out. As at the 30 June 2003, there was no amount due to the Corporation (2002: \$.005m). There was no credit risk exposure on the forward rate agreements as at 30 June 2003 (2002: Nil).

(e) Net Fair Values of Financial Assets and Liabilities

Net fair value is the amount at which the asset could be exchanged, or liability settled, in a current transaction between willing parties after allowing for transaction costs.

Recognised Financial Instruments

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below.

The net fair value of cash and cash equivalents, non-interest bearing monetary financial assets and financial liabilities of the Corporation approximate their carrying value and are therefore not disclosed below.

The net fair value of other monetary financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows at 30 June 2003 interest rates.

	2003		2002	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Liabilities				
Long term borrowings	1,055,966	1,106,133	1,056,522	1,083,018
Lease liabilities	117,354	117,354	119,130	119,130

Non-Recognised Financial Instruments

The net fair value of non-recognised financial instruments held at the reporting date is:

	2003 Net Fair Value \$'000	2002 Net Fair Value \$'000
Interest rate swaps	(17,765)	(9,126)
Swaptions	94	—
Forward foreign exchange contracts	49	103

The net fair value for interest rate swaps and swaptions is estimated by discounting the anticipated future cash flows to their present value, based on current market interest rates at the respective balance dates.

The net fair value of forward foreign exchange contracts is determined by reference to amounts quoted by the South Australian Government Financing Authority as at 30 June 2003.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 22 EXPENDITURE COMMITMENTS					
Capital Commitments					
Total capital expenditure contracted for at balance date but not recognised in the financial report and payable:					
not later than one year		66,485	16,129	66,485	16,129
		66,485	16,129	66,485	16,129
Joint Venture Commitments					
Share of capital commitments contracted for arising from interest in joint venture operation and payable:					
not later than one year		129	–	129	–
		129		129	
Finance lease payment commitments					
Finance lease commitments are payable:					
not later than one year		16,088	15,643	16,088	15,643
later than one year and not later than five years		64,352	62,572	64,352	62,572
later than five years		228,659	236,976	228,659	236,976
		309,099	315,191	309,099	315,191
Less: Future lease finance charges		191,745	196,061	191,745	196,061
		117,354	119,130	117,354	119,130
Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities. The leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the Consumer Price and related indexes. The amount of contingent rentals paid and payable during the year is disclosed in Note 4.					
Lease liabilities provided for in the financial statements					
Current	14	1,978	1,775	1,978	1,775
Non-Current	14	115,376	117,355	115,376	117,355
		117,354	119,130	117,354	119,130
Operating leases and other expenditure commitments					
Future operating leases and other expenditure commitments not provided for in the financial statements and payable:					
not later than one year		57,622	61,958	57,622	61,958
later than one year and not later than five years		220,738	219,214	220,738	219,214
later than five years		169,843	226,302	169,843	226,302
		448,203	507,474	448,203	507,474

The operating lease commitments relate to property leases which are non cancellable leases. The rental is payable monthly with reviews indexed every two years. These bi-annual reviews alternate between CPI indexation and Market Value. Options exist to renew the leases at the end of the term of the leases.

Other expenditure commitments include commitments pursuant to the contract to operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants. The costs for the commitments include the service charge payable to United Water International Pty Ltd and the costs incurred by United Water International Pty Ltd in performing services which are reimbursed by the Corporation. The costs are reported for the total period of the contract and include an estimate for escalation charges.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 23 CONTROLLED ENTITIES

	ORDINARY SHARE CONSOLIDATED ENTITY INTEREST	
	2003 %	2002 %
Particulars in relation to controlled entities		
Parent entity		
South Australian Water Corporation		
Controlled entities		
SA Water International Pty Limited	100	100
Crichbee Pty Limited	100	100
PT SA Water International ¹	100	100

¹ PT SA Water International was established in Indonesia. All other controlled entities were incorporated in Australia. To comply with Indonesian company regulations requiring at least two shareholders, 95% of the capital of PT SA Water International is held by SA Water International Pty Ltd with the remaining 5% held by Crichbee Pty Ltd.

	CONSOLIDATED		THE CORPORATION	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
SA Water International Pty Ltd				
Capital subscribed	—	—	381	381
	—	—	381	381
Crichbee Pty Ltd				
Capital subscribed	—	—	21	21
	—	—	21	21
PT SA Water International				
Capital subscribed (US \$200,000)	—	—	383	383
	—	—	383	383

On 1 April 2003, the Board announced its decision to wind up its international subsidiary in Indonesia PT SA Water International and following the completion of this, its two Australian subsidiaries Crichbee Pty Ltd and SA Water International Pty Ltd by the end of the financial period 30 June 2004.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

CONSOLIDATED		THE CORPORATION	
2003	2002	2003	2002
\$'000	\$'000	\$'000	\$'000

NOTE 24 INTEREST IN JOINT VENTURE OPERATION

The Corporation holds an interest of 50% in the output of the joint venture operation named SA Water – Hydro Joint Venture whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Mt Bold and Hope Valley.

Included in the assets and liabilities of the Corporation and the consolidated entity are the following items which represent the Corporation's and the consolidated entity's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in Note 1(c).

Current assets

Cash assets	108	–	108	–
Receivables	282	–	282	–
Other	1		1	

Total current assets	391	–	391	–
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Non-current assets

Capital works in progress	1,403	–	1,403	–
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Total non-current assets	1,403	–	1,403	–
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Total assets	1,794	–	1,794	–
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Current liabilities

Payables	451	–	451	–
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Total current liabilities	451	–	451	–
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Total liabilities	451	–	451	–
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Net assets	1,343	–	1,343	–
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Refer to Note 22 for details of joint venture capital commitments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		THE CORPORATION	
	Note	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 25 EMPLOYEE BENEFITS					
Aggregate liability for employee benefits, including on-costs					
<i>Current</i>					
Accrued wages and salaries included in other creditors	13	870	620	870	620
Workers compensation	15	750	1,102	750	1,102
Annual Leave					
Included in other creditors	13	728	673	728	673
Provision for employee benefits	15	4,313	3,912	4,313	3,912
		5,041	4,585	5,041	4,585
Long Service Leave					
Included in other creditors	13	115	128	115	128
Provision for employee benefits	15	1,738	1,983	1,738	1,983
		1,853	2,111	1,853	2,111
		8,514	8,418	8,514	8,418
<i>Non-Current</i>					
Workers compensation	15	3,001	3,988	3,001	3,988
Long Service Leave					
Included in other creditors	13	1,152	1,041	1,152	1,041
Provision for employee benefits	15	16,432	14,934	16,432	14,934
		17,584	15,975	17,584	15,975
		20,585	19,963	20,585	19,963
Total employee benefits		29,099	28,381	29,099	28,381

Long Service Leave Provision

The balance at 30 June 2003 was determined on the basis of an actuarial valuation of the outstanding liability carried out by Mr. Christos Papanicolas BSc (Ma) (Hons) ASIA, FIAA of Mercer Human Resource Consulting Pty Ltd.

NOTE 26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

The Corporation has no material contingent liabilities as at 30 June 2003.

Contingent assets

SA Water and Riverland Water Pty Ltd entered into BOOT agreements in 1996 where Riverland Water would provide and operate for 25 years, 10 water treatment filtration plants along the Murray River. See Note 1(f).

Both parties have signed a commercial basis of agreement in February 2003 to renegotiate the terms of the BOOT agreements whereby Riverland Water would undertake further water treatment to replace its economic development obligations. This contingent asset is based on the possible assets arising from a past event which will only be confirmed by the occurrence of a future event not wholly within the control of SA Water. The formalisation of the agreement requires a variation to the original BOOT agreements.

The probability of future economic benefits is greater than remote, the estimated value is commercial in confidence.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	Note	CONSOLIDATED		THE CORPORATION	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
NOTE 27 AUDITOR'S REMUNERATION					
Amounts received and receivable by the auditors for auditing the accounts. The auditors received no other benefits.		243	239	235	226

NOTE 28 CONSULTANCY COSTS

During the year ended 30 June 2003, the Corporation paid \$0.7 million (2002: \$1.0 million) as a result of engaging consultants. Assignments undertaken by consultants included work for operating projects.

NOTE 29 DIVIDENDS

Dividends paid	20	164,845	137,175	164,845	137,175
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The dividends paid to the South Australian Government Consolidated Account on 30 June 2003 were based upon the recommendation of the Board to the Treasurer pursuant to Section 30 of the Public Corporations Act 1993.

NOTE 30 REMUNERATION OF EMPLOYEES

The number of employees whose remuneration received and receivable falls within the following bands is:

			CONSOLIDATED		THE CORPORATION	
			2003	2002	2003	2002
\$		\$	Number of employees		Number of employees	
100,000	—	109,999	12	5	12	5
110,000	—	119,999	9	5	9	5
120,000	—	129,999	5	2*	5	2*
130,000	—	139,999	2	3*	2	3*
140,000	—	149,999	—	5*	—	5*
150,000	—	159,999	5*	3	5*	3
160,000	—	169,999	4	1	4	1
170,000	—	179,999	2	1	2	1
180,000	—	189,999	—	1	—	1
190,000	—	199,999	—	3	—	3
210,000	—	219,999	2	—	2	—
220,000	—	229,999	1	—	1	—
230,000	—	239,999	1	—	1	—
250,000	—	259,999	—	1	—	1
260,000	—	269,999	1	—	1	—
290,000	—	299,999	1	—	1	—
400,000	—	409,999	1*	—	1*	—

The total remuneration received and receivable by those employees was \$6.7 million (2002: \$4.3 million). This amount includes fringe benefits, bonuses (paid for 2002 only) and superannuation payments made to the Department of Treasury and Finance. The SA Water bonus scheme has been abandoned and no bonus payments will be made from or in relation to 2003. These figures include two employees (2002: three employees) who are no longer with the Corporation (denoted by *). The comparatives for 2002 Remuneration of Employees have been restated to include all employees with remuneration received and receivable above \$100,000.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 31 REMUNERATION OF DIRECTORS

The number of Directors of the Corporation whose remuneration received and receivable falls within the following bands is:

				CONSOLIDATED		THE CORPORATION	
				2003	2002	2003	2002
				Number of employees		Number of employees	
	\$	\$					
10,000	–	19,999	2*	1	2*	1	
20,000	–	29,999	2*	–	2*	–	
30,000	–	39,999	1	1	1	1	
40,000	–	49,999	1	2	1	2	
50,000	–	59,999	1	2*	1	2*	
60,000	–	69,999	–	1*	–	1*	
80,000	–	89,999	1	–	1	–	
250,000	–	259,999	–	1	–	1	
290,000	–	299,999	1	–	1	–	

The total remuneration received and receivable by those Directors was \$0.58 million (2002: \$0.56 million) which includes fringe benefits and superannuation contributions. These figures include two Directors (2002: two Directors) who are no longer with the Corporation (denoted by *), as well as the Chief Executive Ms Anne Howe who is also included in Note 30.

NOTE 32 RELATED PARTY DISCLOSURES

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

G.B. Allison	A.D. Howe
F.T. Blevins (appointed 5/12/2002)	S.V. McPhee (resigned 20/12/2002)
R.A. Cook (resigned 31/08/2002)	R.J. Owens (appointed 23/01/2003)
S.M. Doyle (appointed 22/08/2002)	A.E. Thomas
P.W. Pledge	

Dr Allison is a Director and Partner of the Cape d'Estaing Group, a Partner of GB and JD Allison, a Principal of Allison Partners P/L, is on the Investment Committee of the Australian Water Infrastructure Fund and a 15% shareholder in Environmental Solutions (Aust) Pty Ltd.

Mr Cook was the Chairman of the South Australian Tourism Commission, the South Australian Motor Sports Board, Urban Construct Pty Ltd, Brock Partners Pty Ltd and a Director of Adelaide Bank Limited.

Ms Doyle is the Chairman of the Public Sector Superannuation Scheme and the Commonwealth Superannuation Scheme.

Ms Howe is a director of the Construction Industry Training Board and Water Services Association of Australia (WSAA).

Ms McPhee is the Group General Manager Alliances for Qantas and a Director of Australia Post.

Ms Owens is the Treasurer and National Committee Member of the Australian Labour Law Association Inc., Deputy Chair of the Working Women's Centre SA Inc. and a Trustee of the ASKM Adelaide Recitals Trust.

Mr Pledge is a Consultant for Ernst & Young and Chairman of the Adelaide Chamber Orchestra.

Mr Thomas is a Director of Michell Australia Pty Ltd and Engelhardt Eyewear Pty Ltd.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 33 IRRIGATION ASSETS AND LIABILITIES

Assets and liabilities arising from the Irrigation Act 1994 which were controlled by the former Engineering and Water Supply Department were not vested in the Corporation. Government policy is for self-management of Government Irrigation Districts which resulted in the transfer of assets to trusts formed under the Irrigation Act on 1 July 1997 for the Highland Irrigation Areas. During this transitional period, the Corporation continues to manage the irrigation activities for the reclaimed areas on behalf of the Minister for Government Enterprises. In order to reflect this arrangement, the assets and liabilities associated with the irrigation function have been excluded from the Corporation's financial statements. Agreement has been reached whereby the funding of capital works and operations for irrigation activities will be assumed by the Treasurer.

Under this arrangement, the Corporation is able to account for these amounts as advances due from the Minister for Government Enterprises. These amounts are recorded in a separate account, Minister for Government Enterprises – Irrigation Assets.

	CONSOLIDATED		THE CORPORATION	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Balance due from the Minister for Government Enterprises	8,483	8,881	8,483	8,881
Rates revenue – irrigation	(583)	(926)	(583)	(926)
Operating expenses – irrigation	470	661	470	661
Capital works in progress reclaimed areas	–	8	–	8
Contributions received	(34)	(141)	(34)	(141)
	8,336	8,483	8,336	8,483

NOTE 34 TARGETED SEPARATION PACKAGES (TVSPs & TVERs)

In accordance with Government policy, 29 employees (2002: 20 employees) were paid a Targeted Voluntary Separation Package (TVSP) at a total value of \$2.2 million (2002: \$1.3 million) with an additional \$0.9 million paid (2002: \$0.5 million) in accrued annual leave and long service leave entitlements. There were 22 employees (2002: Nil) that were paid a Targeted Voluntary Early Retirement (TVER) package during the period, at a total value of \$1.3 million (2002: Nil) with an additional \$0.6 million paid (2002: Nil) in accrued annual leave and long service leave entitlements.

CHARTER

OF THE SOUTH AUSTRALIAN WATER CORPORATION

1. INTRODUCTION

1.1. Preparation

This Charter sets out the Government's strategic objectives, priorities and requirements for the Corporation.

It has been prepared by the Minister for Government Enterprises and the Treasurer, following consultation with the South Australian Water Corporation, in accordance with Section 12 of the *Public Corporations Act 1993*.

1.2. Statutory Context

This Charter should be read in conjunction with:

- The *Public Corporations Act 1993*;
- The *South Australian Water Corporation Act 1994*; and
- The *Public Finance and Audit Act 1987*.

1.3. Definitions

Expressions used in this Charter have the same meaning as in the *Public Corporations Act 1993*.

In this Charter, the South Australian Water Corporation is referred to as "the Corporation".

In this Charter, unless the context indicates otherwise, references to:

- "water" also refer to wastewater and trade waste;
- "water services" also refer to wastewater and trade waste services; and
- "water industry" or "water systems" also refer to wastewater and trade waste products, services and systems.

In this Charter, "systems management" activities include planning, developing, brokering, managing, operating and maintaining some or all of an area's water systems and water resources management. The operations and maintenance may be provided by the systems manager or through the engagement of other entities in contractual or partnership arrangements.

government-owned water business, and pursue the following strategic directions:

- 2.1.1 be a systems manager providing value-for-money water services within South Australia;
- 2.1.2 develop and commercialise leading water and related services, including technology solutions;
- 2.1.3 assist in promoting economic development in South Australia;
- 2.1.4 manage the assets (including intellectual property) of the Corporation prudently and effectively, and provide agreed returns to Government; and
- 2.1.5 optimise the value of the Corporation whilst achieving other key requirements of Government.

3. GOVERNMENT DIRECTIONS

In pursuing the strategic directions, and undertaking its functions and exercising its powers, the Corporation shall take account of the Government's vision and direction.

3.1. Water Systems

The Government seeks to ensure that South Australians have access to quality water services that promote the health of the public and are sensitive to the natural environment.

To this end, the Corporation shall:

- 3.1.1. within commercial and environmental constraints:
 - provide quality water services; and
 - optimise the geographic and population coverage of those services;
- 3.1.2. observe the requirements of the Government's environmental and health regulators; and
- 3.1.3. cooperate with water resource managers promoting improvement to the flow and quality of raw water supplies used by the Corporation, such as from the Murray Darling Basin and the Mount Lofty Ranges Catchment.

3.2. Economic Development

The Government is committed to ongoing development of the South Australian economy through mechanisms that foster:

- economic growth, investment and reinvestment in South Australia;
- development of exports and entry to overseas markets;

Part 1: The Foundations – Government Directions And SA Water's Strategic Position

2. STRATEGIC DIRECTIONS

- 2.1. The Government requires the Corporation, in fulfilling its statutory functions as set out in the *South Australian Water Corporation Act 1994*, to be a leading

- research, development and commercialisation of technology; and
- development of a strong information economy base.

To this end, the Corporation shall:

- 3.2.1 within commercial constraints, maintain and actively promote water services such that the cost of water services is not an impediment to enterprises being attracted to or retained in South Australia;
- 3.2.2 participate in and facilitate the development of a viable export focussed South Australian water industry;
- 3.2.3 foster investment in the water industry, from within and beyond the State; and
- 3.2.4 research, develop, utilise and commercialise water or related technology, including information technologies.

4. GOVERNMENT POLICIES

- 4.1. In pursuing the strategic objectives in the context of the Government's directions, and undertaking its functions and exercising its powers, the Corporation shall act in accordance with the Government's:
 - 4.1.1. governance framework for public corporations;
 - 4.1.2. policies generally applying to its commercial agencies; and
 - 4.1.3. policies specifically applying to the Corporation.
- 4.2. The Corporation in developing its operating policies shall have regard to other Government policies and strategies, and the interests of other Government agencies.

Part 2: The Corporation's Operations

5. COMMERCIAL OPERATIONS

- 5.1. 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 in Section 6.
- 5.2. **Within South Australia**
 - 5.2.1. The Corporation, in addition to owning water and wastewater assets, shall be a systems manager ensuring the provision of value-for-money water services within South Australia;
 - 5.2.2. Subject to this section, the Corporation may undertake other commercial operations within South Australia where such operations:
 - 5.2.2.1. Support or are ancillary to or utilise by-products of its primary operations; and

- 5.2.2.2. Relate to research and development to support primary or ancillary operations.

5.3. Beyond South Australia

Subject to this section, the Corporation may pursue opportunities beyond South Australia.

The Corporation may investigate but shall not enter into a contract or make a commitment in relation to the undertaking of system management activity beyond South Australia without the written approval of the Minister and the Treasurer, or Cabinet.

5.4. Subsidiaries, Joint Ventures and Other Arrangements

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.

5.5. Other Operations

In addition to its statutory functions, the Corporation shall, until otherwise notified by the Minister, provide the services listed in the Schedule.

5.6. Commercial Activities

The Corporation may undertake:

- 5.6.1. development and continuation of the Corporation's business, consistent with its Strategic Business Plan and directly related to its legislative functions;
- 5.6.2. commercial operations beyond South Australia, in accordance with clause 5.3, and risk management and other financial arrangements agreed with the Minister and the Treasurer; and
- 5.6.3. investment of surplus funds so as to maximise the return in accordance with sound investment practices appropriate to the nature of the funds invested.

6. NON-COMMERCIAL OPERATIONS

- 6.1. The Corporation's non-commercial operations, in terms of the Public Corporation Act 1993, include those operations:
 - 6.1.1. listed in the Schedule to this Charter;
 - 6.1.2. subject to a Community Service agreement between the Corporation and a purchasing Minister; or
 - 6.1.3. agreed to be non-commercial by the Minister and the Treasurer.
- 6.2. The Corporation is required to perform all non-commercial operations so as to minimise their cost to the State.

- 6.3. Non-commercial operations are to be costed and funded in accordance with arrangements determined by the Minister and Treasurer.

- 6.4. The Corporation may undertake approved non-commercial operations within or outside the State.

7. ECONOMIC DEVELOPMENT

7.1. General Competitiveness

The Corporation shall ensure that the cost of its services to industry is not a general impediment to industry attraction to and retention in South Australia.

7.2. Water Industry Development

The Corporation shall encourage, foster and facilitate an export focussed water industry in South Australia by:

- 7.2.1. leveraging the Corporation's expertise, relationships and projects to promote opportunities for South Australian industry participants;
- 7.2.2. assisting South Australian industry participants to develop capabilities for and access to interstate and overseas markets;
- 7.2.3. supporting industry initiatives which foster industry development, best practice and strategic alliances including water industry clusters; and
- 7.2.4. supporting the attraction, engagement and retention of leading global water industry and related firms to the State and the development of relationships which foster investment, promote technology transfer into the State and, through their corporate networks, increase access to overseas markets for South Australian entities.

7.3. Other Economic Development

The Corporation shall also contribute to economic development of the State by:

- 7.3.1. implementing progressive research and development, service delivery and commercialisation strategies;
- 7.3.2. facilitating the development of the water infrastructure of the State; and
- 7.3.3. administering the economic development obligations under service, procurement and supply contracts administered by the Corporation.

Part 3: Financial And Commercial Management

8. FINANCIAL AND COMMERCIAL MANAGEMENT

8.1. Customer Service Standards

- 8.1.1. The Corporation shall develop, in consultation with the community, service standards that shall be approved by the Minister.
- 8.1.2. The Corporation shall revise the customer service standards every three years.

8.2. Form and Content of Accounts and Financial Statements

The Corporation must prepare financial statements based on Australian Accounting Standards, generally accepted accounting principles and practices, including the Financial Management Framework and other applicable instructions of the Treasurer issued under the Public Finance and Audit Act 1987.

8.3. Accounting and Internal Auditing Systems and Practices

The Corporation must establish and maintain:

- 8.3.1. financial and accounting processes, practices and systems in accordance with appropriate standards of practice; and
- 8.3.2. effective internal auditing of its operations in accordance with appropriate standards of practice and the Public Corporations Act 1993.

8.4. Reports on Operations

In addition to statutory reporting, the Corporation must provide the following reports to the Minister and the Treasurer:

- 8.4.1. quarterly performance monitoring report, including Statement of Financial Position, Profit and Loss Account, capital investment and Statement of Cash Flows;
- 8.4.2. quarterly Forward Estimates reports covering the Budget year and the three out years;
- 8.4.3. quarterly reports on any commercial operations beyond South Australia;
- 8.4.4. annual reports on performance against customer service standards; and

- 8.4.5. other information as requested from time-to-time by the Minister or the Treasurer

8.5. Asset Management

- 8.5.1. The Corporation must develop Asset Management Plans reflecting prudent commercial practice.
- 8.5.2. The Corporation shall:
- put in place processes to identify surplus assets which ensure that the Corporation does not, without the prior consent of the Minister, sell, transfer or otherwise release control over assets, including land and buildings, which will be required for the provision of water services; and
 - consult other agencies and take account of any Government requirements in the disposal of surplus land (excluding easements) and buildings.

8.6. Pricing

Rates and other charges are set as follows:

- 8.6.1. Rates: *Waterworks Act 1932* and *Sewerage Act 1929*;
- 8.6.2. Charges: by the Governor in Executive Council; and
- 8.6.3. Charges for Supply by Agreement: *Waterworks Act 1932* and *Sewerage Act 1929*.
- 8.6.4. The rates set under 8.6.1 shall apply to all connections other than those for which an agreement for supply has been concluded.
- 8.6.5. In cases not covered by 8.6.1 and 8.6.2, SA Water may apply commercial tariffs and charges.

9. Borrowing

The Corporation shall maintain an optimal level of debt consistent with benchmark organisations and having regard to prudent commercial practice.

10. Date of Operation

This Charter comes into operation upon the signature of the Minister and the Treasurer, and is binding on the Corporation.

SCHEDULE NON-COMMERCIAL OPERATIONS

Until further notice from the Minister, the Corporation is required to provide the non-commercial operations listed in this Schedule.

Services for which funding is provided by Government or other agencies:

- provision of country water and wastewater services;
- manage and apply pensioners remissions;
- provide exemptions to properties in accord with the *Waterworks Act* and the *Sewerage Acts*;
- provide water and wastewater services to emergency services at no cost; and
- maintain free water services to the City of Adelaide and, for certain uses, the City of Port Adelaide and Enfield.

Services that are funded by the South Australian Water Corporation:

- plumbing standards administration;
- flood mitigation and environmental schemes;
- water services pursuant to the *Water Conservation Act*;
- constructing authority services to the Murray Darling Basin Commission (MDBC) in South Australia and upstream to Lock 9;
- manage and operate assets on behalf of the MDBC;
- irrigation and drainage services within Government Reclaimed Irrigation Districts;
- works management under the *River Torrens Linear Park* and the *South West Suburbs Drainage Act* assets;
- management and administration of water industry economic development agreements on behalf of the Government for South Australia;
- in cooperation with the economic development agencies of Government, facilitate and fund the Water Industry Development Program and the Water Industry Alliance; and
- fluoride dosing of water supplies where appropriate.

5-YEAR STATISTICAL DATA

Water Supply	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003
Adelaide Area					
Consumption (ML)	184,000	181,000	194,400	173,400	178,385
Highest Daily Consumption (ML)	1,153	1,110	1,146	985	1,036
Average Daily Consumption (ML)	504	489	526	484	489
Average Daily Consumption per person (L)	482	468	498	455	454
Estimated Population Supplied (At June 30)	1,045,000	1,050,000	1,053,000	1,064,000	1,077,000
Length of mains	8,478	8,544	8,583	8,642	8,695
Country					
Consumption (ML)	85,000	85,000	94,400	92,576	103,396
Estimated Population Served	413,000	415,000	415,900	423,100	415,000
Length of Mains (KM)	16,353	16,396	16,438	16,476	16,547
Wastewater					
Adelaide Area					
Number of WWTPs	5	5	5	5	5
Number of drainage units	444,450	446,925	453,686	N/A	N/A
Estimated population served (at June 30)	1,025,000	1,029,000	1,032,000	1,034,700	1,047,000
Length of Sewers	6,651	6,711	6,758	6,808	6,855
Country					
Number of WWTPs	19	19	19	19	19
Number of drainage units	55,702	56,666	57,578	N/A	N/A
Estimated Population Served		141,200	141,600	142,200	144,000
Length of Sewers	1,280	1,292	1,300	1,306	1,311
	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003
Finance	\$000	\$000	\$000	\$000	\$000
Revenue (Note 3 Annual Report)					
Water Rates	240,581	253,115	261,884	259,228	293,682
Sewerage Rates	185,837	191,999	198,195	208,209	219,668
Irrigation and Drainage Rate	0	0	0	0	0
Contributions and Grants	27,863	34,957	24,450	29,127	42,811
CSO Funding	77,135	85,259	86,104	90,358	91,706
Sundries	33,683	39,322	42,704	52,926	54,471
Total Revenue	565,099	604,652	613,337	639,848	702,338
Operating Expenditure					
Operations and Services	191,324	212,056	209,412	218,055	250,084
Interest	91,476	92,819	91,421	89,723	82,948
Depreciation	101,060	101,766	103,753	107,582	110,322
Total Operating Expenditure	383,860	406,641	404,586	415,360	443,354
Capital Expenditure					
Water Supply	38,652	46,055	43,686	43,281	54,788
Sewerage	42,013	42,879	47,969	56,788	55,678
Irrigation	0	0	0	0	0
Other	11,885	14,589	10,783	17,292	20,916
Total Capital Expenditure	92,550	103,523	102,438	117,361	131,382
	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003
Personnel					
Employee numbers (FTE's) at June 30					
Field Employees* (formerly Award Employees)	437	390	384	372	348
Office Employees* (formerly Act & Executive Contract Employees)	698	667	658	688	762
* figures do not include Trainees, & aggregate casuals and part time employees					
Total	1,135	1,057	1,042	1,060	1,110
Leave Management					
Average number of sick leave hours taken per FTE	N/A	28.47	33.93	33.95	33.42
Average number of family carer leave hours taken per FTE	N/A	1.60	2.32	2.25	1.96
Average number of special leave with pay hours taken per FTE	N/A	0.08	0.14	0.13	0.10

Water and Wastewater Services	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003
Total Expenses per customer	\$ 602	\$ 596	\$ 607	\$ 610	\$ 630
Expenses Recovery					
Revenue as a % of expenses	151.8%	156.0%	154.7%	157.4%	165.3%
Customer Service					
Percentage of developer contracts prepared within 90 days	100%	100%	100%	100%	100%
Improving Water Quality					
Percentage of filtered water distributed into Adelaide System	100%	100%	100%	100%	100%

Water

Adelaide Metropolitan Area					
Service Calls Per 1000 customers	128	133	117	109	129
Number of priority calls, bursts, leaks per 1000 customers	4.0	3.1	2.8	3.2	4.1
Service interruptions restored in 5 hours (target 80%)	n/a	n/a	92%	92%	92%
Water Quality complaints per 1000 customers	2.2	2.4	2.5	1.8	1.6
% of samples with faecal coliforms absent (microbiological data is related to quality at the consumer tap)	99.9%	100%	100%	100%	100%
Total expenses per customer	\$ 301	\$ 288	\$ 293	\$ 289	\$ 305
Country					
Main breaks per 1000 customers	11.0	10	12.3	10.5	12.3
Main breaks per 100 km of main	11.4	11.0	12.9	11.2	13.2
% interruptions responded to within 1 hour	90%	87%	86%	84%	78%
% of samples free from E Coli	100.0%	100.0%	99.8%	99.9%	99.9%
Total expenses per customer	\$ 704	\$ 694	\$ 727	\$ 745	\$ 762

Wastewater

Adelaide Metropolitan Area					
Chokes in sewer mains per 100km of main	52	42	39	38	47
Chokes in sewer mains per 1000 customers	7.2	7.0	6.0	5.9	7.2
Chokes in property connections per 1000 customers	36	35	33	32	36
Interruptions to service, mains and connections % restored in 8 hrs (target >75%)	81%	84%	84%	N/A	N/A
Restoration of service, mains and connections (full loss of service) restored within 5 hours (target>75%) – revised perf. Standard	–	–	98%	98%	98%
Restoration of service, mains and connections (partial loss of service) restored within 18 hours (target>90%) – revised perf. Standard	–	–	94%	92%	92%
Wastewater overflows reported, % attended within 4 hrs	100.0%	100%	100%	100%	100%
Treated wastewater BOD (Activated sludge plants) mg/L (target <20)	5	4	3	5	4
Treated wastewater SS (Activated sludge plants) mg/L (target <30)	13	15	13	13	10
Treated wastewater soluble BOD (Biological filtration plant) mg/L (target <10)	4	6	4	3	5
Treated wastewater % compliance with internal targets	100%	100%	100%	100%	100%
Treated wastewater % compliance with EPA licences	100%	100%	100%	100%	100%
Total expenses per customer	\$ 227	\$ 236	\$ 233	\$ 247	\$ 241
Country					
Chokes in connections per 1000 customers	25.2	26.1	25.6	28.1	30.1
Chokes in sewers per 100km of sewer	15.5	19	20.8	21.7	21.1
% internal overflows responded to within one hour	100%	100%	100%	100%	100%
Treated wastewater BOD (Activated sludge/extended aeration plant) mg/L	4.0	5.3	3.2	5.9	7.1
Treated wastewater soluble BOD (Lagoon plants) mg/L	5.1	4	4.3	3.6	3.8
Treated wastewater suspended solids (Activated sludge/extended aeration plant) mg/L	7.3	10	7.2	8.2	10.3
Total expenses per customer	\$ 367	\$ 367	\$ 364	\$ 370	\$ 355

OCCUPATIONAL HEALTH, SAFETY AND INJURY MANAGEMENT

Prevention

A comprehensive Occupational Health, Safety, Welfare and Injury Management Manual was launched by the Chief Executive in September 2002. The manual includes policies, procedures, forms and guidelines to provide the framework for the SA Water Occupational Health and Safety (OHS) management system. The manual is available from the Aquanet Home Page and through a limited number of version controlled hard copies and CD ROMs for regional employees.

SA Water's WorkCover evaluation was finalised in February 2003, with the very positive outcome of full compliance with the Performance Standards for Self Insurers. This outstanding achievement clearly highlighted the efforts and commitment of all employees to optimise health and safety across the Corporation.

The main mechanism for consultation between management and employees across SA Water is provided by 10 Consultative Groups and two OHS&W Committees.

External OHS&W Consultants have been engaged by SA Water in a limited capacity to undertake specialist tasks associated with operational issues. The total cost attributable to consultants remains under \$10,000.

In 2002–2003, all strategic OHS targets were achieved, as illustrated in Table 1.

Key Outcome	Target	Actual
Internal Audits Conducted	19	19
Internal Audit Score	75 %	85.3 %
LTIFR	5.5	3.8
Severity Rate	12.0	12.0

Table 1. Strategic OHS Targets 2002–2003

To facilitate continuous improvement in performance outcomes, the internal OHS audit process for 2003–04 has been revised, utilising an environmental scan of internal and external influences to determine the audit program. The revised process will also introduce self-assessment modules to allow business units to evaluate their own performance in key risk areas.

In 2003–04, a risk self-assessment education program will be implemented. The program has been designed to provide employees with the skills required to make adequate risk considerations in non-standard work situations and to then establish a safe working practice based on the outcomes of the self-assessment. In addition, an OHS Expo Day will be held to provide a forum for display and recognition of innovative safety ideas generated by individuals or workgroups.

Rehabilitation and Workers' Compensation

Six SA Water employees participated in a rehabilitation process during the year. The following outcomes were achieved;

- One employee was rehabilitated back to normal duties
- Two employees with restrictions were reassigned to alternative duties.
- Two employees remain on rehabilitation in a suitable work placement
- One employee participating in rehabilitation ceased employment with SA Water

In addition, rehabilitation services were made available to four employees with non-work related injuries and illnesses, allowing a safe, earlier return to work.

The continuing downward trend in the number of key outcome areas for workers' compensation during 2002–03 is illustrated in Table 2.

Key Outcome	Target	Actual
Number of New Claims	68	113
Total Cost of New Claims	\$84,000	\$464,000
Average Cost of New Claims	\$1,229	\$4,106
Outstanding Liability	\$5.090m	\$5.271m
LTFIR	3.8	16.0

Table 2: Workers' Compensation Key Outcome Comparison

The settlement of four long-term claims involving income maintenance and the introduction of the Workforce Refreshment program in operational areas of SA Water have been significant in reducing the organisation's outstanding workers' compensation liability for future years, with a 26% reduction expected next financial year. Settlement of long-term claims with significant cost liability and/or high administrative demands will remain a priority for case management in 2003–04.

Occupational Health Safety & Welfare Data

	2002–03	2001–02
1. OH&S Legislative Requirements		
• Number of notifiable occurrences pursuant to OHS&W Regulations, Division 6.6	3	2
• Number of notifiable injuries pursuant to OHS&W Regulations, Division 6.6	1	0
• Number of notices served pursuant to OHS&W Act, Sections 35, 39 and 40. (Default, improvement and prohibition notices)	0	0
2. IM Legislative requirements		
• Total number of employees who participated in rehabilitation	6	8
• Total number of employees rehabilitated and reassigned to alternative duties	2	1
• Total number of employees rehabilitated back to their original work	1	4
3. WorkCover Action Limits		
• The number of open claims as at 30 June	93	123
• Percentage of workers compensation expenditure over gross annual remuneration (as declared for WorkCover purposes)	0.85	0.96
4. Number of Injuries		
• Number of new workers compensation claims in the financial year	68	79
• Number of fatalities (F),	0	0
• Number of lost time injuries (LTI)	8	12
• Number of medical treatment only (MTO)	60	67
• Total number of whole working days lost	96	103
5. Cost of workers compensation		
• Cost of new claims for the financial year	84 K	93 K
• Cost of all claims excluding lump sum payments paid during the year	420 K	280 K
• Amount paid for lump sum payments (S42, S43, S44 of the WRC Act)	810 K	133 K
• Total amount recovered from external sources S54 of the WRC Act	0	0
• Budget allocation for workers compensation	1.10 M	1.35 M
6. Trends		
• Injury frequency rate (calculated from Australian Standard AS1885) for new lost-time injury/disease for each one million hours worked	3.81	6.0
• Most frequent cause (mechanism) of injury	Manual Handling	Equip. & Machinery
• Most expensive cause (mechanism) of injury	Manual Handling	Equip. & Machinery
7. Meeting the organisation's strategic targets		
• Targets, indicators and results from the organisation's action plan are provided.	All targets met & reported	All targets met & reported

EMPLOYEE NUMBERS

Employees by stream, level, appointment type and gender

Stream	Ongoing			Contract Shorter Term			Contract Longer Term			Casual			Total		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
ADMINISTRATIVE															
Admin. Services Officers															
AS01	7	3	10	2	1	3	—	—	0	2	7	9	11	11	22
AS02	21	46	67	1	9	10	—	2	2	—	12	12	22	69	91
AS03	24	33	57	4	1	5	11	8	19	—	—	0	39	42	81
AS04	27	19	46	—	1	1	1	1	2	—	—	0	28	21	49
AS05	25	5	30	—	—	0	2	1	3	—	—	0	27	6	33
AS06	28	8	36	—	1	1	5	4	9	—	—	0	33	13	46
AS07	14	5	19	—	—	0	2	2	4	—	—	0	16	7	23
AS08	11	3	14	—	1	1	1	1	2	—	—	0	12	5	17
Total	157	122	279	7	14	21	22	19	41	2	19	21	188	174	362
Managers Admin. Services															
MAS1	—	—	0	—	—	0	—	—	0	—	—	0	0	0	0
MAS2	—	—	0	—	—	0	—	1	1	—	—	0	0	1	1
MAS3	2	2	4	—	—	0	10	5	15	—	—	0	12	7	19
Total	2	2	4	0	0	0	10	6	16	0	0	0	12	8	20
TOTAL ADMINISTRATIVE	159	124	283	7	14	21	32	25	57	2	19	21	200	182	382
OPERATIONAL															
OPS1	1	—	1	—	—	0	—	—	0	—	—	0	1	0	1
OPS2	4	—	4	—	—	0	—	—	0	—	—	0	4	0	4
OPS3	41	—	41	1	—	1	—	—	0	—	—	0	42	0	42
OPS4	43	43	—	0	—	—	0	—	0	—	—	0	43	0	43
OPS5	13	13	—	0	—	—	0	—	—	—	—	0	13	0	13
OPS6	13	13	—	0	1	—	1	—	1	—	—	0	14	0	14
OPS7	1	1	—	0	—	—	0	—	—	—	—	0	1	0	1
TOTAL OPERATIONAL	116	0	116	1	0	1	1	0	1	0	0	0	118	0	118
PROFESSIONAL															
Professional Services Officers															
PS01	4	5	9	—	4	4	9	5	14	1	—	1	14	14	28
PS02	14	6	20	—	1	1	4	2	6	—	—	0	18	9	27
PS03	21	2	23	—	1	1	4	—	4	—	—	0	25	3	28
PS04	29	2	31	—	—	0	—	—	0	—	—	0	29	2	31
PS05	14	1	15	—	—	0	—	—	0	—	—	0	14	1	15
Total	82	16	98	0	6	6	17	7	24	1	0	1	100	29	129
Managers Prof. Services															
MPS1	—	—	0	—	—	0	—	—	0	—	—	0	0	0	0
MPS2	—	—	0	—	—	0	—	—	0	—	—	0	0	0	0
MPS3	9	2	11	—	—	0	1	—	1	—	—	0	10	2	12
Total	9	2	11	0	0	0	1	0	1	0	0	0	10	2	12
TOTAL PROFESSIONAL	91	18	109	0	6	6	18	7	25	1	0	1	110	31	141

Employees by stream, level, appointment type and gender

Stream	Ongoing			Contract Shorter Term			Contract Longer Term			Casual			Total		
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T
TECHNICAL															
TG00	3	2	5	—	—	0	—	—	0	—	—	0	3	2	5
TG01	21	12	33	2	—	2	—	1	1	—	—	0	23	13	36
TG02	20	8	28	—	—	0	1	2	3	—	—	0	21	10	31
TG03	21	1	22	—	—	0	—	—	0	—	—	0	21	1	22
TG04	13	1	14	—	—	0	—	—	0	—	—	0	13	1	14
TG05	12	—	12	—	—	0	—	—	0	—	—	0	12	0	12
TOTAL TECHNICAL	90	24	114	2	0	2	1	3	4	0	0	0	93	27	120
EXECUTIVES															
EL1	—	—	0	—	—	0	—	—	0	—	—	0	0	0	0
EL2	—	—	0	—	—	0	—	—	0	—	—	0	0	0	0
EL3	—	—	0	—	—	0	—	—	0	—	—	0	0	0	0
Level A	—	—	0	—	—	0	17	3	20	—	—	0	17	3	20
Level B	—	—	0	—	—	0	10	1	11	—	—	0	10	1	11
Level C	—	—	0	—	—	0	4	—	4	—	—	0	4	0	4
Level D	—	—	0	—	—	0	4	—	4	—	—	0	4	0	4
Level E	—	—	0	—	—	0	—	—	0	—	—	0	0	0	0
Level F	—	—	0	—	—	0	—	1	1	—	—	0	0	1	1
Other Executives	—	—	0	—	—	0	—	—	0	—	—	0	0	0	0
TOTAL EXECUTIVE	0	0	0	0	0	0	35	5	40	0	0	0	35	5	40
CONSTRUCTION, MAINTENANCE & SUPPORT															
Field Employees	319	—	319	7	—	7	5	—	5	—	—	0	331	0	331
Field Trainees	—	—	0	28	—	28	17	—	17	—	—	0	45	0	45
Office Trainees	—	—	0	4	9	13	—	—	0	—	—	0	4	9	13
TOTAL C,M&S EMPLOYEES	319	0	319	39	9	48	22	0	22	0	0	0	380	9	389
TOTAL ALL STREAMS (incl. Trainees & Casuals)	775	166	941	49	29	78	109	40	149	3	19	22	936	254	1190

Employee Age Profile

Age Group (years)	Number of Employees (Persons)			% of all agency employees	% of South Australian Workforce
	Male	Female	Total		
15–19	29	5	34	2.9%	7.3%
20–24	76	35	111	9.3%	10.3%
25–29	53	47	100	8.4%	10.7%
30–34	66	25	91	7.6%	11.5%
35–39	87	31	118	9.9%	11.4%
40–44	94	35	129	10.8%	13.1%
45–49	158	35	193	16.2%	12.1%
50–54	214	26	240	20.2%	10.8%
55–59	121	14	135	11.3%	7.6%
60–64	36	0	36	3.0%	3.7%
65+	2	1	3	0.3%	1.5%
Total	936	254	1190	100%	100%

CONTRACTUAL ARRANGEMENTS

**Service Contracts Exceeding \$4 million in Value
and One Year in Duration**

Meter Replacement Contract – Actaris

The Actaris Pty Ltd (formerly Schlumberger Measurement & Systems Pty. Ltd.) water meter replacement contract commenced on 31 July 1998. During 2002–03, approximately 57 500 water meters were delivered to SA Water as part of a six-year, \$25 million program to replace 440 000 water meters across South Australia.

The SA Water meter contract resulted in the establishment of Actaris' meter manufacturing headquarters at Wingfield, South Australia.

Wastewater Treatment Plant and Re-use Scheme at Aldinga – Henry Walker Environmental

This plant serves the wastewater collection system for the Aldinga Beach and Port Willunga area. The contractor, Henry Walker Environmental (HWE), a subsidiary of the Henry Walker Group, completed the successful design, construction and commissioning of the plant in July 1997. It will operate the facility for 25 years.

SA Water pays for the service under a two-part tariff comprising an availability component and a volume or usage component. All reclaimed water from the plant is being used by HWE for commercial and environmentally sustainable irrigation.

The key objectives in undertaking the project in this manner include:

- To take advantage of private sector efficiencies in the integration of design, contraction and operation of the plants and thereby achieve cost savings;
- To achieve international best practice and access to innovative technology;
- To minimise the level of financial, commercial and technical risks borne by SA Water in the financing, design construction, operation and maintenance of the plants;
- To foster economic development of the water industry through viable private sector participation.

Provision of Treated Water to the Adelaide Hills, Barossa Valley, Mid-North and River Murray towns – Riverland Water Pty Ltd

In August 1996 the Water Treatment and Economic Development Agreement (WTEDA) was signed between the then Minister responsible for State economic development, SA Water and Riverland Water Pty Ltd.

Riverland Water has financed, designed, constructed and will operate and maintain for the period to 2025, a total of 10 water treatment plants to treat water from the River Murray at Summit Storage, Swan Reach, Waikerie, Barmera, Mannum, Berri, Tailem Bend, Renmark, Murray Bridge and Loxton. Ancillary works by SA Water, totalling \$24 million, for the distribution of filtered water into local water supply systems, were completed to support this project. Now that all 10 plants have been commissioned, more than 150 000 people living in over 90 communities in parts of the Adelaide Hills, the Barossa Valley, Mid-North, Yorke Peninsula, the Upper South East and the larger River Murray towns are benefiting from the greatly improved water quality.

The Economic Development aspects of the Agreement require Riverland Water to make a significant contribution to the development of the water industry in South Australia and to generate specified levels of net exports and local purchases.

In view of ongoing difficulties in delivery of the economic development component of the Riverland contract, SA Water and the Minister concluded an agreement with Riverland Water in July 2003 to remove the economic development undertakings and replace them with alternative undertakings which SA Water has valued at approximately \$30 million.

Under the agreement, Riverland Water will pay for significant capital improvements to six of the 10 Riverland plants, operate all 10 plants to more stringent performance standards and bear the additional operating costs over the remaining 22 years of the contract. Riverland Water will maintain its head office in South Australia for the next 22 years of the contract, and United Utilities for the next 10 years.

Adelaide Contract – United Water International

Under this contract, United Water is to manage the operations and maintenance of metropolitan Adelaide water and wastewater systems (including the delivery of capital works for rehabilitation and augmentation) for a

period of 15.5 years commencing 1 January 1996, and to develop a world-class water industry. Ownership of the water and wastewater infrastructure (assets) remains with SA Water. SA Water is responsible for the collection of all revenue from customers in accordance with the rates determined by government. All decisions related to customer service standards, and capital upgrading requirements for the assets, are the prerogative of SA Water.

The key objectives of this contract were:

- Achievement of a significant reduction of costs through the introduction of efficiency improvements in the provision of the services;
- Improvements in the quality of services to customers, as well as the developments in the quality of services to customers;
- Development of a viable, export-focused, vigorous water industry in South Australia.

The objectives of developing a world class water industry in South Australia are as follows:

- The development and growth of a viable, expanding and self-sustaining export-oriented private sector water industry in South Australia, comprised of world class, high value-added high growth, technologically advanced and internationally competitive firms making a major contribution to the economy of South Australia;
- The establishment of the South Australian water industry as a significant participant in the development of water industries in Australia and the Asia-Pacific region;
- The introduction and implementation of international best practice water and wastewater practices and standards in the operation, maintenance and management of Adelaide's water and wastewater systems on a continuing basis. The aim of this process is to make those systems a demonstration site for best practices in the Asia Pacific region on the basis of quality and service, efficiency in operations and innovative development and application of technologies, processes and products.

IT Application Development and Maintenance Services – Kaz Technology Services

In 2000 SA Water entered into a strategic alliance with Kaz Technology Services (formerly Aspect Computing) to secure access to modern software application methods, tools, techniques and skills at reduced cost.

The primary benefits associated with the contract include:

- cost savings achieved by rationalising the number of suppliers;
- improved quality of support services and new systems;
- improved access to new technologies; and
- reduced cycle times for new developments.

IT application development and maintenance services refers to the support and enhancement of the Corporation's customer billing system (CSIS), financial system (MIMS) and a portfolio of approximately 70 minor applications.

The alliance with Kaz to provide technical consulting and project management services is under a 'two plus two plus one' year renewable contract which commenced in February 2001.

CONSULTANCIES

COMMISSIONED BY SA WATER IN 2002–03

Consultancies with a value less than \$10 000

There were eight consultancies with a value less than \$10 000. The total value of these consultancies was \$29 000.

Consultancies with a value between \$10 000 and \$50 000

Brief Summary	Consultancy Firm
Finance and Shared Services Customer Satisfaction Survey	Amherst Group
Provision of Strategic Advice to the Shared Services Group	Amherst Group
Recruitment and Market Position Advice	Stillwell Management Services
Study of Biosolids Waste as a Renewable Energy Source	Ernst & Young
Industrial Relations Advice	Paul Tanner
Corporate Leadership Program	Corporate Vision
Human Resource Strategy Advice	Piper Alderman
Review of Corporate & Marketing Communications	Hender Consulting
Development of a Framework to Assist with the Portfolio Management of Capital Projects	DMR Group Australia
Preparation & Review of Tax-Effect Accounting & Tax Return for Y/E 30/6/02	Ernst & Young
Advice on Third Party Access	Acil Tasman
Cost/Price Review of Water Engineering Technologies	PKF Chartered Accountants
Benchmark Transition Plan Analysis	Macquarie Risk Advisory Service
Audit of Emergency Response Planning	Marsh Risk Consulting
Specialist Taxation Advice	Ernst & Young
Strategic Accommodation Review	Hassell Pty Ltd

Consultancies with a value greater than \$50 000

Brief Summary	Consultancy Firm
Framework for Performance Reporting to the Board and Executive	Arthur Andersen
Conduct a Pilot to Develop a Financial Planning and Budgeting Model	Australian IT Services

TOTAL:

The total value of all consultancies commissioned by SA Water during the 2002–03 financial year was \$656 000.

OVERSEAS TRAVEL

No. of Employees	Destination/s	Reasons for Travel	Total Cost to Agency \$
1	USA	ESRI International GIS Users Conference	11,856
1	USA	American Membrane Technology Conference & visit to membrane treatment facilities	12,600
2*	Europe (various)	IWA symposium on off flavours in the aquatic environment	8,189
2*	USA	Harmful Algal Blooms Conference	3,990
1*	USA	AWWA conference	1,658
2*	USA	Present paper at AwwaRF Technology Conference	5,226
1*	Malaysia	IUVA Asia Regional Conference on Ultraviolet Technologies	1,383
2	USA	Training in WaterGEMS water network distribution software	6,132
1	Europe	Enterprise Architecture Conference Europe 2003	534
1	UK	Secondment to United Utilities	1,644
1	NZ	Meeting on Australian Standards for PVC Pipes, PE Pipes and Plastic pipe systems test and calculation methods	2,789
15		Total	\$56,001

Note: * Employees from AWQC

In addition to travel recorded above, there were an additional three trips overseas which were fully funded by the CRC.

Account Payment Performance 2002-03

Particulars	Number of Accounts Paid	Percentage of Accounts Paid (by Number)	Value in \$A Accounts Paid	Percentage of Accounts Paid (by Value)
Paid by due date	35381	75%	\$298,509,935	81%
Paid within 30 days or less from due date	8752	18%	\$49,247,215	13%
Paid more than 30 days from due date	3423	7%	\$22,920,127	6%

TOP TIPS FOR SAVING WATER

1. Stop the drips! A leaking tap can lose from 11 to 200 litres of water each day.

2. Shorter showers save – a shower uses 10 to 20 litres of water every minute.

3. Cut your water use by installing a water saving showerhead.

4. Install aerators on taps – these can cut water flow and save you thousands of litres of water each year.

5. Turn on dishwashers or washing machines only when they have full loads – and always look for water efficient appliances.

6. Install dual flush toilets to save up to 50% of water each flush.

7. Keep swimming pools covered during hot weather to reduce evaporation.

8. Turn it off! Don't leave taps running if you are brushing teeth, rinsing dishes, washing vegetables, cleaning your hands or shaving.

9. Wash cars on the lawn and use only a bucket of water – or visit a commercial car wash where up to 80% of water is reused.

10. Make your garden water wise. Replace water hungry plants with species that tolerate dry conditions.

11. Soak, don't spray. A good garden soaking two times a week instead of a daily spray reduces evaporation and encourages roots to grow deeper looking for moisture.

12. Concrete and pavers don't need watering – sweep paths and driveways instead.

13. Mulch, mulch, mulch! Mulch, such as lawn clippings and pea straw, drastically cuts evaporation and the need to water.

GLOSSARY

2002–03 ANNUAL REPORT

ANCOLD	Australian National Committee on Large Dams
AWQC	Australian Water Quality Centre
AwwaRF	American Water Works Association Research Foundation
BIL	Barossa Infrastructure Ltd
BOD	Biochemical Oxygen Demand
BPR	Business Process Review
CRC	Cooperative Research Centre
CSIRO	Commonwealth Scientific & Industrial Research Organisation
CSIS	Customer Services Information System
CSO	Community Service Obligation
DAARE	Department for Aboriginal Affairs and Reconciliation
DAIS	Department for Administration and Information Services
DWLBC	Department of Water, Land and Biodiversity Conservation
E&WS	Engineering and Water Supply Department
EIP	Environment Improvement Program
EMS	Environmental Management System
EPA	Environmental Protection Authority
FTE	Full Time Equivalent (employee)
GIS	Geographic Information Systems
GL	Gigalitre
HWE	Henry Walker Environmental
JAS-ANZ	Joint Accreditation System for Australia and New Zealand
KL	Kilolitres
LCA	Life Cycle Analysis
LTIFR	Lost Time Injury Frequency Rate
MDBC	Murray Darling Basin Commission
MIEX®	Magnetic Ion Exchange
MIMS	Mincom Information Management System
ML	Megalitre
NHMRC	National Health and Medical Research Council
OHS&W	Occupational Health, Safety and Welfare
OHS&IM	Occupational Health, Safety and Injury Management
OPT	Off-peak transportation
PD	Position Description
SBU	Sustainable Business Unit
SCADA	Supervisory Control, Automation and Data Acquisition
TVER	Targeted Voluntary Early Retirement Package
WSAA	Water Services Association of Australia
WTEDA	Water Treatment and Economic Development Agreement
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

FEEDBACK FORM

Annual Report 2002-03

Your feedback is important to SA Water as it will assist us to improve our annual reports. You are invited to provide feedback by completing a feedback form, via:

- www.sawater.com.au/annualreportcentre
- Faxing this form to 08 8359 2567
- Posting this form to
Corporate Communications
SA Water, GPO Box 1751
Adelaide, SA 5000

1. You are providing feedback on SA Water's:

Please tick the relevant report(s).

Annual Report	<input type="checkbox"/>
Sustainability Report	<input type="checkbox"/>
Drinking Water Quality Report	<input type="checkbox"/>

2. Please circle your opinion of the following using the scale:

The report(s) contained relevant information for my needs.

AGREE				DISAGREE
1	2	3	4	5

The report provided me with a clear understanding of SA Water and its achievements for the reporting period.

AGREE				DISAGREE
1	2	3	4	5

The information was clearly and concisely written.

AGREE				DISAGREE
1	2	3	4	5

The information was well presented.

AGREE				DISAGREE
1	2	3	4	5

The visual images complemented the written content.

AGREE				DISAGREE
1	2	3	4	5

The length of the report was appropriate.

AGREE				DISAGREE
1	2	3	4	5

If you disagree, what section(s) in your view should be reduced/deleted?

3. Which section(s) was of most interest to you?

4. Which section(s) was of least interest to you?

5. How could the report be improved?

6. I am interested in the SA Water Report as a:

Customer	<input type="checkbox"/>
Media Representative	<input type="checkbox"/>
Service Provider/Contractor	<input type="checkbox"/>
Employee	<input type="checkbox"/>
Community or Environmental Group	<input type="checkbox"/>
Utility/Government	<input type="checkbox"/>
Student	<input type="checkbox"/>
Other, please specify	<input type="checkbox"/>

7. How did you receive your SA Water report(s)?

☐ SA Water web site/e-mail link

If you would like to receive an e-mail and link to our annual report(s) when they are released, please provide your e-mail address:

☐ By mail. Did we have your mailing details correct?
If not, please provide your correct mailing details:

Your feedback is appreciated and valued, Thank you.

HEAD OFFICE

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Government
of South Australia

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SA WATER

ANNUAL REPORT 2003

